

MINUTE
of
EAST RENFREWSHIRE COUNCIL

Minute of meeting held at 4.00pm in the Council Chamber, Council Headquarters, Giffnock on 26 September 2023.

Present:

Councillor Andrew Anderson	Councillor Colm Merrick *
Councillor Tony Buchanan *	Provost Mary Montague
Councillor Kate Campbell	Councillor Andrew Morrison
Councillor Betty Cunningham *	Councillor Owen O'Donnell (Leader)
Councillor Paul Edlin	Councillor Katie Pragnell
Councillor Chris Lunday *	Councillor Gordon Wallace *
Councillor David Macdonald *	Councillor Katie Pragnell

Provost Montague in the Chair

(*) indicates remote attendance

Attending:

Barbara Clark, Chief Accountant; Caitriona McAuley, Director of Environment; Joe McCaig, Head of Education Services (Performance and Provision); Julie Murray, Chief Officer East Renfrewshire HSCP; Steven Quinn, Chief Executive; Louise Pringle, Director of Business Operations and Partnerships; Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Mark Ratter, Director of Education; Colin Sweeney, Democratic Services Manager; and John Burke, Committee Services Officer

Also Attending:

Rob Jones and Grace Scanlin, Ernst and Young.

Apologies:

Councillors Caroline Bamforth, Danny Devlin, Annette Ireland and Jim McLean.

PROVOST'S OPENING REMARKS

603. The Provost acknowledged Rosh Hashanah, the recent two-day Jewish New Year celebration, and wished the Jewish community in East Renfrewshire "Shana Tova", or "good year" for the coming year.

DECLARATIONS OF INTEREST

604. There were no declarations of interest intimated.

ANNUAL STATEMENT ON ADEQUACY AND EFFECTIVENESS OF GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

605. Council considered a report, which provided a statement on the adequacy and effectiveness of the governance, risk management and internal control systems operating within the Council during 2022/23. The Audit and Scrutiny Committee, which had met earlier that day, had remitted the report to the Council to note.

Councillor Morrison, Chair of the Council's Audit and Scrutiny Committee, said that the Committee had met earlier that afternoon to consider the adequacy and effectiveness of the governance, risk management and internal control systems. He said that the Committee had deemed these appropriate and were now remitted to Council for further consideration.

Council noted the internal audit annual statement on the adequacy and effectiveness of the governance, risk management and internal control systems of the Council for the year ending 31 March 2023.

2022/23 ANNUAL ACCOUNTS FOR THE COUNCIL'S CHARITABLE TRUSTS AND EXTERNAL AUDIT (INTERNATIONAL STANDARD ON AUDITING (ISA) 260) REPORT

606. Under reference to the Minute of the meeting of the Audit and Scrutiny Committee held earlier that day (Page 638, Item 594 refers), the Council considered a report by the Head of Accountancy (Chief Financial Officer), which explained that the audit of the amalgamated 2022/23 Annual Accounts for the seven charitable trusts for which the Council acted as Trustee had been completed, and submitted a copy for consideration. The External Auditor's report on the trusts, completed in compliance with ISA 260, was also submitted for consideration, which had been included in the draft Annual Audit Report to the Council for 2022/23.

Councillor Morrison, Chair of the Council's Audit and Scrutiny Committee, said that the Committee, which had met earlier that afternoon, had reviewed the annual audited accounts of the seven charitable trusts and the combined audit report, which covered those seven trusts, as well as the financial statements of the Council overall and which appeared as the next item on the agenda.

Councillor Morrison said that he was pleased to note that the accounts had been awarded a clean audit certificate in all seven cases for these trusts and were now remitted to Council for further consideration.

Councillor O'Donnell commented on the costs in preparing these from an audit perspective, was high considering the total size of the funds under control and the number of transactions and asked if officers could look into this for next year to see how the Council could address this.

Councillor O'Donnell also said that some of the items related to very small individual trusts and questioned whether it would make sense for some of these to be wound-up in an appropriate manner.

Councillor Edlin said he had attended the Audit and Scrutiny Committee that afternoon and had made the same point that Councillor O'Donnell had just made. He said he had also raised the point that charitable trusts were very good vehicles for collecting income tax rebate and that the Council was paying a huge audit fee for these. He said that he had asked that it be looked at to try to establish new trusts to bring in more money for education and other matters that the Council was responsible for. He said there was significant goodwill towards education expenses from residents and that the trusts already established or the setting up of a new trust by the Council and that the Chief Executive should be writing to the external auditors about the costs of the audits.

Council noted the amalgamated Annual Accounts for 2022/23 for the seven charitable trusts for which the Council acted as Trustee and the accompanying External Auditor's report.

2022/23 ANNUAL ACCOUNTS AND DRAFT ANNUAL AUDIT REPORT FOR EAST RENFREWSHIRE COUNCIL

607. Under reference to the Minute of the meeting of the Audit and Scrutiny Committee held earlier that day (Page 639, Item 595 refers), the Council considered a report by the Head of Accountancy (Chief Financial Officer) regarding the Annual Accounts for 2022 – 23 and the associated draft Annual Audit Report prepared by the External Auditor, which provided an overview of the main issues arising from the 2022/23 audit and would be issued in final form after the financial statements had been certified.

The Provost advised that a number of amendments had been made following the publication of the original report and that these amendments had been tabled and copies had been made available in the public gallery. She then invited Councillor Morrison, Chair of the Council's Audit and Scrutiny Committee to introduce the item and to move the recommendations and amendments as one.

Councillor Morrison said that his Committee had also reviewed the audited annual accounts for East Renfrewshire Council and the external auditors had passed comments on their findings. In particular, he said, that after today's meetings papers had been published, the external auditors had received guidance from their in-house technical team regarding a change in the pension evaluation approach, which was a technical area of accountancy.

Councillor Morrison said that both the external auditors and the Council's Chief Accountant had worked over the weekend to produce a revised set of accounts and the amendments had been produced in the tabled document. He said that these changes did not affect the Council's General Fund or usable reserves and that the pension evaluation reserve was separate and was not something, which could be assessed for general Council services and spending.

Councillor Morrison said that, at the same time as making these pension evaluation changes, officers had also taken the opportunity to correct an error in the risk appetite table within the management commentary on the final page of the tabled papers. He said that the reputation, compliance and financial risks were originally shown as within the range of 1 to 2 but that the risk management matrix, which had been applied throughout the year, was 1 for those areas. He said that this would be reflected in the final accounts approved today.

Councillor Morrison went on to say he was delighted to report that the external auditors and Council staff had again managed to complete the annual financial statements in line with the required deadline of 30 September 2023 (which was one month earlier than last year), hence why Council was meeting today and not on 28 September as originally scheduled. Councillor Morrison recognised the contribution of Ernst and Young, the Council's external auditors in what was their first year in the role.

Councillor Morrison noted that the Council had received an audit certificate, which was unqualified (clean) and that the external auditors were happy with the accounts presented, which had no unadjusted errors.

Councillor Morrison said that the Council had operated within its operational budget, had benefitted in particular from increased investment income due to the national interest rates and careful management of treasury and enhanced Council Tax collections and closely controlled budgets to produce additional flexibility in addressing anticipated budget challenges in the current 23-24 Financial Year and beyond.

Councillor Morrison said that the year-end date as at 31 March 2023 the balance on the non-earmarked General Fund was £6.658m, which was 2.3% of the Council's Budget. He said that the Council's recommended target range for this was between 2% and 4% and further noted transfers of £5.6m transferred to further earmarked reserves.

Councillor Morrison said that the auditors' report was largely positive and officers would look at action plans to implement the recommendations.

Councillor Morrison thanked Margaret McCrossan, Barbara Clark and the Council's Accounts Team, the Internal Audit Department and the Council's external auditors for all of the hard work in meeting the deadline and remitted and moved the report and amendments to Council for further consideration. This was seconded by Councillor Tony Buchanan.

Councillor O'Donnell echoed the Chair of the Council's Audit and Scrutiny Committee's comments and thanks to the Council's Finance Team for preparing the reports and acknowledged the huge amount of work that had gone into this and congratulated all involved for meeting the deadline. He then went on to thank the external auditors. He said that their report was very well written and very clear.

Councillor O'Donnell asked that for future reports, when looking at current year misstatements, it would be very helpful if it was clarified if this was affecting the General Fund and usable reserves versus effectively most of these as he understood it were really balance sheet presentational issues and less to worry about and less to have a concern about.

Councillor O'Donnell then referred to the audit fees and sought clarification of the extra £48,000 for additional audit procedures and whether all of these would be passed on to the Council or whether the external auditors would be absorbing these this year. He said this was quite common for first year audits and, if not, he asked that they consider their own best value approach to delivering the audit when Councils were facing flat cash funding settlements particularly in dealing, in this case, with a lot of balance sheet presentational items.

In response, Rob Jones (Ernst and Young) said that in terms of the ask, the auditors could update in terms of the ask, any impact on the General Fund and usable reserves. He said that Councillor O'Donnell was correct in that the majority or all of the adjustments this year would have been against usable reserves, the valuation reserves or pension or other unused reserves and this could be updated in the final report to Audit Scotland.

In respect of the additional work around audit fees, Mr Jones recognised the Council's point with regard to absorbing the additional costs for this year and said that the auditors had already absorbed the expected costs around first year audit as part of the Audit Scotland appointment and apologised if this had not been made clear. He said that the additional fees related to very technical accounting issues, which had been addressed or which were required to be addressed to find a clean audit opinion. He took the point around challenges surrounding the auditors and the Council's challenges to first of all produce a CIPFA Code compliant set of accounts and the auditor's requirement to produce a compliant audit that required a significant

piece of work. He said that often, additional work around areas such as the balance sheet, equipment and pensions, which did not necessarily impact the General Fund, was required to complete the unqualified opinion.

In response, Councillor O'Donnell did stress that the additional costs reflected the equivalent of two FTE staff in a time when the Council was making budget cuts and he left it with auditors to consider in future years how auditors could contribute to best value and its own requirements.

Council:

- (a) agreed to approve the 2022/23 Annual Accounts; and
- (b) noted the external auditor's draft annual audit report to the Council and the Controller of Audit, and the related ISA 260 report.

The Provost echoed the thanks already intimated for all of the staff and external audit and the work put into this, in particular, the recent intense work that had gone into it.

AVAILABILITY OF SCHOOL PLACES AT MAIDENHILL PRIMARY SCHOOL

608. The Council considered a report, which advised of the need for additional school places to accommodate projected future catchment children at Maidenhill Primary School.

The Council's Director of Education introduced the report and said that it advised Council of the need for additional school places to accommodate the future catchment children at Maidenhill Primary School and to seek an approved approach to meet this demand. He said that Members would be aware that the School opened in 2019 and, at that point, it was based upon a particular expected pupil yield based on historical analysis to hand however, as the report set out, the number of pupils from that area had been greater principally for two main reasons.

The Director of Education said that the report set out the way in which the yield for pupils had been higher for non-denominational primary education than in previous developments and, in addition to that, the rate at which the properties had been built in that area had been significantly faster than initially had been expected and planned for. He said that, as a result of these two main factors, there was greater demand for the school places at Maidenhill Primary School than was projected and so it was likely that all catchment children in the future would not be able to be accommodated at the School within its current planned capacity.

To accommodate the projected future demand, the Director of Education said that officers had set out three options within the report, for consideration by the Council. He said that Option C would increase the School's capacity by adding a four-classroom extension and that such Capital plans would normally progress through the Corporate Assets Management Group and then the Council's Capital planning processes. However, to ensure that the Council did have sufficient places before the end of the school year 2024-25, Council was being asked to consider this as one of the options at an earlier stage.

Councillor Edlin expressed concerns about the size of the School and felt that it would not be sufficient to meet the needs of the numbers of children moving into the area who would attend the School. In welcoming the proposal (Option C) to extend the School by providing an additional four classrooms, Councillor Edlin said his preference would have been for five extra classrooms to be built since the cost could be incrementally small, would be of no harm should it remain empty for a period and that it would be there when required.

In response, the Council's Director of Education said that it was not the case that children within the catchment did not have places and that those who had applied had been allocated a place and spaces were available for 2023-24 to facilitate further growth. In response to the suggestion to increase the site by more than four additional classrooms, the Director of Education said that the Council had a duty under best value to ensure it was not spending over and above what was required. He said that, at the implementation stage, the School was based upon the Council's methodology and agreed approach around pupil yield indicated that that would be sufficient at that time. In 2016 when this was being planned, this was the available information at that time however, as a Council or as a department, and in consultation with Planning; those estimates continue to be reviewed. He said that, at this stage, the projections that the Council had e.g. looking at the number of children in nursery schools, it was able to project that going forward for the next two years. He said that the Council also linked with the NHS Community Health Index (CHI) data and looked at data for those under three years and those projections, details of which were included in the Appendix to the report.

Councillor Wallace sought confirmation that the new figures, which were being used, had sufficient confidence with officers that these were accurate and that the Council was not going to find itself in a very difficult position some years down the line.

In response, the Director of Education said that officers wanted to ensure that the School was large enough, to make sure the Council met its duty in terms of providing sufficiency of places and to do so in a way that recognised the Council did not have infinite resources. He said that, in this instance four additional classrooms was the right balance. He said that officers had taken a great deal of care around projections and had looked at other areas in the long-term to see if numbers would go down and looked at those children not even at the School, the nurse class and through the data from the NHS and modelled it as well as possible. It was recognised that these were projections and whilst these could not be guaranteed, they were the best estimates that could be made in that way and hopefully this would provide reassurance to Members.

Councillor Morrison sought clarity in terms of getting the numbers to tie-up. He referred to paragraph 65 on page 245, which referred to the 92% capacities where the Council would plateau with the proposed extension however, at Table 3 on page 249 showed a different set of figures in terms of August 2027, which he thought showed an expected school roll of 532 that year. He said the current capacity was 420 and according to paragraph 57 would rise to 540, which was a plus-eight headroom, which was higher than 92% and asked if he had understood this correctly.

In response, the Head of Education Services said that, in terms of paragraph 65, the numbers being looked at here were even longer-term and looked at a period after the build at the area had been completed. He said that the Council had looked at previous building establishments and residential developments across the Council to try and determine when that increase in roll in those increasing number of children coming out of those properties plateaued, which was generally five or six years after the building had actually been completed. Therefore, the numbers quoted were actually further ahead again than those numbers printed in the table.

In terms of the numbers associated with the planning capacity, these were based on class sizes of 30 across all stages of Primary 1 to Primary 7, which made it easier to plan for those pupils as they moved through the stages and the pupil/teachers' ratio changed. In effect, these were actually higher in terms of those in a working capacity based upon the 25 pupils at Primary 1; 30 at Primary 2 and Primary 3; and 33 through to Primary 7. In addition to this, where the Council required to do so, it could make better and more efficient use of its classifications by employing additional teachers at those stages and could actually increase those roles even further than that. Therefore, in this case on the basis of planning capacity,

which was the minimum number of places that could be available in effect, through classification and the use of staffing these can be increased further to negate the pupil/teacher ratios also, which provided the extra headroom.

Councillor Morrison stated he was a Member of the Council's Planning Applications Committee and that he received an email each week detailing applications that had been received. He said that the number of applications, which related to extensions to family homes, were quite substantial and wanted to ask, not in terms of the number of homes increasing but the size of the homes growing with larger families as this would have had an impact. He asked if this had been considered in the calculation of this people/product ratio.

In response, the Director of Education said that the Council was looking at actual data from essentially two areas in the Maidenhill catchment area. These were the new housing and the number of children from those (approximately 570 homes), which were approximately two-thirds of the way through and then looking at a longer-term modelling of the Mearnskirk area to the east of ADSA where more traditional homes were, and which had a slightly different pupil/product ratio because it was much longer established. He said the Council was also looking at the new housing and doing a comparison with somewhere like West Acres where families would move in, have children and may extend their homes etc. Then, some would move on but longer-term the Council wanted to make sure it modelled it appropriately so that once all of that housing was developed in that area, the Council had sufficient capacity but without building it too large and to meet its best value responsibility.

Council:

- (a) noted that the number of children accessing places at Maidenhill Primary School was significantly higher than projected;
- (b) noted the projected rolls for the school in the short, medium and long-term; and
- (c) having considered the three options for ensuring sufficiency of school places at Maidenhill Primary School, agreed Option C as the preferred option and authorised the Head of Accountancy to adjust the 2023/24 Capital Programme within existing resources to allow design and survey work to proceed immediately.

PROVOST

