

Business Operations and Partnerships Department

Director of Business Operations & Partnerships: Louise Pringle

Council Headquarters, Eastwood Park, Giffnock, East Renfrewshire, G46 6UG

Phone: 0141 577 3000

website: www.eastrenfrewshire.gov.uk

Date: 17 November 2023

When calling please ask for: Linda Hutchison (Tel. No 0141 577 8388)

e-mail: linda.hutchison@eastrenfrewshire.gov.uk

TO: Councillor Andrew Morrison (Chair), Tony Buchanan (Vice-Chair), Provost Mary Montague and Councillors Paul Edlin, Annette Ireland, David Macdonald and Gordon Wallace.

AUDIT AND SCRUTINY COMMITTEE

A meeting of the Audit and Scrutiny Committee will be held in the Council Chamber, Council Headquarters, Eastwood Park, Giffnock, on **Thursday, 23 November at 2.00pm.**

The agenda of business is as listed below.

Yours faithfully

Louise Pringle

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DIRECTOR OF BUSINESS OPERATIONS & PARTNERSHIPS

AGENDA

1. **Report apologies for absence.**
2. **Declarations of interest.**
3. **Chair's Report.**
4. **Clarification Received on Queries Raised at Previous Meetings – Report by Clerk (copy attached, pages 3 – 8).**
5. **Interim Treasury Management Report 2023/24 – Quarter 2 – Report by Head of Accountancy (Chief Financial Officer)(copy attached, pages 9 – 32).**
6. **National External Audit Report – Early Learning and Childcare – Progress on Delivery of the 1140 Hours Expansion – Report by Clerk (copy attached, pages 33 – 44).**

7. **National External Audit Report – Scotland’s City Region and Growth Deals – Progress on 2020 Audit Report – Report by Clerk (copy attached, pages 45 – 48).**
8. **Internal Audit Plan 2023/24 – Implementation Progress – July to September 2023 – Report by Chief Auditor (copy attached, pages 49 – 64).**

For information on how to access the virtual meeting please email:-
linda.hutchison@eastrenfrewshire.gov.uk

A recording of the meeting will also be available following the meeting on the Council’s YouTube Channel <https://www.youtube.com/user/eastrenfrewshire/videos>

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

23 November 2023

Report by Clerk

CLARIFICATION RECEIVED ON QUERIES RAISED AT PREVIOUS MEETING

PURPOSE OF REPORT

1. To summarise the clarification received and circulated on queries raised at the meeting of the Committee held on 26 September regarding the 2022/23 Annual Accounts.

RECOMMENDATION

2. It is recommended that the Committee notes the position.

REPORT

3. In June 2022, the Committee endorsed the final observations and recommendations made by the Committee in April 2022 arising from its self-evaluation, agreeing to implement recommendations made as appropriate.

4. One of the self-evaluation observations made was that when queries on reports are raised at meetings, it is not always possible for answers to be provided at the meeting itself. Although the provision of clarification or assurances subsequently was considered acceptable, it was agreed, in the interests of transparency, that the Clerk should submit a summary of clarification received and circulated to the next meeting.

5. A related observation endorsed by the Committee was that it is useful, where possible, for Members to alert the Clerk or Chair in advance to issues they wish to raise at meetings. This is with a view to helping to ensure that answers can be requested, prepared and made available to the Committee where possible at its meetings, also in the interests of transparency. Members of the Committee are therefore encouraged to alert the Clerk or Chair to issues in advance to the extent possible.

6. The clarification provided on queries raised at the meeting on 26 September, which has already been circulated through correspondence, is itemised in Appendix 1 to this report.

RECOMMENDATION

7. It is recommended that the Committee notes the position.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)
e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Audit and Scrutiny Committee Agenda – 26 September 2023 (Item 6 - 2022-23 Annual Accounts and Draft Annual Audit Report)

CLARIFICATION SOUGHT AND CIRCULATED FOLLOWING MEETING ON 26 SEPTEMBER ON ANNUAL ACCOUNTS

DATE OF MEETING AND ITEM	ITEM AND ISSUE(S) RAISED	CLARIFICATION
26 September 2023 (Item 6)	<p>ANNUAL ACCOUNTS 2022/23</p> <p>It was agreed that the:-</p> <p>(a) Chief Accountant would provide further clarification on when unspent COVID grants would be spent; and</p> <p>(b) Head of Accountancy (Chief Financial Officer) would provide further clarification on why Council income, as shown in the Comprehensive Income and Expenditure Statement within the 2022/23 Accounts, had substantially reduced in relation to the Health and Social Care Partnership (HSCP).</p>	<p>A spreadsheet was provided providing further information and clarification on the COVID grants (See Appendix A).</p> <p>It was clarified that the £10m decrease between 2021/22 and 2022/23 reflected a large increase in COVID and winter planning reserves in 2021/22, whilst there was a net reduction in HSCP reserves in 2022/23. The format of accounting requires the reserves movement to be shown on the Income line in the Comprehensive Income and Expenditure Statement (CEIS).</p>

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Analysis of Grants Carried Forward

Technical Requirement:

* when the Council receives funding that we expect to pay back, maybe because we have money left over after completing the grant requirements, then this is included within the Creditors section of the Balance Sheet.

* when the Council receives funding that we plan to spend but have yet to spend it then this is included within "Unspent Grants" i.e. part of the Usable Reserves in the Balance Sheet. Therefore by default we do not plan to repay any of the following grants.

Grant	Amount £'000	When do we plan to spend this?
Life Changes Trust	28	No deadline on spend
Scottish Trading Standards Society	10	No deadline on spend
Private Sector Housing Grant	20	Mar-24
Developers Contributions	2,611	The spend has to be in line with a list of conditions from Housing developers. As long as we meet the conditions we do not have to repay any of the contributions.
Electric Car Grant	34	Mar-24
West of Scotland Loans fund	80	No deadline on spend
Refugee Funding	621	No deadline on spend
Commuted Sums	1,090	no deadline on spend
Pupil Equity Fund	393	all committed
Strategic Equity Fund	56	all committed
Climate Savers Grant	3	Mar-24
Confucius Grant	15	Mar-24
ELC Expansion to 1140 hours Specific	84	Mar-24
Scottish Milk and Healthy Snack Sche	137	Mar-24
English for Speakers of Other Language	4	Mar-24
	5,186	

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EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE23 November 2023Report by Head of Accountancy (Chief Financial Officer)INTERIM (QUARTER 2) TREASURY MANAGEMENT REPORT FOR 2023/24**PURPOSE OF REPORT**

1. To advise the Audit & Scrutiny Committee on the Treasury Management activities for the Quarter ending 30 September 2023.

RECOMMENDATION

2. It is recommended that the Committee: -
 - a) note the Interim Treasury Management Report for Quarter 2 2023/24; and
 - b) recommend to the Council that the attached organisations for investment of surplus funds be approved.

BACKGROUND

3. In line with the CIPFA Code of Practice on Treasury Management, the Audit & Scrutiny Committee is responsible for ensuring effective inspection of treasury management activities and this report is submitted in accordance with this requirement.

SUMMARY

4. Overall the report demonstrates a well-managed treasury function within the Council. The average interest rate on long-term borrowing has remained the same from that reported in September. The Council continues to adopt a prudent approach to treasury management and in particular the percentage of loans held as at 30 September 2023 that had variable interest rates was 7.17% which is well below the Council's approved upper limit of 15%. The resulting stability in borrowing assists the Council in responding to the current national economic pressures.

RECOMMENDATION

5. It is recommended that the Committee: -
 - a) note the Interim Treasury Management Report for Quarter 2 2023/24; and
 - b) recommend to the Council that the attached organisations for investment of surplus funds be approved.

REPORT AUTHOR

Head of Accountancy (Chief Financial Officer): Margaret McCrossan

Chief Accountant: Barbara Clark

Telephone Number: 0141 577 3068

E-mail: Barbara.Clark@EastRenfrewshire.gov.uk

Report Date: 9 November 2023

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INTERIM TREASURY MANAGEMENT REPORT QUARTER 2 2023/24

Table 1

1. Actual External Debt

	Borrowing 30/06/23 £M	Average Interest %	Borrowing 30/09/23 £M	Average Interest %	Change in year £M
<u>Long Term Borrowing</u>					
Public Works Loan Board	112.85	3.30	112.85	3.30	0.00
Local Authority Bonds	14.40	4.60	14.40	4.60	0.00
PFI / PPP Finance Leases	73.50	7.18	73.50	7.18	0.00
Total Long Term	200.75	4.81	200.75	4.81	0.00
<u>Short Term Investments</u>					
Temporary Investments	(48.94)	4.75	(53.67)	5.17	4.73

NOTES

- (i) For the purposes of this report long-term borrowing means loans taken on a long-term basis. This differs from the Annual Accounts, which have to categorise long-term loans with less than a year until repayment as short-term loans. Loans above totalling £0.365 million come into this category.
- (ii) The Treasury Strategy approved by the Council on 1st March 2023, ratified external borrowing of £58m from the Public Works Loan Board to be undertaken. However at present no new borrowing has been undertaken due to a recommendation by the Head of Accountancy to defer long term borrowing, where possible, until the current high interest rates come down. There was no repayment of Long Term Borrowing during the quarter.
- (iii) The average interest rate on long-term borrowing has not changed from that reported previously.
- (iv) The Council's net external borrowing position has increased in total by £4.73 million during the quarter due to both revenue and capital cash flows.
- (v) The Council's activity in the temporary investments market is shown along with the corresponding interest rate movements in Appendices 2 – 5. In response to difficulties in the financial markets and as part of a risk managed process designed to protect the principal of the sums invested, during the course of the year the maximum period of investment was restricted to 6 months.
- (vi) At 30 September 2023, 7.17% of the total debt outstanding consisted of loans which had a variable rate of interest. For the Council to gain a high level of stability in overall borrowing costs, the Council's Treasury Policy Statement requires the exposure to variable rate loans to be less than 15% of the total debt outstanding.

- (vii) Appendix 6 shows the Bank of England MPC base rate covering the period April 2022 to the date of this report.

2. PWLB

The primary source of medium/long term borrowing is from the UK Government through the Public Works Loan Board (PWLB). The PWLB provides loans to local authorities at rates, which are in general more attractive than loans available from other sources.

3. DEBT MATURITY PROFILE

The Council's debt maturity profile at 30 September 2023 is shown both below and in Graph format at Appendix 7.

It is a requirement of the Council's Treasury Policy Statement that the maximum amount of long-term debt maturing in any one year should be no more than 15% of the Council's long-term debt outstanding, at the time of borrowing.

The Council's Debt Maturity Profile as at 30 September 2023 was within the agreed limits.

Long Term Debt Maturity Profile as at 30 September 2023

	PWLB	Local Authority Bond	Total	
	£M	£M	£M	%
23/24	0.36	0.00	0.36	0.28
24/25	0.00	0.00	0.00	0.00
25/26	0.00	0.00	0.00	0.00
26/27	5.01	0.00	5.01	3.94
27/28	2.01	0.00	2.01	1.58
28/29	0.00	0.00	0.00	0.00
29/30	0.00	0.00	0.00	0.00
30/31	0.00	0.00	0.00	0.00
31/32	0.00	0.00	0.00	0.00
32/33	0.00	0.00	0.00	0.00
After 2033/34	105.47	14.40	119.87	94.20
Total	112.85	14.40	127.25	100.00

4. PRUDENTIAL INDICATORS

In line with the agreed monitoring arrangements for the Prudential Indicators, listed below there is a table showing all the prudential indicators comparing the approved indicator, as reported to the Council on 1 March 2023 along with the projected outturn figures recorded at 30 June 2023 and at 30 September 2023, demonstrating that the Council is operating well within the limits set.

Prudential Indicator	Approved indicator	Projected Outturn @ 30/06/23	Projected Outturn @ 30/09/23	COMMENT
1. Capital Expenditure	£81,167,000	£66,541,000	£59,176,000	Movement is due to revised planning of capital projects within both the Housing and General Fund Capital Programmes.
2. Capital Financing Requirement	£304,873,000	£273,138,000	£266,180,000	Movement is due to a reduction in net capital expenditure in both previous and current years.
3. Operational Boundary for External Debt	£309,855,000	£278,120,000	£271,162,000	Movement is due to a reduction in permitted borrowing from that approved due to a reduction in capital spend in both the previous and current year.
4. Authorised Limit For External Debt	£345,308,000	£308,813,000	£300,812,000	In addition to the variance explanation for the Operational Boundary for External Debt above, the Authorised limit for External Debt also includes a further 15% allowance to cover any unexpected temporary movements.
5. Gross Debt	£253,770,000	£228,270,000	£205,770,000	Movement is due to the re-profiling of capital expenditure to future years and to deferral of borrowing, if possible, until rates come down.
6. Gross Borrowing to	(£51,103,000)	(£44,868,000)	(£60,410,000)	Movement is due to a reduced net borrowing

CFR (Under)/Over				requirement as a result of a reduction in capital expenditure in both previous and current years, along with a deferral of borrowing, if possible, until rates come down.
7. Financing to Net Revenue Stream Non – HRA HRA	6.7% 34.4%	6.7% 32.4%	6.7% 32.8%	HRA variation is in-line with a reduction in financing costs, along with increased rental income compared to the approved indicator. The variance from the previous quarter relates to a slight increase in financing cost due to increases in interest rates.
8. HRA - Ratio of Debt to Revenue	337.0%	305.8%	294.0%	The variation is due to a combination of reduced debt and increased rental Income from approved indicator. The variance from the previous quarter relates to a reduction in total debt due to a reduction in capital spend.
9. HRA – Debt Per Dwelling £	16,450	15,682	15,079	The variation is due to a combination of reduced debt and a reduction in the number of dwellings from the approved indicator. The variance from the previous quarter relates to a reduction in total debt due to a reduction in capital spend.
10. Code of Practice For	The Council has adopted the CIPFA	All of the approved activities within		

Treasury Management	Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes	the Council Treasury Management Policy Statement have been complied with.		
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The movement between the Capital Financing Requirement and the Gross Debt indicates the amount of internal borrowing required. The indicator above “Gross Borrowing to CFR” and the table below show that the capital borrowing need (the Capital Financing Requirement), has not been fully funded by external loan debt as the cash supporting the Council’s reserves, balances and cash flow has been used as a temporary measure. This strategy remains both prudent and cost effective as borrowing costs are currently relatively high and the Head of Accountancy has requested that borrowing, where possible, is not undertaken until interest rates come down from their current level.

	Approved Indicator	Projected Outturn @ 30/06/23	Projected Outturn @ 30/09/23
Capital Financing Requirement	£304,873,000	£273,138,000	£266,180,000
Gross Debt	£253,770,000	£228,270,000	£205,770,000
Internal Borrowing Required	£51,103,000	£44,868,000	£60,410,000

5. DEBT PERFORMANCE INDICATOR

The Treasury Strategy sets out the following two debt performance indicators

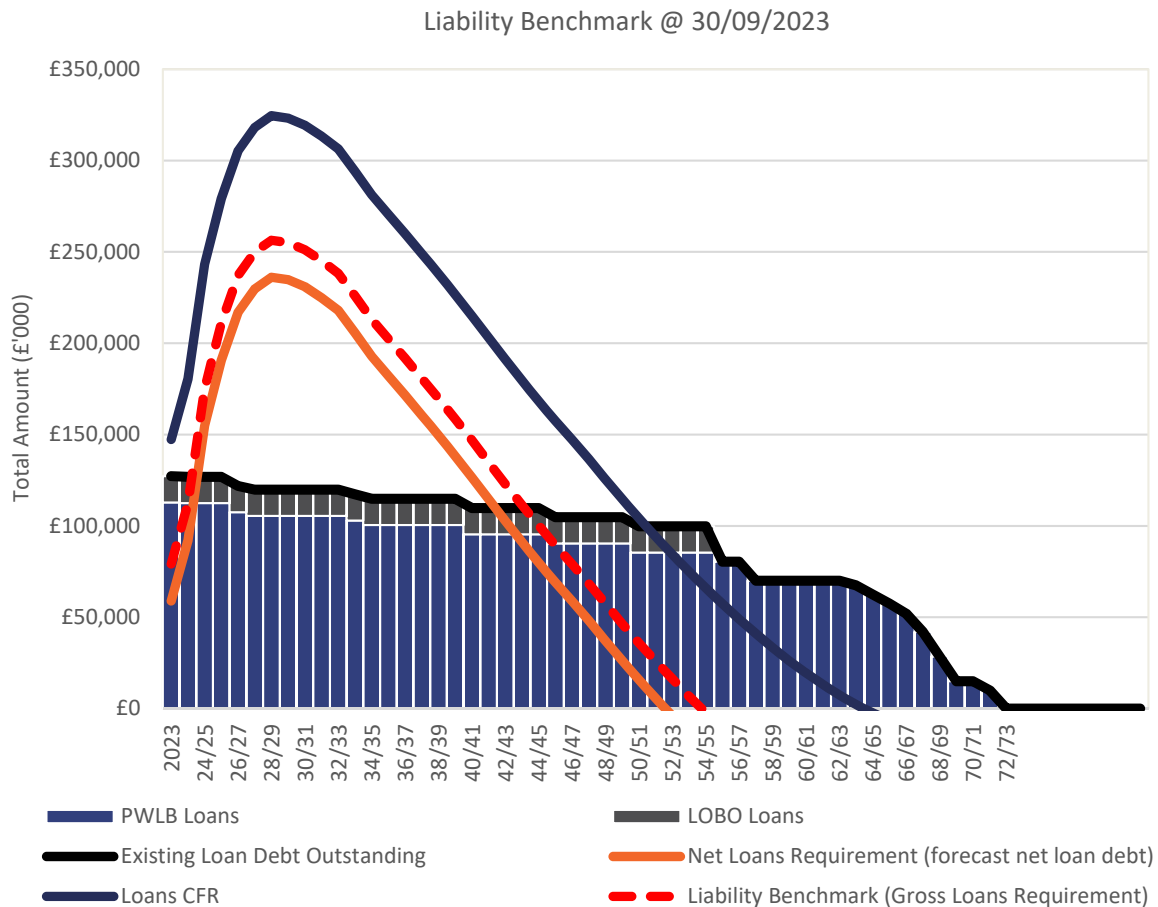
- i) Average “pool rate” compared to Scottish average:
 - East Renfrewshire Council 2022/23 was 3.34%
 - Average All Scottish Local Authorities 2022/23 was 3.486%.
- ii) Average borrowing rate movement year on year:
 - Average borrowing rate in 2021/22 was 4.99%
 - Average borrowing rate in 2022/23 was 4.81%. Although this a decrease of 0.18%, the variance is likely to increase as new loans are taken due to the high interest rates currently available. The target set in the Treasury Strategy to maintain or reduce rates year on year may therefore be difficult to achieve.

6. Liability Benchmark

A new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum. It is a projection of the amount of loan debt outstanding that the Council needs to fund its existing debt liabilities, planned prudential borrowing and other cashflows.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund principal repayments.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.



7. APPROVED ORGANISATIONS FOR INVESTMENT

In line with normal practice the status of all Banks and Building Societies has been reviewed in order to amend the current list of approved organisations for investment (see appendix 8). No changes have been made to the list since last reported on 26 September 2023. All lending is in line with the permitted methods of investment which were approved by Council on 1 March 2023 as part of the Treasury Management Strategy report.

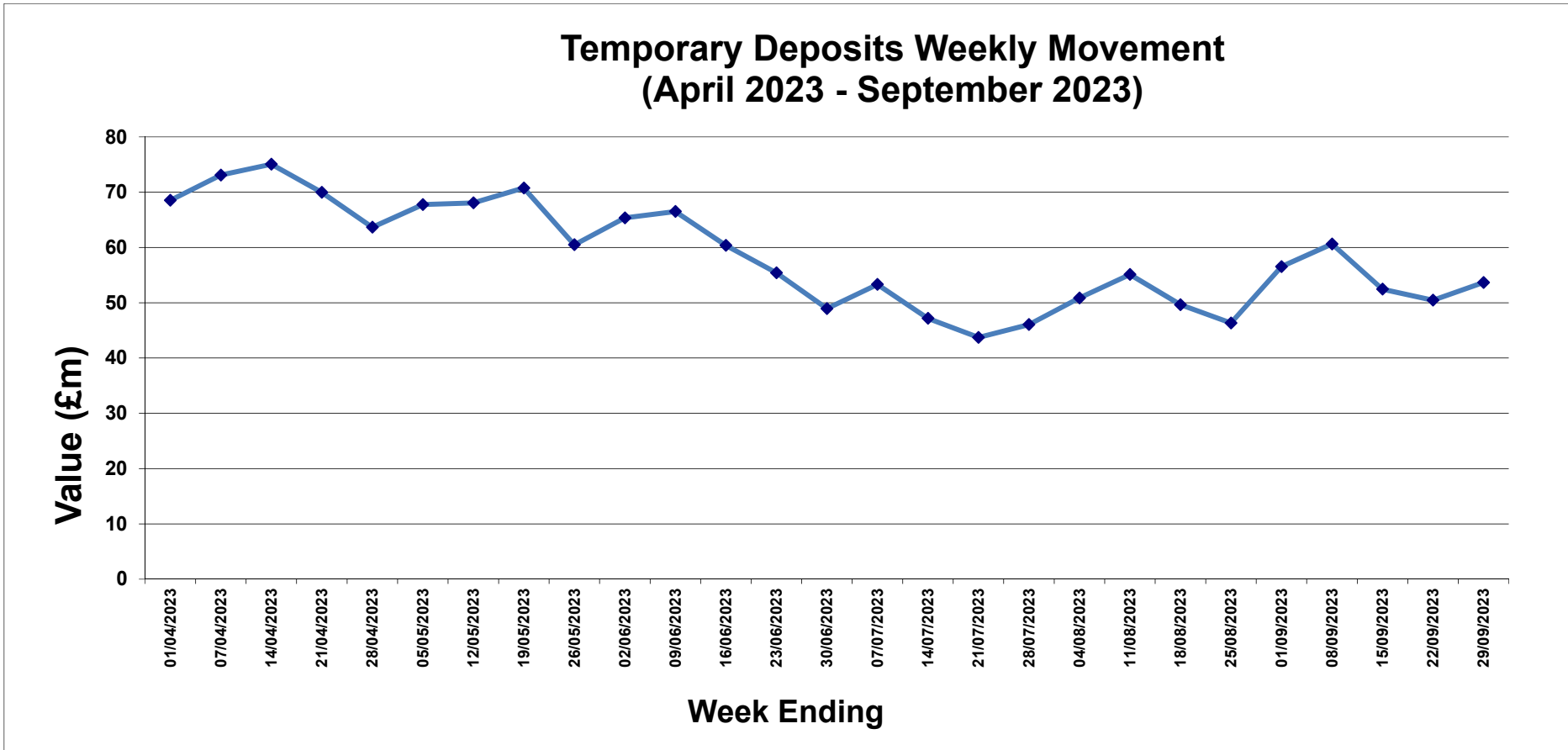
As a result of the banking crisis and in line with prudent financial management, investment has been restricted to UK organisations with high credit ratings. Also, the maximum period of investment was restricted to 6 months, in line with advice from our Treasury Advisers, Link Asset Services. These measures have been taken as part of a risk managed process designed to protect the principal of the sums invested.

Credit ratings of organisations on the counter-party list are subject to continuous monitoring and review to ensure that subject to available professional advice, approved organisations remain sound for investment purposes.

8. TREASURY MANAGEMENT RISK

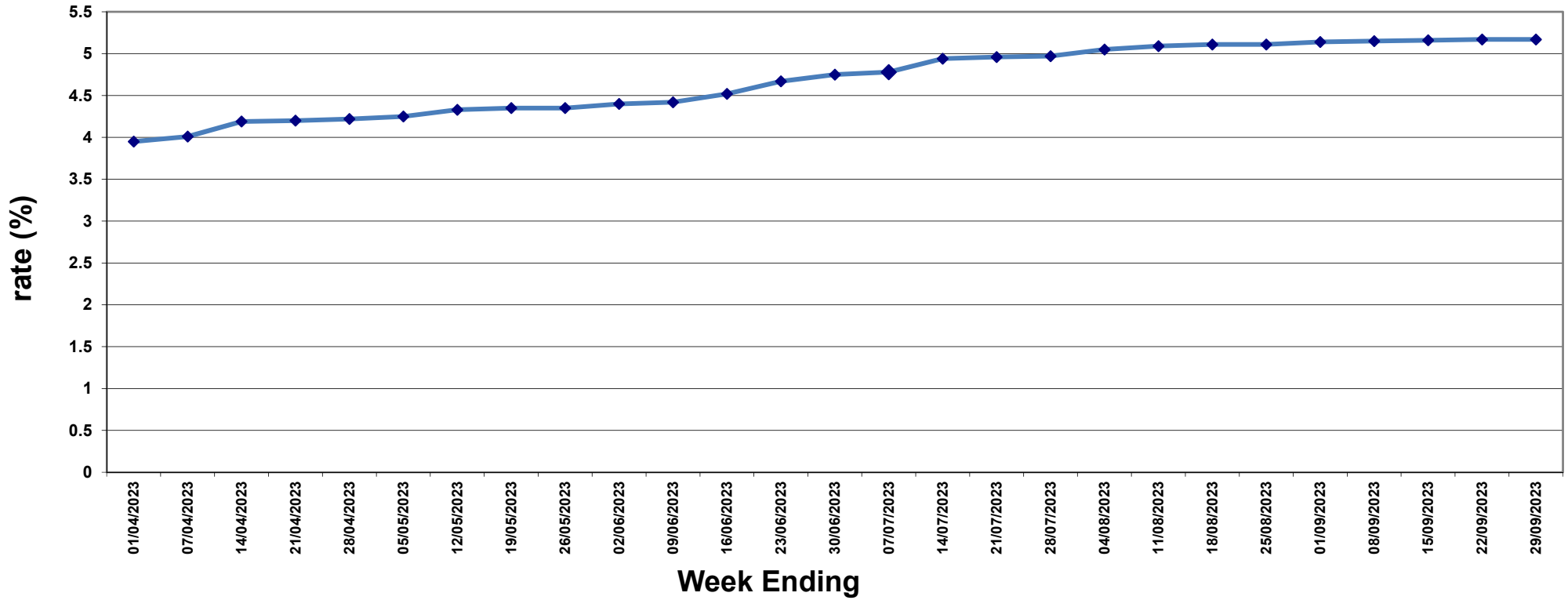
Within the Operational Risk Register for Accountancy Services there is a risk listed that highlights the difficulty in obtaining sufficient institutions, that meet the Council's criteria, to invest surplus funds with. To minimise this risk the Council has six Money Market Funds which provide highly diversified investments.

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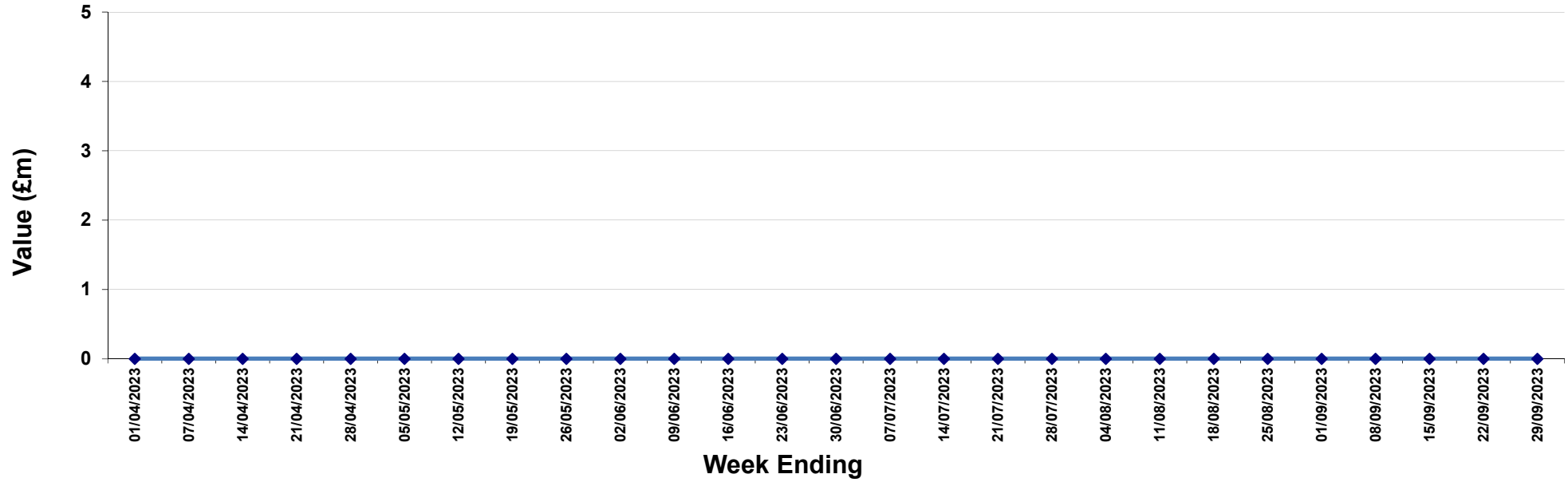
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Temporary Deposit Interest Rate Movements (April 2023 - September 2023)



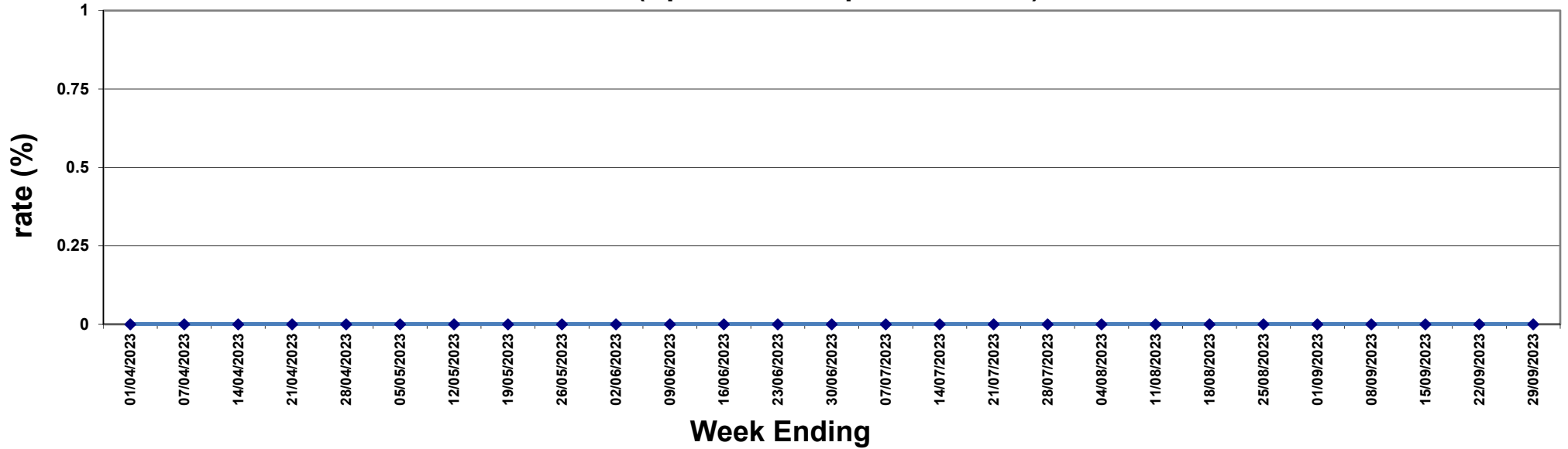
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Temporary Borrowing Weekly Movement (April 2023 - September 2023)



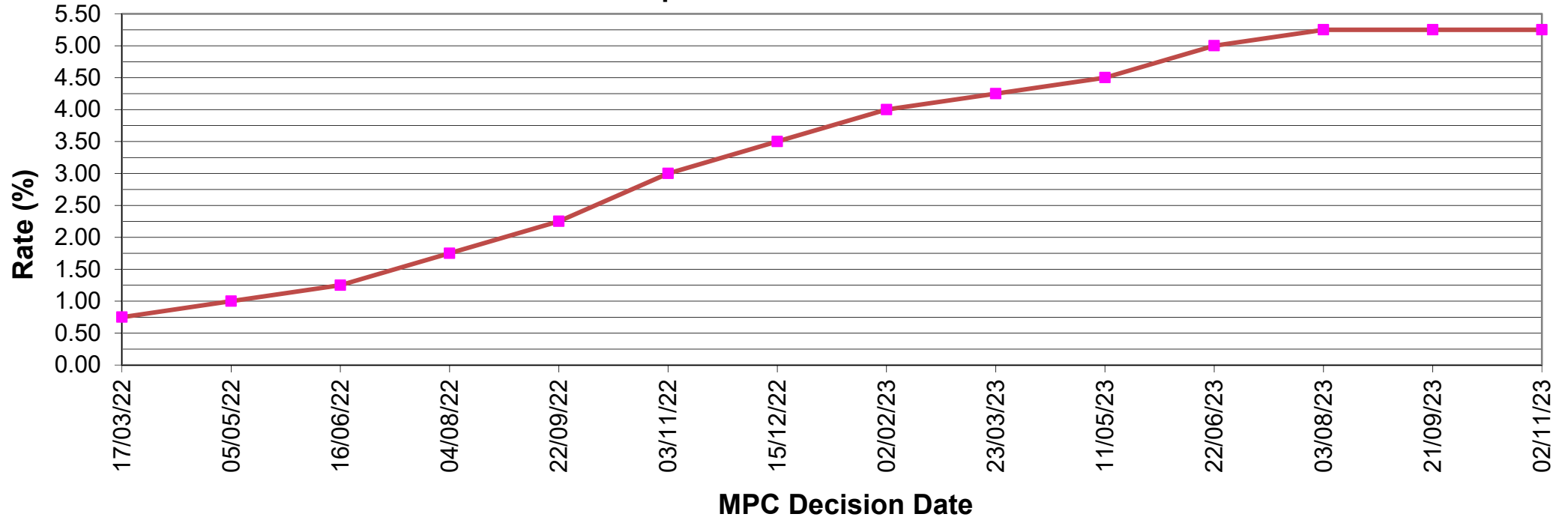
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Temporary Borrowing Interest Rate Movements (April 2023 - September 2023)



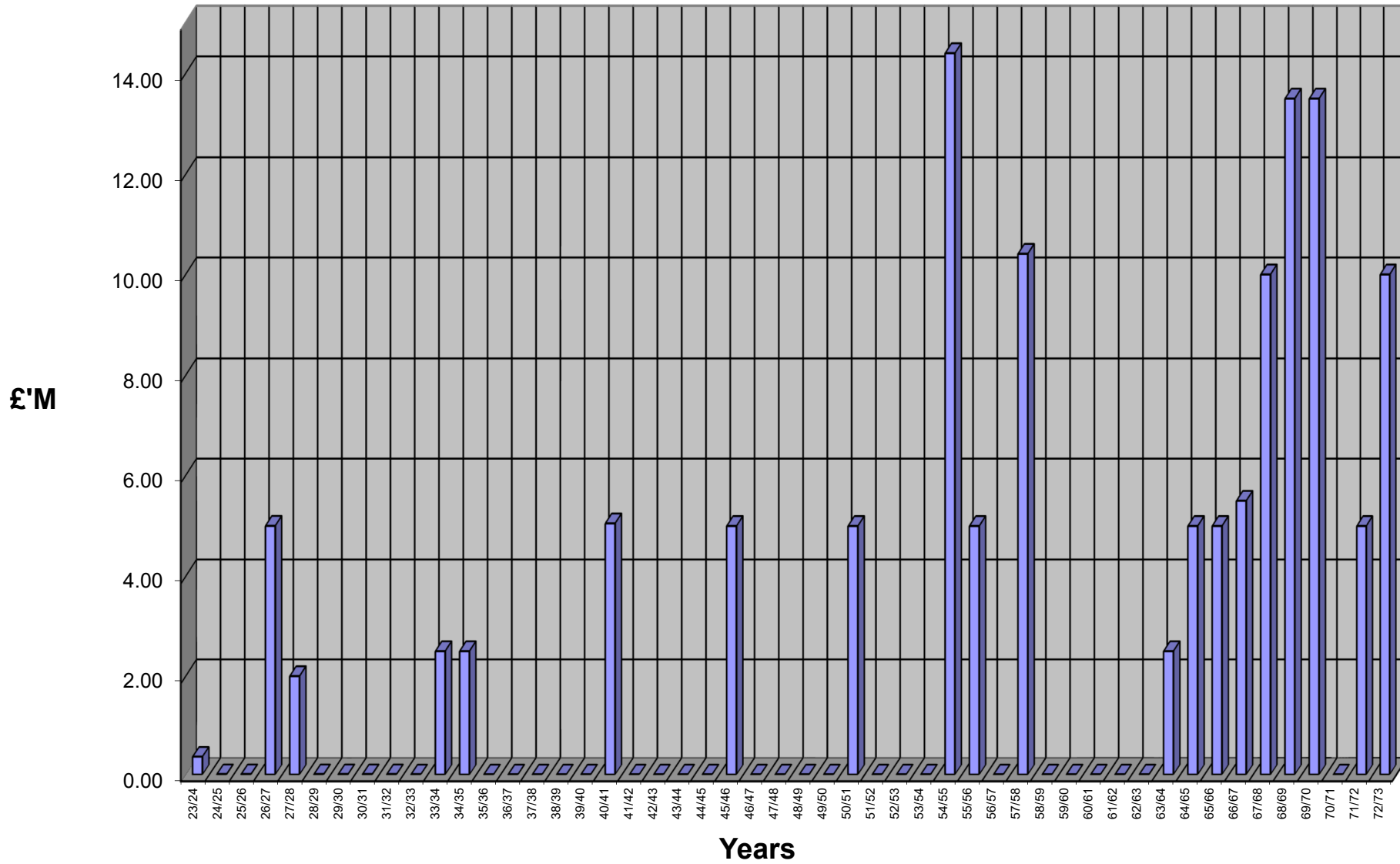
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**Bank of England
Base Rate Movements
April 2022 to November 2023**



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Long Term Debt Maturity Profile as at 30/09/2023



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EAST RENFREWSHIRE COUNCIL

ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS
Limits

Banking Group	Individual Counterparty	Deposit	Transaction
Bank of England	Debt Management Office	£30m	£10m
	UK Treasury Bills	£5m	£5m
Barclays Banking Group	Barclays Bank plc	£5m	£5m
Goldman Sachs International Bank		£10m	£10m
Lloyds Banking Group:	Bank of Scotland plc	£5m	£5m
	Lloyds Bank Corporate Mkt (NRF)	£5m	£5m
Royal Bank of Scotland Group:	Royal Bank of Scotland plc	} £5m	£5m
	National Westminster Bank		£5m
Santander Group	Santander UK plc	£10m	£10m
Standard Chartered Bank		£10m	£10m
Clydesdale Bank		£5m	£5m
Building Societies			
Nationwide		£10m	£10m
Local Authorities			
All Local Authorities including Police & Fire		£5m	£5m
Money Market Funds and Ultra-Short Dated Bond funds			
Maximum limit of £10m per fund		£60m	£10m

Credit Ratings

	Fitch		Moody's		S&P	
	LT	ST	LT	ST	LT	ST
Minimum Criteria (unless Government backed) (please note credit ratings are not the sole method of selecting counterparty)	A-	F1	A3	P-1/P-2	A	A-1/A-2

Limit

Investment of surplus funds is permitted in each of the above organisations, limits can only be exceeded or another organisation approved with written permission of the Chief Financial Officer.

Deposit Periods

The maximum period for any deposit is based on the Link Asset Services suggested Duration matrix with a maximum of 6 months. These limits can only be exceeded with the written permission of the Chief Financial Officer.

Hub scheme deposit periods are dependent on the lifetime of the associated scheme.

EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

23 November 2023

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT – EARLY LEARNING AND CHILDCARE
PROGRESS DELIVERING THE 1140 HOURS EXPANSION

PURPOSE OF REPORT

1. To provide information on the Audit Scotland report, *Early Learning and Childcare - Progress Delivering the 1140 Hours Expansion*.

RECOMMENDATION

2. It is recommended that the Committee considers the report.

BACKGROUND

3. A copy of the Audit Scotland report, [Early Learning and Childcare - Progress on Delivery of the 1140 Hours Expansion](#), published in June 2023, has already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Member leading the review of this particular report is Councillor Wallace.

4. The Director of Education has provided comments on the report. A copy of that feedback is attached (see Appendix A).

RECOMMENDATION

5. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)
e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Audit Scotland report on [Early Learning and Childcare - Progress on Delivery of the 1140 Hours Expansion](#)

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EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE23 NOVEMBER 2023Report by Director of EducationRESPONSE TO NATIONAL EXTERNAL AUDIT REPORT:
EARLY LEARNING AND CHILDCARE**PURPOSE OF THE REPORT**

1. To provide information on the Audit Scotland report, Early Learning and Childcare (June 2023) and to comment on such within the context of ELC in East Renfrewshire.

RECOMMENDATION

2. Elected members are asked to note the department's progress against the national position of delivering 1140 hours of ELC.

BACKGROUND

3. Audit Scotland published 3 reports as part of a series of audits on ELC. The [first report](#) was published on February 2018 and commented on the delivery of the expansion to 600 hours of funded Early Learning and Childcare (ELC). It also commented on the planning for the expansion to 1140 hours of funded ELC for all 3 and 4 year olds and eligible 2 year olds by August 2020. This report was the subject of a paper to Audit and Scrutiny Committee in June 2018

4. The second Audit Scotland report on [Early Learning and Childcare](#) was published on March 2020 and was in two parts: Part 1 commented on the progress with delivering the expansion to 1140 hours of funded Early Learning and Childcare (ELC); Part 2 commented on the planning for the evaluation of the policy. This report was the subject of a paper to Audit and Scrutiny Committee in August 2020.

5. A third Audit Scotland report on [Early Learning and Childcare](#) was published in June 2023. Again this report was in two parts: Part 1 commented on the progress with delivering the expansion to 1140 hours of funded Early Learning and Childcare (ELC); Part 2 commented on the planning for the assessment of the impact of the expansion.

6. Audit and Scrutiny Committee may also be aware of numerous reports to East Renfrewshire's Education Committee, relating to the expansion to 1140 hours by August 2020. These are listed in the background papers.

REPORT

7. The Audit Scotland report (June 2023) sets out six key messages as listed below. This paper comments on these as pertinent to local authorities in general and East

Renfrewshire in particular.

Key Messages

1. *The Scottish Government and councils did well to put in place 1140 hours of funded early learning and childcare (ELC) by August 2021, during the Covid-19 pandemic. Councils completed most of the infrastructure projects and had significantly expanded the workforce.*
2. *Take-up among three- and four-year-olds remains high and most parents are happy with the flexibility available. More two year-olds are now receiving funded ELC, but many more are estimated to be eligible. The Scottish Government and partners have made progress with data-sharing arrangements to allow councils to identify- eligible two-year-olds.*
3. *This is a flagship policy which underpins broader ambitions to reduce child poverty and to support economic transformation. Around £1 billion is invested in it annually. But the sector is fragile. Budget pressures and risks around workforce and the sustainability of funded providers, such as private nurseries and childminders, risk limiting flexibility and choice for families, which are important to achieving the intended policy outcomes.*
4. *In 2021/22, councils spent £956 million on pre-primary education, but apportioning spending specifically to the expansion is complex. The Scottish Government does not know how much has been spent in total by councils on phasing in the additional hours between 2018/19 and 2021/22. The Scottish Government plans to assess the policy's value for money by comparing the costs and outcomes of providing 600 hours of ELC in 2018/19 with the costs and outcomes of delivering 1140 hours in 2023/24.*
5. *There have been further delays in developing software needed to improve the management and monitoring of ELC services. Also, data gaps still exist around workforce movement and whether funded providers pay the living wage.*
6. *It is too early to assess whether the expansion has led to better outcomes for children and increased opportunities for their parents to work, study or train. The Scottish Government has developed plans to evaluate the impact of the expansion and collect the necessary data. The impact of Covid-19 on children's development and their families' economic circumstances will make the evaluation more challenging. Outcomes will be covered in our future audit work.*

The Expansion to 1140 hours for all eligible 2, 3 and 4 year olds in East Renfrewshire

7. The Scottish Government announced on Tuesday 31 March 2020 that as a result of the Covid-19 pandemic, the decision had been taken to remove the statutory duty on education authorities to make 1140 hours of early learning and childcare (ELC) available to each eligible child from August 2020.
8. The Education Department considered the implications of this decision, in particular the delay to our planned infrastructure programme and the impact on our 'grow our own' workforce completing their necessary qualifications and the likelihood that families were planning both their childcare and financial needs on the basis of 1140 hours early learning and childcare being available from August 2020.

9. In June 2020, Education Committee approved the department's proposal to continue to progress with plans to deliver 1140 hours of early learning and childcare for all eligible 2, 3 and 4 year old children from August 2020 albeit in a more limited way given the impact of Covid-19 on plans.

10. In December 2020 the Scottish Government confirmed its commitment to every eligible 2, 3 and 4 year old child receiving 1140 hours of free early learning and childcare, with a new implementation date of August 2021.

11. By August 2021, East Renfrewshire's children and families had been receiving the additional entitlement of 1140 hours of early learning and childcare for 1 year. The completion of infrastructure projects enabled increased flexibility, along with the free meal entitlement to be fully rolled out.

12. Almost all families of children aged 3 and 4 years in East Renfrewshire have taken up their increased entitlement to 1140 hours of ELC (94%). With currently 2200 children in ERC ELC provision, approximately 1800 in local authority settings and 400 funded to attend partnership nurseries and childminders.

13. From August 2020, Isobel Mair Family Centre exclusively provided places for children with Additional Support Needs, ensuring that all children were offered 1140 hours of ELC. Increased spaces within our Preschool Assessment and Development Unit (PSADU) in Carlibar and Carolside Primary Schools and the continuation of the satellite ASN provision in Arthurlie Family Centre enabled the department to fully meet needs of all eligible children and families.

14. A consultation was carried out with parents in autumn 2020 to seek their views on the increased provision available and to help shape the department's next steps. Eighty percent of respondents selected a positive response demonstrating a high level of overall satisfaction with the delivery of 1140 hours of ELC.

15. This was further illustrated through the comments where one of the most common themes was of gratitude and appreciation that East Renfrewshire Council was delivering 1140 hours despite the difficulties associated with the pandemic. Respondents were appreciative of the work being carried out in our settings. Families reported that the new hours suited their work and family life, relieving financial pressures and reducing the amount of time grandparents were being asked to provide childcare. They recognised the high quality of early learning and childcare that their children received in both local authority and funded provider settings where their children were thriving.

16. From August 2020 all eligible two year olds were offered 1140 hours of ELC.

17. The department continues to promote the entitlement of 1140 hours Early Learning and Childcare for all eligible 2 year olds in partnership with our colleagues including Health Visitors, Social Workers and Family First Workers who are fully aware of the eligibility criteria and encourage families to apply for places. Places are allocated through a Local Admissions Panel (LAP).

18. Although uptake of this entitlement in East Renfrewshire, has been positive (with an average of 21% of eligible children accessing this provision), until recently it has been challenging to identify those eligible. Identifying and offering places has relied on officer promotion, self-referral and existing strong relationships with colleagues in Department of Work and Pensions (DWP). However, this year the Scottish Government has introduced new data sharing arrangements, enabling officers to identify more eligible 2 year olds. Using this information, the department has recently written to all eligible families, offering

provision. Whilst it is non-statutory and parental choice to access a place, early signs are positive with families indicating an interest.

19. The number of deferral applications for those children born between the start of term in August and the end of December increased from 40 in 2022-23 to 64 in session 2023-24 representing 41% of all requests. This reflects the change in legislation that entitles these children to funded ELC, rather than this being discretionary, as in the past. A further 4 applications were made for children to defer whose birthday is before the start of term in August, 3 of these have been granted, with the other being allocated suitable school age provision.

20. Since August 2015 the Education Department has continued to increase incrementally the flexibility on offer to parents to support with childcare, training and work commitments.

21. The Education Department is continually evaluating provision, ensuring that models offered continue to meet the choice and flexibility needs of the children and families in East Renfrewshire. To support with this and to adhere to The Children and Young People (Scotland) Act 2014, the department consults with families on the provision of ELC every two years and updates its plan for ELC delivery.

22. In November 2022, Education Committee noted and commented on the results of the most recent consultation that had taken place through autumn 2022, and the changes to the offer to children and families. This included the introduction of further models of provision, again increasing flexibility and choice for families.

23. The Scottish Government planned to introduce a *Funding Follows the Child* (FFtC) policy from August 2020. This was postponed as part of the decision to delay the legislative requirement to deliver 1140 hours in full until August 2021. Interim guidance was issued which encouraged local authorities to continue to work towards the principles of *Funding Follows the Child*, within available resources. The principles of *Funding Follows the Child* are that parents can take some or all of their child's entitlement to funded early learning and childcare at a certain provider, they can expect to be able to do so provided that:

- the provider meets the National Standard
- the provider has a space available
- the provider is willing to enter into a contract with the local authority
- the provider is able to offer the funded hours in line with local ELC delivery plans

24. The Education Department fully adheres to the *Funding Follows the Child* policy (FFtC), supporting increased parental choice and flexibility. However, it means that local authorities can no longer set a specific budget for the number of places they buy from specific funded providers, as doing so would limit choice and flexibility. The department however still has to ensure best value for the Council and as such ensure that places are not funded where there is no physical or financial capacity to support.

25. To support with the implementation of FFtC, an admission policy with a set admission window was approved by Education Committee and is in place. All applications received within the application window from January to 31 May will be automatically funded. Any late applications would be considered on a case by case basis in accordance with the published priorities and within the physical and financial capacity available.

26. In the same spirit of FFtC, parental choice may extend to parents wishing to access their funded entitlement in another local authority. East Renfrewshire Council has

committed to a formal protocol with neighbouring authorities to allow us to support families wishing to access their ELC in this way. Again this has to be within the application window and take into consideration the physical and financial capacity of resident local authorities.

27. The recruitment and retention of high quality staff in the ELC sector has been reported as an issue nationally and both local authority and funded provider provision within ERC concur with this view.

28. A huge investment in Career Long Professional Learning is mitigating against some of the challenges and supporting staff across all provision to develop the skills and knowledge required to work in early years.

29. Throughout 2022-23 ELC practitioners have continued to make effective use of the '0-6 Pedagogy' online hub which was introduced in 2017/18 as part of the ELC expansion plan. This online resource provides staff in schools, local authority and funded provider settings with a wide range of high-quality learning materials created by practitioners and senior leaders across East Renfrewshire. Usage data continues to show a high level of engagement with the materials with 4,182 views in the past year bringing the total number of views to 11,124.

30. Middle leaders in ELC settings continue to be supported through leadership forums. These are positively evaluated by the Depute Heads of Centre and Senior Child Development Officers who attend. The forum enables leaders to consider national developments in ELC, share practice and support each other with effective self-evaluation.

31. Funding continues for a peripatetic ELC teacher to support all children who attend a Funded Provider nursery in East Renfrewshire. The teacher works flexibly with each setting to support them in delivering aspects of learning and teaching in line with their improvement plans. She also provides effective support and challenge for individual children, ensuring they are able to access the curriculum and make positive progress in their learning and development.

32. The Education Department, as guarantor of quality, closely monitors performance of funded providers, and where providers don't meet the National Standard, the department supports through a Service Improvement Period. The Care Inspectorate also offer an Improvement Programme, which is targeted via the Education Department as an additional level of support, however if evaluations from inspection do not improve, there is a risk to partnership status for the provider. To date, one provider has not improved during the Service Improvement Period, therefore partnership status was removed (session 2023/2024).

33. Quality is at the heart of the delivery of funded Early Learning and Childcare (ELC) entitlement. ELC settings are subject to scrutiny by two separate inspection bodies. Education Scotland and the Care Inspectorate.

34. Education Scotland (HMIe) recommenced their inspection regime in August 2022 and have visited 4 local authority settings and no funded providers. The reports have been published and shared with Education Committee separately for; Braidbar Nursery Class, Madras Family Centre, Crookfur Family Centre and Hazeldene Family Centre. The high quality of ELC provision in each setting was recognised by the inspection teams, Table 1 below indicates the grades awarded against each quality indicator inspected.

Table 1

Setting	Leadership of change	Learning, teaching and assessment	Ensuring wellbeing, equality and inclusion	Securing children's progress
Braidbar Nursery Class	Not assessed	Very Good	Not assessed	Very Good
Madras Family Centre	Good	Good	Very Good	Good
Crookfur Family Centre	Not assessed	Very Good	Not assessed	Very Good
Hazeldene Family Centre	Good	Good	Very Good	Very Good

35. In order to deliver funded places ELC settings are required to meet the National Standard which includes achieving grades of good or better across the range of criteria reported on by the Care Inspectorate. In recognition of the challenges posed by the pandemic, the Scottish Government provided some flexibility for providers, through publication of Interim Guidance on Funding Follows the Child and the National Standard which remains in place for session 2023/24.

36. The quality of ELC in our local authority settings exceeds the National Standard with most settings (88%) achieving evaluations of very good or better across all criteria. This compares favourably with data published by the Care Inspectorate which shows that nationally 60% of evaluations awarded up to 30 September 2022 were very good or better.

37. Almost all Funded Providers delivering funded ELC in East Renfrewshire also meet and, in some cases, exceed the National Standard requirement to achieve grades of good or better.

38. The [Local Government Benchmarking Framework](#), indicates that 91% of ELC provision is good or better in East Renfrewshire, with 89% recorded for the whole of Scotland. This has decreased since the introduction of 1140 hours (97.5% in 2019-20), and correlates with evidence of lower evaluations received by some funded providers during this period.

39. Elected members will be aware that each year, local financial returns (LFRs) are collated and reported as unit costs for the Local Government Benchmarking Framework. Nationally unit cost for an ELC place is recorded as £10,291 per pupil. ERC Council unit cost per ELC pupil is recorded as £10,269. This compares favourably to other local authorities, sitting 16 out of 32.

40. Historically, ELC costs were captured holistically with all pre-primary costs recorded. For 2022/23, there is also a requirement to capture 1140 hours as a subset of this total. As noted in the report, apportioning spending in this area is challenging given ELC captures children aged 0 – 5 year, yet 1140 hours is only available to eligible 2, 3 and 4 year olds.

41. With this caveat, the department spend for 2022/23 (for LFR purposes) was £13.7m on ELC/pre-primary education (this is net of around £8m in specific grant for 1140 expansion), with around 90% of that spend attributed to the delivery of 1140 hours to eligible children. The remaining 10% can be mainly attributed to discretionary places for vulnerable children and families who are not yet eligible and subsidised additional hours over and above 1140 hours that would support safeguarding and children's wellbeing.

42. Elected members will note the continued uncertainty around funding for ELC as we await confirmation of the total allocation for the years ahead.

43. From August 2023, the department removed its discretionary position of children receiving their ELC entitlement from their 3rd birthday, moving to the [national](#) position of the term after their 3rd birthday.

44. In reviewing the provision for 2023-24, the department continues to adopt the most efficient models within each establishment. Whilst it is anticipated that the number of children accessing funded ELC will rise in 2023-24 due to the changes to the entitlement for those seeking to defer, the department will look to minimise any significant increases to staffing levels. Existing staffing allocations will continue to be reviewed to ensure the most efficient deployment, whilst ensuring continued regulatory compliance, and minimise the need for significant additional recruitment.

45. Local authorities commission ELC places from funded providers. At present ERC commissions at a rate of £5.87 per hour for eligible children, as approved by Education Committee in August 2023. The Education Department is committed to reviewing this rate on an annual basis in line with the Scottish Government's financial sustainability health check and further reports will be brought to committee in due course.

46. In East Renfrewshire, the number of families choosing to access their 1140 hours funded entitlement with funded providers remains healthy, with many increasing provision within their settings to accommodate the high numbers. One provider has chosen to merge provision, closing one of its settings and moving all staff and children to a nursery that can accommodate the larger numbers.

47. Despite the challenges caused by the delay of SEEMIS early years, the department as continued to develop our digital capacity making improvements to the application process for ELC enabling parents to complete and submit their application online. This has supported the allocation of places, ensuring greater efficiency in service delivery.

48. In 2022 / 2023 as part of the West Partnership (Glasgow Regional Education Improvement Collaborative), research commenced into the impact of 1140 hours of ELC. The research aims to understand what impact the policy has had on children and families across the West Partnership, whilst also gathering insight into the experience of staff delivering the increased entitlement at a local authority level. Excellent progress has been made so far, with 97 ELC settings across 8 local authorities engaging with the research. In addition, the research team have reached out to the Scottish Government to offer support with the planned national evaluation.

49. In addition, a digital tool for tracking children's development and attainment throughout their nursery experience has been developed and improved by a group of early years professionals to make it more user friendly. As a result, this is now being routinely used by all local authority ELC settings to track children's progress, identify next steps and provide support or challenge for those children who need it. From August 2021 the data from the tracking tool was shared with primary schools ensuring progressive transitions in children's learning as they moved between sectors and through the early level of Curriculum for Excellence.

50. The audit report identified a list of recommendations for the Scottish Government:

- work with councils and other stakeholders to develop long-term workforce plans for the sector to address the risks to sustainability and meet future demand
- work with councils to urgently put in place a process for monitoring progress with

providers paying the living wage to staff delivering funded ELC. This information is crucial to inform future decisions on funding and workforce which are key risks to the sustainability of the sector

- capture and consider children's views as part of future evaluation of the policy, in line with Article 12 of the United Nations Convention on the Rights of the Child
- improve planning for, and implementation of, future policies by working with stakeholders to make plans to gather the necessary data for managing and planning services at an early stage. This should include plans to gather consistent data on the costs of delivering future policies, to help assess whether they are achieving value for money and delivering the intended outcomes.

51. It also identified a further list that the Scottish Government and councils should do:

- work together to review data held locally by councils and plan how to gather data consistently to address the data gaps at a national level highlighted throughout the report. Data to improve planning and monitoring will help manage the risks highlighted in the report; in particular, data on:
 - the movement of the ELC workforce between the public, private and third sectors
 - demand for both funded ELC and childcare paid for directly by parents
 - the extent to which children with additional support needs are not accessing funded ELC, the reasons for this, and the extent of any unmet needs.

52. Considering the recommendation detailed in paragraph 51 above, the Education Department believes it is well placed to meet this.

CONCLUSION

53. Audit Scotland's June 2023 report on Early Learning and Childcare identifies a number of key messages for the Scottish Government and local authorities, some of which are relevant to East Renfrewshire's delivery of ELC.

54. It also makes a number of recommendations, especially for the Scottish Government. Those pertinent to East Renfrewshire will be overtaken as we continue strive to improve Early Learning and Childcare and the implementation of 1140 hours for all eligible children.

RECOMMENDATION

55. Elected members are asked to note the department's progress against the national position of delivering 1140 hours of ELC.

Mark Ratter
Director of Education
November 2023

Janice Collins, Head of Education Services (Quality Improvement and Performance)
Tel: 0141 577 3204
Janice.Collins@eastrenfrewshire.gov.uk

Convener Contact Details

Councillor Anderson, Convener for Education, Equalities, Culture and Leisure
Tel: 07341 640 825
Tel: 0141 577 3107
andrew.anderson@eastrenfrewshire.gov.uk

Background papers

1. Audit Scotland Report: Early learning and Childcare, February 2018, March 2020 and June 2023.
2. Early Learning and Childcare, Audit and Scrutiny Committee, June 2018 and August 2020.
3. Early Learning and Childcare Expansion Plan, Education Committee, September 2017
4. Progress of the Expansion of Early Learning and Childcare, Education Committee, June 2018, May 2019, January 2020
5. Early Learning and Childcare Provision from August 2020, Education Committee, June 2020
6. Early Learning and Childcare Annual Report, Education Committee, May 2021, June 2022 and April 2023.

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

23 November 2023

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT – SCOTLAND'S CITY REGION AND GROWTH DEALS – PROGRESS ON 2020 AUDIT REPORT

PURPOSE OF REPORT

1. To provide information on the Audit Scotland report, *Scotland's City Region and Growth Deals - Progress on 2020 Audit Report*.

RECOMMENDATION

2. It is recommended that the Committee considers the report.

BACKGROUND

3. A copy of the Audit Scotland report, [Scotland's City Region and Growth Deals - Progress on the 2020 Audit Report](#), published in June 2023, has already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Member leading the review of this particular report is Councillor Ireland.

4. The Head of Place has provided comments on the report. A copy of that feedback is attached (see Appendix A).

RECOMMENDATION

5. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)
e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Audit Scotland report on [Scotlands City Region and Growth Deals - Progress on the 2020 Audit Report](#),

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EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE23 November 2023SCOTLAND'S CITY REGION AND GROWTH DEALS**PURPOSE OF REPORT**

1. The purpose of this report is to provide the Audit and Scrutiny Committee with details of the Glasgow City Region – City Deal Cabinet response to the Audit Scotland report entitled **Scotland's City Region and Growth Deals** published in June 2023.

BACKGROUND AND REPORT

2. The Audit Scotland report entitled Scotland's City Region and Growth Deals was published in June 2023. The report provides comment on the progress of the 2020 audit report recommendations and a summary of the progress made to date, it does not contain any recommendations.

3. As Members will be aware, the main governance arrangement around the Glasgow City Region deal is the Glasgow City Region – City Deal Cabinet upon which the Council is represented by the Leader of East Renfrewshire Council. In that respect, Glasgow City Region Project Management Office submitted information to Audit Scotland to inform the report.

4. The Audit Scotland report highlights a summary of progress.

- Overall, there has been good progress against key 2020 audit recommendations. Scotland's City Region and Growth Deals are bespoke packages of funding, which means the governance and partnership arrangements vary across the deals.
- Deals are at different stages of delivery, but governance, scrutiny, and risk management arrangements have been strengthened locally and nationally. The Scottish Government and deal partners are closely monitoring the risks to project delivery arising from increasing costs.
- Partners are working well together and there is progress with ensuring deals are aligned with wider opportunities to support economic growth for the region.
- Deals have made progress with plans to assess the longer-term impact of this investment on communities, but they are at different stages and recognise there is still more they can do in this area

5. The City Deal Cabinet were presented with the Audit Scotland report entitled **Scotland's City Region and Growth Deals** on 8th August. The Cabinet was invited to: "note the report findings that good progress has been made against the 2020 Audit recommendations, with governance, scrutiny and risk management arrangements strengthened locally and nationally".

6. An update on ERC's City Deal Programme was presented to Cabinet on 23 March 2023 and a copy can be found in the link below.

[https://www.eastrenfrewshire.gov.uk/media/8869/Cabinet-item-07-23-March-2023/pdf/Cabinet item 07 - 23 March 2023.pdf?m=638140440356770000](https://www.eastrenfrewshire.gov.uk/media/8869/Cabinet-item-07-23-March-2023/pdf/Cabinet%20item%2007%20-%2023%20March%202023.pdf?m=638140440356770000)

RECOMMENDATION

7. It is recommended that the Committee note the Glasgow City Region response to the Audit Scotland report entitled **Scotland's City Region and Growth Deals** published in June 2023.

Director of Environment

Further information can be obtained from: Elaine Rodger
Elaine.rodger@eastrenfrewshire.gov.uk

November 2023

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE23 November 2023Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2023/24 QUARTER 2**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2023/24 as approved in March 2023.

BACKGROUND

2. The work performed by Internal Audit is based on a rolling 5-year strategic plan, which is revised annually to take into account changes in circumstances. This report is provided to allow members to monitor the activities of Internal Audit and to oversee actions taken by management in response to audit recommendations.

AUDIT PLAN 2023/24 - PROGRESS REPORT QUARTER 2

3. A copy of the annual audit plan for 2023/24 is shown in appendix 1. One audit relating to planned 2023/24 audit work was issued in quarter 2 as shown in appendix 2. Appendix 3 gives detail of reports which were issued as part of the 2022/23 and 2023/24 plan where the responses were received since the last progress report. Responses are deemed to be satisfactory if all recommendations are accepted for implementation by management or where any recommendation is not accepted but a satisfactory reason is given. The quarterly performance indicators for the section are shown in appendix 4. Indicator 2.2 which measures direct audit days as a percentage of total days available is slightly lower than target but this is mostly due to timing as a higher proportion of annual leave is taken in the first two quarters of the year.

4. One new request for assistance was dealt with using contingency time during the quarter. This related to assisting another service in sourcing information. In addition some assistance was given to another service to help automate some processes to reduce time taken to carry out a task and reduce the risk of human error.

RECOMMENDATION

5. The Committee is asked to:

- (a) note Internal Audit's progress report for quarter 2 of 2023/24
- (b) confirm whether they wish any of the reports detailed in appendix 3 to be circulated to audit and scrutiny committee members or submitted to a future meeting for more detailed consideration.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.

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EAST RENFREWSHIRE COUNCIL
Internal Audit Section
ANNUAL AUDIT PLAN FOR 2023/24 PROGRESS REPORT QUARTER 2

Department	Title	Audit Number	Original No. of days	Status
Chief Executives				
Business	Payroll	1	28	In progress
Operations & Partnerships	Payroll application audit	2	18	
	Creditors	3	10	
	Debtors Control	4	10	
	Housing Benefits/Universal Credit	5	20	
	Council Tax application audit	6	18	
	IT asset management	7	20	
	Council Tax Billing and Collection	8	24	
Education	Early Learning and Childcare Payments	9	15	
	Schools cluster	10	38	In progress
Environment	Commercial Rent	11	20	
	Grant certification	12	15	
	City Deal	13	15	
	Climate Change Report	14	5	
	Energy and Fuel	15	20	
Housing	Housing Rent Accounting	16	20	
HSCP	Payments to Care Provider	17	25	
	HSCP Emergency Payments	18	8	In progress
	Thornliebank Resource Centre	19	10	Complete
	IJB	20	15	
Trust	Culture and Leisure Limited Trust	21	20	In progress
Various	Contract 1 TBA	22	20	
	Fraud contingency	23	70	In progress
	General Contingency	24	30	In progress
	LG Benchmarking Framework	25	10	Complete
	Follow up	26	50	In progress
	Previous year audits	27	40	Complete
			594	

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INTERNAL AUDIT REPORTS AND MEMOS ISSUED 2023/24														
FILE REF	AUDIT NO.	SUBJECT	DEPARTMENT	DATE AUDIT STARTED	DATE REPORT/MEMO SENT	DATE REPLY DUE	DATE REPLY REC	COMMENTS	Total	H	M	L	E	Not accepted
MB/1191/MB	25	Payment of Invoices PI	BO&P	23/5/23	13/6/23	n/a	n/a	n/a no response required	0	0	0	0	0	0
MB/1192/NS	19	Thornliebank Resource Centre	HSCP	22/6/23	28/08/23	29/9/23	20/10/23	Satisfactory	13	1	6	6	0	0
MB/1193/NS	26	Environment Follow up	Environment	22/6/23	11/10/23	17/11/23								
MB/1194/FM	1	Payroll	BO&P	10/7/23										
MB/1195/NS	10	Schools Cluster - Williamwood	Education	27/7/23										
MB/1196/MB	25	Sickness absence PI	BO&P	9/8/23	1/11/23	1/12/23	8/11/23	Satisfactory	4	0	0	4	0	
MB/1197/NS	18	HSCP emergency payments (S22 and S12)	HSCP	16/8/23										
MB/1198/NS	21	Trust	Trust											
MB/1199/NS	26	BOP follow up	BO&P	24/10/23										

Note: Audits issued in quarter are highlighted in bold

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1. MB/1186/FM Treasury Management

The review covered the following key control objectives which were agreed with the Chief Accountant prior to the start of the audit:

- Borrowing and lending transactions are in accordance with statutory powers and approved policy and strategy.
- Annual borrowing requirements and daily balances are properly estimated.
- Borrowing and lending transactions are properly controlled.
- Loan repayments and interest are paid on the due dates and in respect of valid loans.
- Deposits and interest are recalled/paid on the due dates.
- Borrowing and lending transactions are correctly recorded in bank accounts, the financial ledger, and other subsidiary records (e.g. registers)

In addition, the previous audit recommendations were followed-up.

Testing indicates that the treasury function is operating in accordance with the approved lending and investment policies.

One recommendation was made and this was classified as low risk and was accepted for implementation by management.

2. MB/1188/NS Debtors Control

The scope of the audit was to ensure that monies received are correctly accounted for and proper financial records are maintained. The audit covered the following control objectives:

- Accounts are properly raised and posted for all chargeable services
- Accounts are issued promptly in advance of the service being provided where possible
- Payments received are promptly processed and correctly posted to debtors' accounts
- Write-offs, cancellations and credit notes are properly controlled
- Arrears follow-up procedures are properly controlled.

A follow up of the previous audit (MB/1158/FM) issued in June 2022 was also carried out.

Testing was carried out on transactions covering the period April 2022 to March 2023.

The main areas of concern arising from the audit relates to the level of outstanding debt and the fact that reports from the system suggest that follow up of this is not being done in a consistent manner. There is also concern over the large amount of payroll related debt which is largely unrecovered and over 12 months old.

It was also noted that there continues to be former employees with access to Integra despite this recommendation being made in the previous audit as well as numerous others over the last few years. Managers continue not to follow the leavers guidance that has been put in place by HR.

The sample of credit notes showed that there is a high error rate in relation to accounting for VAT and whilst corrective action has been taken there is potential for this to cause issues with claims being made to HMRC.

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Sixteen recommendations were made, three were classified as high risk, two as medium risk and eleven as low risk. All recommendations were accepted by management. The high and medium risk recommendations are replicated below with departmental responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Directors should be instructed that they must ensure that the appropriate notifications are submitted to Payroll immediately as soon as they are aware that an employee they are responsible for will be leaving the Council.	High	Yes	BO&P HR will liaise with Directors to ensure that reminders are sent and that there is clarity of the process for notifications. Directors will reinforce this with managers.	HR Manager & directors	30/9/23
4.1.2	HR should carry out an exercise to raise awareness of the leavers procedures and documentation with consideration given to strengthening the wording requiring managers to complete all appropriate paperwork in a timely manner.	High	Yes	BO&P	HR Manager	31/12/23
4.2.1	All invoices should be followed up in a consistent manner and in accordance with approved timetable.	Medium	Yes	BO&P All invoices will be followed up in accordance with the timetable.	Accounts Payable/Receivable Manager	31/12/23
4.5.1	All Managers should be instructed that they must notify the system administrator immediately of all leavers to allow system access to be removed promptly.	High		BO&P Electronic leavers form on the intranet was amended on 14/6/23 to state- Please ensure you use the ITC portal to request IT leaver access, and contact the relevant system administrator for any other system the employee has access to e.g. Integra etc. This wording will also be added to the 4 weekly manager email.	HR Manager	31/12/23
				Education Correspondence will be issued to appropriate staff advising that a user request e-form must be completed to de-activate the leavers integra account immediately after they leave.	Business Manager	Aug-23
				Environment A reminder will be issued to all relevant	Principal Business Intelligence Officer	30 September 2023

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				Managers and staff to remind them of the employee "leavers process" A note of current Environment Department Integra users will be requested and cleansed to remove staff who should no longer have access to the system.	Principal Business Intelligence Officer/ Relevant Managers	30 November 2023
				HSCP We will remind staff of the various actions to be taken when processing a leaver. We will also prompt staff to ensure leavers process has been followed whenever they submit a request to recruit to a vacant post	Head of Finance and Resources	31 August 2023
				CE Office All Accy team leaders will be reminded of this via the weekly Accountancy Update email. Email will also be issued to other CEO service heads.	Head of Accountancy	31 July 2023
4.6.1	Arrangements to check debt recovery suppressions should be put in place and appropriate evidence held to support the checks and action taken.	Medium	Yes	BO&P Integra Product Owner will be contacted to clarify the correct report and processes updated to ensure arrangements for debt recovery suppressions are in place and appropriate evidence held to support the checks and actions taken	Accounts Payable/Receivable Manager	30/9/23

3. MB/1189/NS City Deal

The scope of the audit was as follows:

- Reporting frequency of specified information is being adhered to.
- In awarding contracts, City Region Procurement Strategy and Council Contract Standing Orders have been complied with.

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- Arrangements are in place to ensure that changes to project budgets are reflected in the overall programme budget and are recorded using appropriate documentation.
 - Claims submitted to Scottish Government are accurate and have supporting documentation.
 - Payments made are in accordance with approved City Deal expenditure.
 - Risk management arrangements are in place, up to date and reviewed regularly
 - Follow-up of previous city deal audit recommendations.

Testing was carried out on Claims 25 to 28 which covered the period 01/01/2022 to 31/12/2022.

All amounts included in the claims submitted since the previous audit were able to be verified. However, it was noted that there were anomalies in relation to the allocation of staff time within claims 26, 27 and 28 that had resulted in ERC Estates time being allocated to Project Admin.

The previous two audits have highlighted historical errors in relation to the allocation to specific projects of some invoices. Since the conclusion of the audit, legal services have reviewed the invoices and provided the necessary information to the FBT to allow him to make the necessary adjustments.

Five recommendations were made, two were classified as medium risk, and three as low risk. All recommendations were accepted by management. The medium risk recommendations are reproduced below with the departmental responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	The staff time spent on projects and included in Claims 26, 27 and 28 to the Scottish Government should be reviewed and accurately allocated to the projects where the time was spent and incorrect amounts deducted.	Medium	Yes	Environment The City Deal Team will discuss timesheets and completing them at the next team meeting to ensure that all time is allocated to the correct category.	Head of Place	July 2023
				Accountancy FBP (Envvt) will liaise with Environment colleagues to establish correct allocations and will then adjust accounts as required	FBP (Envvt)	Dec 2023
4.2.1	Audit should be provided with evidence of a review being carried out to ensure that all the amounts identified above have been claimed within the correct project and that amounts not relating to City Deal have been deducted.	Medium	Yes	Environment Legal have been provided with the information to address this miscoding.	Head of Place	Legal ASAP
				Accountancy FBP (Envvt) will liaise with Legal colleagues to confirm that they have carried out the review. Accy will then make any adjustments required.	FBP (Envvt)	Dec 2023

4. MB/1190/NS VAT

The audit covered the following control objectives which were agreed with the Head of Accountancy prior to the start of the audit:

- Responsibility for the preparation and authorisation of VAT returns is clearly defined and procedures are in place if the usual responsible officers are absent

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- VAT returns are submitted timeously and are complete and accurate
 - There is adequate recovery of input VAT and output VAT is properly recorded at source
 - Transactions follow a defined path through systems to declaration in the VAT return
 - Input VAT is not reclaimed when the Council pays legal fees for other parties
 - VAT on lock-up garages is appropriately recorded and declared
 - Authenticated receipts are received from contractors for all payments
 - All pro-forma payments are supported by an appropriate VAT receipt

Testing showed that there are clearly defined procedures and these are followed in the preparation of the VAT return. All VAT returns in 2022/23 were submitted via Making Tax Digital (MTD).

It was recommended in the last audit of VAT that Customer First staff should ensure that receipts of income are processed correctly, taking account of VAT where applicable. Testing during this audit indicated that mistakes are still being made.

At the time of that Audit it was also noted that there were a couple of errors in the VAT category being used by Accounts Payable when processing invoices. Further testing on these amounts showed no error to the amounts being claimed from HMRC however there were slight anomalies in the net amounts shown on the VAT return. The system produced reports used to complete VAT returns were found to contain errors and whilst not considered material, this anomaly was to be investigated and corrected as a priority. Following the completion of the Audit, it was verified that the reports were accurate as long as they were considered over multiple periods and not looked at in isolation.

Five recommendations were made, two were classified as high risk, and three as low risk. All recommendations were accepted by management. The high risk recommendations are reproduced below with the departmental responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.2.3	The Core Systems Team should liaise with the VAT/PFI Accountant and determine the cause of the anomaly within the VAT Reports to ensure that this is rectified as a matter of urgency to ensure figures within future VAT claims are accurate.	High	Yes	Capita are in the process of investigating the VAT Analysis tables and how these are affected by an invoice being amended over two ledger periods. Capita have referred this to their Group Development section for investigation. Meantime Capita have asked ERC to clarify what columns from the VAT analysis report are used to calculate the purchase value on the VAT return. The BS & P team will work with the VAT Officer to confirm thus and provide an update again by mid-September	Programme Manager – Business systems and processes	Anticipated resolution by end-Sept, with update to Internal Audit mid-Sept
4.2.4	Audit should be advised of the results of the above investigation into the anomaly as soon as available.	High	Yes	As Above	Programme Manager – Business systems and processes	Anticipated resolution by end-Sept, with update to Internal Audit mid-Sept

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5. MB/1192/NS Thornliebank Resource Centre

The scope of the audit was to ensure that all income and expenditure is correctly accounted for and proper financial records are maintained. Audit testing covered the period April 2022 to July 2023 and focussed on the following areas:

- Petty cash
- Purchasing and Purchasing Cards
- Staff existence and absence monitoring checks
- Security Checks
- Miscellaneous Income

The records held at the centre were generally well maintained and there was supporting documentation to support the amounts being incurred from the petty cash imprest in relation to service user activities. However, there is scope to improve the audit trail in relation to these expenses as in the majority of cases there was no description for the expense on the claim for reimbursement and transactions are not dated.

A review of employee record cards and subsequent checks on recorded absence for 2022 and 2023 showed that there were some periods of absence for which the appropriate absence forms had not been completed and in the cases where triggers had been breached there was no evidence to supporting an Absence Review meeting taking place.

Since the last audit, the Resource Centre staff have been issued with purchasing cards to reduce the need for cash when out on activities with Service Users. Records have been developed by Business Support and whilst these provide a good audit trail for expenditure being incurred there is scope to improve the documentation to evidence management review of the card activity.

Thirteen recommendations were made, one was classified as high risk, six as medium risk and six as low risk. All recommendations were accepted by management. All medium and high risk recommendations are reproduced below with the departmental responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.4.1	Management must ensure that all paperwork required by the Maximising Attendance guidance is completed and uploaded to i-trent as evidence of compliance.	High	Yes	iTrent and Information at Work refresher training to be undertaken by all staff responsible for managing attendance. Training sessions have been arranged with HR	Learning Disability Service Manager	31 October 2023
4.4.2	It is essential that Maximising Attendance guidance is fully adhered to and Return to Work and Absence Review meetings are held in every applicable case.	Medium	Yes	As per 4.4.1	Learning Disability Service Manager	31 October 2023
4.5.1	Management should engage with HSCP Finance to determine the best course of action for the income generated as part of the pop up café to allow the level of cash being held to be reduced to a more appropriate level.	Medium	Yes	Funds are now being paid into the Brew Crew account as donations as agreed with HSCP Finance.	Learning Disability Manager	31 August 2023

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.6.2	The Business Support Team should carry out periodic checks on the cards to ensure that all receipts have been submitted and that all transactions are appearing on the monthly statements. In addition a check should be carried out that all transactions on the monthly statements are shown on the record cards.	Medium	Yes	Procedures have been amended to reflect these recommendations	Learning Disability Manager	31 August 2023
4.7.1	A system of regular checks should be implemented by management to ensure that receipts are being received and uploaded and that expenditure being incurred is appropriate for the needs of the service.	Medium	Yes	As per 4.6.2	Learning Disability Manager	31 August 2023
4.7.2	Management should carry out reviews of the monthly statements for each of the cardholders.	Medium	Yes	As per 4.6.2	Learning Disability Manager	31 August 2023
4.7.3	The record cards held for each cardholder should be amended to allow for management to initial or sign that they have carried out a review of receipts and statements.	Medium	Yes	As per 4.6.2	Learning Disability Manager	31 August 2023

6. MB/1196/MB Sickness Absence Performance Indicator

The objectives of the audit were to ensure that the reported performance indicator which measures the total number of days lost per year through sickness per full time equivalent (FTE) employee was materially correct. The audited figures for 2022/23 for Teachers is 5.53 days and for Local Government employees, 14.22 days.

The indicator is based on business object reports which use information extracted from ITrent, the payroll system. Testing indicated that the reported figures are materially correct. Recommendations were made regarding completeness and accuracy of sickness documentation completed by managers, storage of sickness documentation and clarity of the forms. One recommendation was also made regarding a work pattern anomaly recorded within the ITrent system.

Four recommendations were made, all were classified as low risk and accepted by management for implementation.

Risk Ratings for Recommendations	
High	<ul style="list-style-type: none"> Key controls absent, not being operated as designed or could be improved and could impact on the organisation as a whole. Corrective action must be taken and should start immediately.
Medium	<ul style="list-style-type: none"> There are areas of control weakness which may be individually significant controls but unlikely to affect the organisation as a whole. Corrective action should be taken within a reasonable timescale.
Low	<ul style="list-style-type: none"> Area is generally well controlled or minor control improvements needed. Lower level controls absent, not being operated as designed or could be improved

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EAST RENFREWSHIRE COUNCIL
Internal Audit Section

QUARTERLY PERFORMANCE INDICATORS

<u>Internal Audit Indicators reported Quarterly</u>	Target (where applicable)	Quarter 2 Actual 2023/24	Quarter 2 Cumulative 2023/24
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	73.5%	73.2%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	1	2
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	3.2%	8.9%
5. Issue of Reports.			
5.1 Number of audit reports issued per quarter.	-	1	2
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	9.4 wks	6.2 wks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	13.0 days	7.0 days

Notes

1. Average weeks calculated as working days divided by 5. This is calculated excluding ERCLT audits.
2. Working days excludes weekends, public holidays, annual leave and sickness absence. This is calculated excluding ERCLT audits.

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