Renfrewshire Council

2021/22 Annual Audit Report

AUDIT SCOTLAND

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

November 2022

Contents

Key messages

2021/22 annual accounts

1 We recognise that the 2021/22 financial year has continued to be impacted by the fall out of the Covid-19 pandemic which continues to present additional challenges for both Council and audit staff alike. Consequently, key dates within the financial reporting and auditing process have been updated to reflect the statutory deadline of 30 November 2022 to publish the audited 2021/22 annual accounts.

2 Our audit identified three significant adjustments that impact on the Council's annual accounts, which have been corrected in the financial statements.

- Property, plant and equipment valued at depreciated replacement cost which had not been revalued in year was materially misstated. This adjustment resulted in the carrying amount of property, plant and equipment increasing by £69.451 million.
- Income and expenditure in the Council's annual accounts and its group's annual accounts were misstated due to errors when eliminating Covid-19 agency transactions. This adjustment resulted in income and expenditure increasing by £14.106 million in the Council's annual accounts and income and net expenditure decreasing by £12.898 million in the group's annual accounts.
- Mandatory guidance for statutory adjustments had not been reflected in the annual accounts. This adjustment resulted in statutory adjustments decreasing by £22.299 million in 2020/21 and £25.473 million in 2021/22 respectively, with corresponding increases in adjustments permitted by accounting standards.

3 There was no change to the budgetary outturn position, or the level of usable reserves as a result of the above adjustments.

4 Following the correction of these adjustments, our audit opinions on the annual accounts of the Council and its group are unqualified and unmodified and confirm that the 2021/22 financial statements present a true and fair view of the financial activities of the Council and its group. Similarly, our audit opinion on the section 106 charities administered by the Council is also unqualified and unmodified.

Financial management and sustainability

5 The Council's financial management is effective, with strong budgeting, financial monitoring and reporting processes that are aligned to its corporate priorities. The Council and its wider group financial position is sustainable into the foreseeable future, although Covid-19 and ongoing global events such as the war in Ukraine continues to add additional pressure and uncertainty.

6 The Council reported a year-end general fund surplus of £16.209 million for 2021/22, which was largely due to the receipt of additional funding to meet Covid-19 pressures in future years. This has resulted in an increase in the Council's reserves, with £25.488 million earmarked for pandemic recovery. It is essential that the Council recognises the non-recurring nature of such reserves and take steps to ensure they are used effectively and in line with the Council strategy and strategic objectives.

7 Medium-term financial plans are aligned to the Council's corporate priorities and clearly demonstrate how the organisation intends to address future financial challenges with the Council undertaking robust financial modelling.

8 The Council should develop a revised financial strategy which ensures the total balances available are used to support the financial sustainability of the Council over the medium-term. The financial strategy should incorporate a revised approach to service delivery and new ways of working.

Governance and transparency

9 The Council has appropriate governance arrangements in place and these operated effectively. Following the local council elections in May, the Scottish National Party formed a minority administration. In addition, there was a significant turnover in members. Officers have implemented induction and support arrangements for new and returning Members.

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

Best Value

11 The Council has an appropriate and effective Best Value framework in place. The Council continues to make positive progress addressing the recommendations contained in our 2016/17 Best Value Assurance Report.

12 The Council has a good understanding of the equality issues affecting its communities and stakeholders and have implemented policies to tackle these, including addressing the impact of the pandemic on its communities.

13 The Council's performance management arrangements remained effective during the pandemic. The Council was able to maintain service performance levels despite the pandemic and continues to perform well in comparison to other councils.

Introduction

1. This report summarises the findings arising from the 2021/22 audit of Renfrewshire Council (the Council) and its group.

2. The scope of the audit was set out in our 2021/22 Annual Audit Plan presented to the Audit, Risk and Scrutiny Board meeting on 21 March 2022. This report comprises the findings from:

- an audit of the annual accounts, and
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the Code of Audit Practice 2016 namely, financial management, financial sustainability, governance and transparency and value for money.

3. The main elements of our audit work in 2021/22 have been:

- an audit of the Council and its group’s 2021/22 annual accounts and the statement of accounts of the section 106 charities administered by the Council, including the issue of independent auditor's reports setting out our opinions
- a review of the Council's key financial systems that we judged to be relevant to our audit
- audit work covering the Council's arrangements for securing Best Value relating to ongoing follow up of the recommendations in the 2016/17 Best Value Assurance Report (BVAR). We also undertook a review of the Council’s best value arrangements relating to Fairness and Equality, and
- consideration of the four audit dimensions.

Adding value through the audit

4. We add value to the Council through the audit by:

- regularly meeting with management to discuss current issues and share knowledge and insights from the wider public sector
- sharing learning from our experiences working with other bodies and agreed a clear, no surprises, approach for the audit of the 2021/22 annual accounts
- identifying and providing insight on significant risks, and making clear and relevant recommendations, and

- reporting our findings and conclusions in public and sharing intelligence and good practice through our national reports (Appendix 2) and good practice guides.

5. In doing so, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

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

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

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

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

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

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

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

12. Our Annual Audit Report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

Auditor Independence

13. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £374,330 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

15. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

16. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Azets will be the appointed auditor for Renfrewshire Council. We are working closely with the new auditors to ensure a well-managed transition.

17. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code of Audit Practice 2016 which was issued in May 2016.

18. There are several significant changes introduced by the new Code, namely the integration of Best Value work into wider scope audit work and the audit of Best Value across the Integration Joint Boards.

19. We would like to thank Audit, Risk and Scrutiny Board members, the Chief Executive, Directors, and other staff, particularly those in finance, for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual accounts

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

Main judgements

Our audit opinions on the annual accounts of the Council and its group are unqualified and unmodified and confirm that the 2022/22 financial statements present a true and fair view of the financial activities of the Council and its group. Similarly, our audit opinion on the section 106 charities administered by the Council is also unqualified and unmodified.

Our audit identified three significant adjustments that impact on the Council's annual accounts, which have been corrected in the financial statements. These are detailed at Exhibit 2.

Our audit opinions on the annual accounts are unmodified

20. The annual accounts for Renfrewshire Council and its group for the year ended 31 March 2022 were approved by the Council on 17 November 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view of the financial position of the Council and its group and were properly prepared in accordance with the financial reporting framework, and
- the audited part of the Remuneration Report, Management Commentary and the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

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

21. Submission dates for the audited annual accounts and the Annual Audit Report for 2019/20 and 2020/21 were deferred in line with the later dates for producing the annual accounts because of the impact of Covid-19. Audit Scotland set target dates for 2021/22 which transition to more regular timescales. For 2021/22, the target date for the audited annual accounts is 31 October 2022.

22. The unaudited annual accounts and working papers were received in line with our agreed audit timetable on 30 June 2022. Finance staff provided good support to the audit team and all working papers were provided electronically. Due to capacity issues within the finance team there were delays in receiving supporting documentation and responses to audit queries. As a result, the original timetable of reporting on the audit on 24 October was deferred until 14 November 2022 and signed by the statutory deadline of 30 November.

Our audit opinions on Section 106 charities were unmodified

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

24. There is one trust fund, Coats' Observatory Trust, which was set up "for the upkeep of Coats Observatory equipment". This purpose was relevant while there were cash funds available; however, these funds have been exhausted, and only the property assets remain.

25. On 23 August 2022, Office of the Scottish Charity Regulator (OSCR) confirmed that the three Renfrewshire Common Good Funds have been removed from the Scottish Charity Register effective from 22 August 2022. As a result, there is no requirement going forward to prepare accounts for the Common Good Funds, instead a separate Common Good statement should be included within the Renfrewshire Council accounts.

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

- the financial statements give a true and fair view of the section 106 charity's financial position and are properly prepared in accordance with charities legislation, and

- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

27. These were approved by the Council on 17 November and signed by the statutory deadline of 30 November.

There were no objections raised to the annual accounts

28. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations. There were no objections to the 2021/22 accounts.

Whole of Government Accounts has been delayed at a UK level

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

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

31. The process for 2020/21 is running significantly late. HM Treasury issued its guidance for preparers on 27 April 2022 and the NAO issued its Group Audit Instructions on 14 July 2022. The OSCAR II system has been open for 2020/21 submissions since April 2022.

32. HM Treasury and the NAO set a date for certified returns of 31 August 2022 which the Scottish Government agreed to for Scottish bodies. The deadline was then subsequently moved to 30 September 2022.

33. HM Treasury has set an increased threshold for auditor assurance for bodies in England (£2 billion). Scottish Government has agreed the same threshold for Scottish bodies. At the time of writing, the Council has still to submit the Whole of Government Accounts (WGA) 2020/21 consolidation pack.

Overall materiality is £8.7 million

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

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

36. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. As detailed within our Annual Audit Plan, these apply to both the Renfrewshire Council single entity financial statements and the Renfrewshire Council group financial statements. This was reviewed on receipt of the unaudited annual accounts and remains unchanged, as summarised in Exhibit 1.

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£8.7 million
Performance materiality	£5.7 million
Reporting threshold	£0.250 million

Source: Audit Scotland, Annual Audit Plan 2021/22

We have significant findings to report on the audited annual accounts

37. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have reported several issues from the work done. These relate to the detail and documentation included within the valuer's report and the underlying records and processes around identifying related parties for disclosure within the annual accounts. These are included in the action plan at Appendix 1.

38. All the significant findings from our audit involved correcting adjustments to the annual accounts and are summarised in Exhibit 2 below.

Exhibit 2
Significant findings from the audit of financial statements

Issue	Resolution
1. Property, plant and equipment valuations The Code of Practice on Local Authority Accounting requires authorities to revalue property, plant and equipment with sufficient regularity to ensure the carrying amount does not differ materially from current value, being the value that would have been obtained if revalued. Property, plant and equipment valuations within the annual accounts are supported by workings from a professional valuer, using a rolling programme of revaluations. The valuation process could be enhanced through greater documentation of the annual valuation report and management scrutiny over the report including: • the assets revalued in year and the methodology applied in the valuation exercise	We recommend that a valuation report is prepared by the Council's valuer on an annual basis outlining the details of the work undertaken, the impact on the asset values and the methodology applied in completing the revaluation programme. There should be clear evidence of how management have challenged and scrutinised the valuation to ensure the accounts are free from material misstatement. **Recommendation 1** (Refer Appendix 1, action plan point 1)

Issue	Resolution
• the total valuation amount reflected within the annual accounts. In addition, there should be clear assurances around how those assets not subject to revaluation would not be materially misstated. Our audit work and subsequent analysis by the Council's valuer and management identified the carrying value (net book value) of property, plant and equipment valued at depreciated replacement cost which was not revalued in year was understated by £69.451 million. Management processed an adjustment to correct for the understatement which resulted in: • the deficit on the provision of services decreasing by £12.704 million • the revaluation reserve balance increasing by £56.746 million, and • the net book value of property, plant and equipment increasing by £69.451 million. This adjustment also impacted on the notes to the financial statements associated with these areas.	
2. Related parties As part of our audit work in relation to related parties we inspected the record of senior officers' interests and elected members' interests. We identified instances where information recorded could have been enhanced to support management in identifying any relevant related party transactions. While we are satisfied there are no undisclosed material related party transactions, we also noted that processes to consider and identify relevant relationships and transactions that require to be disclosed within the annual accounts could be improved.	We recommend that a review of controls and processes around related parties is undertaken. This will include the documentation of member and officer interests as well as the processes in place to identify the relevant disclosures for inclusion in the financial statements. **Recommendation 2** (Refer Appendix 1, action plan point 2)
3. Covid-19 agency income and expenditure The Council processes transactions on behalf of the Scottish Government for support payments made to businesses and individuals in response to Covid-19. The Council has no discretion in how the funding for the support payments is used and simply processes the payments on behalf of the Scottish Government. As a result, these transactions are not recognised in the Council or	Management processed an adjustment to correct for these errors which resulted in the Council's income and expenditure increasing by £14.106 million and the group's income and expenditure decreasing by £14.106 million. As both income and expenditure were misstated, the adjustment to correct these errors did not have any impact on the outturn

Issue	Resolution
its group's annual accounts and are instead reported as agency transactions. The Council is still required to maintain records of Covid-19 agency transactions and uses its ledger to record these transactions. Adjustments are processed to exclude these transactions from the Council and its group's annual accounts. However, errors were made when processing these adjustments which resulted in an understatement of £14.106 million of income and expenditure in the Council's annual accounts and an overstatement of £14.106 million of income and expenditure in the group annual accounts.	and the deficit on the provision of services.
4. Statutory adjustment for the difference between fair value and historic cost deprecation Statutory adjustments are processed in the annual accounts due to differences between accounting requirements and funding requirements. *The Statutory Basis for Accounting for and Disclosing Reserves in Scottish Local Government Bodies* is mandatory guidance that was issued by LASAAC in May 2021. This guidance made a change to the way the statutory adjustment for the difference between fair value and historic cost depreciation is processed, and from 2020/21 this was to be processed from the revaluation reserve to the general fund instead of the capital adjustment account. The revised approach was not reflected in the Council's annual accounts for either 2020/21 or 2021/22 which resulted in a misstatement of £22.299 million in the 2020/21 statutory adjustments and £25.473 million in the 2021/22 statutory adjustments.	Management processed adjustments to correct for these errors which resulted in statutory adjustments decreasing by £22.299 million and £25.473 million in 2020/21 and 2021/22 respectively, with corresponding increases in adjustments permitted by accounting standards. The adjustment to correct these errors did not have any impact on the Council's reserves balances.

Source: Audit Scotland

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

40. The Council uses indexation for the council house estate to estimate changes in value for years without a full valuation. This has been applied based on quarter 1 market data (as at 30 June) rather than the quarter 4 market data (as at 31 March). The impact for the Council accounts is that the value of council dwellings are overstated by £681,622. This has not been amended in the audited accounts and is not judged to be a material issue.

41. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. Exhibit 3 sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
1. Risk of material misstatement due to fraud caused by the management override of controls As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	• Assessed the design and implementation of controls over journal entry processing. • Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Tested journals at the year-end and post-closing entries and focus on significant risk areas. • Evaluated significant transactions outside the normal course of business. • Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • We assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantively tested income and expenditure transactions around the year-	**Results and Significant Judgements:** Our audit work did not highlight any instances of management override of controls for the Council or the charities. **Conclusion:** Satisfactory.

Audit risk	Assurance procedure	Results and conclusions
	end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.	

Other areas of audit focus

42. We identified in our 2021/22 Annual Audit Plan areas where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risks, we did not consider these to represent significant risks. The areas of specific audit focus were:

- **Valuation and measurement of property, plant and equipment**: At 31 March 2021, the Council held property, plant and equipment with a value of £1,484.243 million. This included Land and Buildings with a net book value of £876.278 million. There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and estimates, and changes in these can result in material changes to valuations.

- **Measurement and judgements applied to the valuation of pension liabilities**: As at 31 March 2021, the Council recognised a net liability of £221.534 million relating to its share of the Strathclyde Pension Fund liability. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates.

43. We kept these areas of audit focus under review throughout our audit. We reviewed our audit approach prior to the financial statements audit. We considered the movements in market and construction price indices and the impact this could have on property, plant and equipment valued at depreciated replacement cost which had not been subject to the revaluation exercise in year. On this basis, we re-assessed the risk of material misstatement on the valuation and measurement of buildings not revalued in year to be a significant risk of material misstatement. In Exhibit 4 below we have outlined the planned audit procedures and the outcome of these.

Exhibit 4

Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
2. **Risk of material misstatement on the valuation and measurement of assets valued at**	• Make inquiries of management around how they are satisfied that assets not subject to revaluation in	**Results and Significant Judgements:** As outlined in Exhibit 2, we found the carrying value of property,

Audit risk	Assurance procedure	Results and conclusions
depreciated replacement cost not revalued in year Market and construction price indices have been rising due to current market conditions, including rising inflation. The carrying value of property, plant and equipment valued at depreciated replacement cost which have not been revalued in year could be materially misstated.	year are free from material misstatement; • Review management / valuer's assessment of assets not subject to revaluation to determine if this is consistent with auditor knowledge or other similar property valuation movements. • Consider the sufficiency of Management's assessment of assets not subject to revaluation in year and the extent to which this has considered independent valuation advice and market movements.	plant and equipment valued at depreciated replacement cost which was not revalued in year was understated by £69.451 million and an adjustment was processed by management to correct this misstatement. **Conclusion:** Satisfactory after the correcting adjustment was processed. (Refer Appendix 1, action plan point 1 and see paragraphs 44 – 47)

The Council revaluation programme has not yet been updated to ensure coverage of each class of assets annually

44. In last year's Annual Audit Report we noted that the Council revalues elements of its property, plant and equipment over a 5-year rolling programme, with different classes of property, plant and equipment being revalued each year. This can lead to significant movements in value, particularly if a large class of property, plant and equipment is due for revaluation in a particular year.

45. We recommended that management should consider a valuation methodology whereby 20 per cent of each class of property, plant and equipment is revalued each year, with all assets still being revalued once over a five year period. This would reduce the likelihood of uneven valuation movements arising as a result of the specific class of property, plant and equipment due for revaluation in a given year. This had still to be adopted for the 2021/22 annual accounts.

46. As referenced in Exhibit 4, price and construction indices have been rising significantly. The potential impact on the valuation of property, plant and equipment valued at depreciated replacement cost has resulted in a significant risk of material misstatement. Management requested the Council's internal valuer to undertake a valuation estimation exercise to review the school estate and leisure centres not valued in year.

47. This was not a formal valuation of these assets but applied percentage movements based on data about property, plant and equipment revalued over the previous five years to those not formally valued in 2021/22. Management has undertaken a review of this valuation exercise and have confirmed they are satisfied that the principles applied are a reasonable basis to estimate the movement in the value of property, plant and equipment not formally valued in year. We have reviewed the valuation exercise and management's assessment of the valuation exercise and concluded that the principles applied to estimate the movement in property, plant and equipment not valued in year were reasonable and has been correctly reflected in the annual accounts. Details on the resulting adjustment can be seen in Exhibit 2.

Statutory override adopted for the disclosure of infrastructure assets

48. Across the UK, a technical accounting issue has been identified covering infrastructure assets, which we have considered as part of our audit this year.

49. Infrastructure assets typically include highways, footpaths, bridges and culverts and are included at historical cost in the accounts (£376 million gross). A replaced component of an asset has to be de-recognised and at some councils the records of additions were not detailed enough to comply with accounting code requirements. A failure to de-recognise assets correctly would have resulted in double-counting and an overstatement of the gross book value; accumulated depreciation and potentially the net book value of the assets.

50. CIPFA/LASAAC considered the matter and proposed amendments to the 2021/22 accounting code to allow a reasonable assumption that the net book value of replaced parts of infrastructure assets are nil and a temporary adaptation to remove the requirement to disclose gross book value and accumulated depreciation in the financial statements. The Scottish Government has issued Finance Circular 9/2022 to implement these changes.

51. Management considered the detailed records available to support infrastructure additions since 2010 and concluded that the above statutory overrides were required and have amended the infrastructure disclosures in the audited accounts, this is explained at Note 10.

Identified misstatements of £6.018 million were adjusted in the financial statements

52. In addition to the significant misstatements outlined in Exhibit 2, other misstatements of £6.018 million were identified in the annual accounts as outlined below:

- Guaranteed Minimum Pension (GMP) – an adjustment of £4.178 million was processed to recognise the estimated impact of GMP indexation changes on the pension fund liability. This should also have been reflected in the prior year financial statements, but we did not require an adjustment to the 2020/21 comparatives as this was not material.

- Capital addition overstatement – an adjustment of £0.781 million was processed to derecognise a capital addition which had been incorrectly recognised in 2021/22.

- Housing Revenue Account (HRA) understatement of impairment of debtors – an adjustment of £0.442 million was processed to increase the impairment of HRA debtors which had been understated due to an error in its calculation.

- Group accounts accrual reversal – an adjustment of £0.601 million was processed to income and expenditure in the group Comprehensive Income and Expenditure Statement which had been understated due to a 2020/21 accrual not being reversed.

53. Adjustments have processed to the annual accounts for all these misstatements. While these adjustments were individually below our performance materiality, collectively they breached it and we assessed if any further audit procedures were required. We concluded that further audit procedures were not required as the misstatements arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

Progress was made on prior year recommendations

54. The Council has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in Appendix 1.

2. Financial management

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

Main judgements

The Council's financial management is effective with strong budgeting, financial monitoring and reporting processes that are aligned to its corporate priorities.

The Council reported a year-end general fund surplus of £16.209 million for 2021/22, which was largely due to the receipt of additional funding to meet Covid-19 pressures in future years. This has resulted in an increase in the Council's reserves with £25.488 million earmarked for pandemic recovery. It is essential that the Council recognises the non-recurring nature of such reserves and take steps to ensure they are used effectively and in line with the Council strategy and strategic objectives.

The Council reported a surplus, but the Covid-19 pandemic continued to impact on the 2021/22 financial year

55. Public finances continue to be impacted by the Covid-19 pandemic during 2021/22 with the Scottish and UK governments continuing to provide substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

56. The Council's budget is aligned to its strategic priorities. To inform the budget each directorate produces income and expenditure estimates based on the Service Improvement Plans (SIPs). SIPs outline the activities of each directorate and how these support the delivery of the Council Plan.

57. These three-year plans outline upcoming improvement activity and detail how progress will be assessed through action planning and performance targets. The latest SIPs cover the period 2022/23 to 2024/25 and were approved by the relevant Policy Boards in June 2022. Each service will report on progress in the autumn and again at the end of the financial year. The mid-year reports will also reflect any changed priorities identified in the new Council and Community Plans.

58. The Covid-19 pandemic continued to impact on the Council's 2021/22 budget with both additional costs and income losses arising from the start of the year. As the year progressed the initial estimates of expenditure and income were revised and managed through the Council's financial management process and from additional financial support provided by the Scottish Government.

59. The Council approved its 2021/22 budget in March 2021. Budgeted net expenditure was £449.822 million and estimated total income was £449.130 million, resulting in a projected budget deficit of £1.692 million. The Revenue Budget and Council Tax 2021/22 noted that financial flexibilities available to the Council may be required to provide temporary support to balance annual revenue.

60. The Council continued to revise its financial position with the final budget forecasting net expenditure of £460.906 million and estimated total income was £477.194 million, resulting in a projected budget surplus of £16.288 million. The Council reported a final general fund surplus of £16.209 million.

61. Over the course of the year additional revenue support of £40 million was provided to the Council by the Scottish Government to address service pressures over the course of 2021/22. Additional Covid-19 related funding received from Scottish Government resulted in council reserves increasing by £20.364 million in 2021/22.

62. There were additional cost pressures in-year as a consequence of the Covid-19 pandemic. The Council spent £7.6 million during the year on Covid-19 related costs. These included staff costs and other measures to address the Covid-19 pandemic which were funded by the Scottish Government.

63. In addition, the Council administered the distribution of £24 million of Covid-19 support grants to local businesses and residents. These included business support grants, self-isolation support and low-income pandemic payments. There was an agency arrangement between the council and Scottish Government in the administration of these grants.

64. As expected, the main reasons for variances against the approved budget in March 2021 related to recovery actions for Covid-19. The most significant variance was a reduction in Non-Domestic Rates income from the Scottish Government from £102.8 million to £81.7 million to mitigate the impact of the Covid-19 pandemic on businesses.

The level of general fund reserves has increased because of Covid-19 funding received for future periods

65. One of the key measures of the financial health of a local authority is the level of reserves held. The Council has increased its useable reserves steadily since 2013/14 and has historically had a high level of reserves in comparison to many other councils in Scotland. The majority of reserves are statutory or ring-fenced and aligned to future spending plans and strategic objectives.

66. The overall level of usable reserves held by the Council increased by £20.364 million from £194.093 million in 2020/21 to £214.457 million in 2021/22. A table showing all reserves movements is included in Exhibit 5.

Exhibit 5

Movements in useable reserves in 2021/22

	Opening £m	Used £m	Added £m	Closing £m
General Fund (Unallocated)	10.887	(0.099)	-	10.788
General Fund (Ring-fenced)	77.571	(32.416)	48.724	93.879
Housing Revenue Account	6.497	-	-	6.497
Revenue Statutory Funds	2.864	-	0.110	2.974
Capital Receipt Reserve	8.638	(1.829)	0.785	7.594
Capital Statutory Funds	87.636	(0.904)	5.993	92.725
Total	**194.093**	**35.248**	**55.612**	**214.457**

Source: Audited annual accounts 2021/22

67. The general fund reserve is the largest reserve, with a balance of £104.667 million. Although the general fund reserve has no restrictions on its use, £93.879 million has been ring-fenced for future expenditure plans including £25.488 million specifically for Covid-19 recovery which arose due to additional funding from Scottish Government.

68. The Council reviews the level of its unallocated reserves when setting the budget each year. As part of the 2020/21 budget setting process the Council agreed to increase the unallocated revenue balances to a minimum of £10 million to address financial risks in the short and medium-term. This represents 2.5 per cent of budgeted net expenditure held as unallocated General Fund reserves. At the end of 2021/22 the Council's unallocated reserves were £10.788 million.

Capital expenditure reduced in 2021/22 as the Council paused its capital investment projects

69. Plans for capital expenditure are approved by the Council as part of the budget setting process each year. In March 2021, the Council approved a capital budget of £141.2 million for 2021/22 (including £25.6 million of spend on housing related projects). A table setting out capital budget and spend is included in Exhibit 6.

Exhibit 6
Analysis of capital spend in 2017/18 to 2021/22

Year	Approved Capital Spend* (£ millions)	Capital Spend Relating to Plans Approved in Prior Years (£ millions)	Capital Spend Relating to Current Year Plan (£ millions)	Total in Year Capital Spend (£ millions)
2017/18	£104.4	£19.2	£48.3	£67.5
2018/19	£88.0	£21.5	£43.2	£64.7
2019/20	£99.9	£7.8	£77.5	£85.3
2020/21	£127.4	£2.1	£51.6	£53.7
2021/22	£141.2	£10.3	£71.8	£82.1

*Includes spend approved by committee during the year

70. The Council's total spending on capital projects was £82.1 million (£53.749 million in 2020/21), with non-housing capital expenditure of £61.5 million and housing capital expenditure of £20.6 million. Capital receipts of £1.829 million (£1.273 million in 2020/21) were used to fund spending on capital projects.

71. The Council continues to adjust future years capital programmes to reflect the rephasing of projects. As at 31 March 2022, the Council had commitments on capital contracts for non-housing projects of £58.987 million (£140.251 million in 2020/21) and for housing projects of £25.933 million (£35.263 million in 2020/21).

72. In March 2021 the Council agreed the capital investment plans for non-housing covering the period 2021/22 to 2025/26 with budgeted investment totalling £443.5 million. In addition, the Council agreed capital investment for housing for the 3-year period 2021/22 to 2023/24 of almost £113 million. The Council has planned total capital expenditure of £159.9 million for 2022/23 with £132.8 million allocated to non-housing and £27.1 million to housing.

73. As a result of the ongoing challenges the Council will need to ensure it continues to review progress of the existing capital programme. This will include rescheduling and the reprioritisation of projects until there is greater certainty over the achievement of projects in the short and medium-term.

Housing revenue account incurred an overspend in line with forecast

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

75. The HRA recorded expenditure in 2021/22 of £61.711 million (£54.970 million in 2020/21). Overall, the HRA recorded an overspend of £8.655 million in line with forecast figure for the year and reflects the net effect of variances in employee costs and repairs costs.

76. An overspend in depreciation and impairment relates to the increased capital contributions made as part of the HRA Business Plan Strategy to utilise in year underspends to mitigate the impact of future capital borrowing costs arising from the investment in housing stock.

77. Unallocated HRA reserves have remained stable at £6.497 million. The Council believes this represents a prudent level of unallocated reserves for the HRA to mitigate any continuing impact of Covid-19 and any other unforeseen risks.

Financial systems of internal control operated effectively

78. As part of our audit we identified and assessed the key internal controls in those accounting systems which we regard as significant to produce the financial statements. This provided the assurance that the Council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

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

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

80. The risk profile of public bodies during 2021/22 continues to be affected by the Covid-19 pandemic. This has increased the risk of fraud and error as control environments and internal controls changed to allow for services to operate effectively and respond to issues in a timely manner. We have reviewed the arrangements put in place by the Council to address any heightened risks and concluded that there are appropriate arrangements for the prevention and detection of fraud, error and irregularities.

3. Financial sustainability

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

Main judgements

Medium-term financial plans are aligned to the Council's corporate priorities and clearly demonstrate how the organisation intends to address future financial challenges with the Council undertaking robust financial modelling.

The Council should develop a revised financial strategy which ensures the total balances available are used to support the financial sustainability of the Council over the medium-term. The financial strategy should incorporate a revised approach to service delivery and new ways of working.

We have obtained audit assurances over the wider audit dimension risks relating to financial sustainability identified in our 2021/22 Annual Audit Plan

81. Exhibit 7 sets out the significant risks of material misstatement we identified in our 2021/22 audit plan, our assurance procedures and the results and conclusions from our work. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

Exhibit 7

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

Audit risk	Assurance procedure	Results and conclusions
Financial sustainability While the Council's financial stability remains secure in the short-term, the Council has reported an unaddressed structural budget deficit estimated to be between £4 - £5 million as it moves into the 2022/23 financial year. The Council forecasts that in the period to 2025, in gross terms,	• Reviewed the Council's annual budget setting arrangements. • Assessed of the Council's medium to long term financial strategy. • Reviewed and assessed the budget monitoring arrangements with a	The Council continues to forecast a challenging medium to long-term financial position. We confirmed assumptions and judgements used by the Council in its forecasting are reasonable. The Covid-19 pandemic adds additional pressure and uncertainty.

Audit risk	Assurance procedure	Results and conclusions
before any adjustment for council tax rises, a saving of approximately £25 million will be required to address the forecast structural budget deficit and therefore providing no capacity for reinvestment in service or capital investment priorities. Building in an indicative council tax rise each year of three per cent would reduce the saving requirement to approximately £17 million.	focus on reports to senior officers and members on financial position. • Reviewed the Council's financial position and delivery of planned savings.	We recommend the Council updates its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.

The ongoing financial impact of the Covid-19 pandemic will be significant

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

83. Financial management across the Council has remained strong, with additional reporting put in place to clearly distinguish Covid-19 related costs and income losses from core operating costs.

84. A balanced budget position moving into 2022/23 was agreed by the Council on 4 March 2021, building on the previous budget decisions taken by the Council towards addressing the medium-term savings requirement.

85. Minimal savings decisions were included in the agreed budget for 2022/23, reflecting the decision to temporarily pause the Council's Right for Renfrewshire programme in 2021/22. Temporary investment in measures to assist Renfrewshire's communities recover from the pandemic were agreed, including a freeze in council tax which formed part of the conditional grant offer from the Scottish Government.

Transformational planning has been significantly disrupted by the pandemic

86. The Council's main transformation programme –Right for Renfrewshire (RFR) was temporarily suspended during 2020/21 in order for the Council to focus resources on the Covid-19 response and recovery. The longer term impact of this decision is that the Council's anticipated savings are insufficient to secure overall financial sustainability. At the Council meeting in June 2022, a revised savings target of £15 million was set for the remaining phases of the existing medium term transformation programme, and the programme revised to more clearly align with the financial sustainability portfolio.

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

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

88. While the Council’s financial stability remains secure in the short-term, the medium-term financial outlook continues to be challenging, with future government grant and the scale of future pay pressures the most significant areas of uncertainty.

89. In September 2022, the Council’s Financial Sustainability and General Fund Financial Outlook, forecast that over the next three-year period the Council would require to deliver savings within a range of £29 million – £61 million, with a forecast deficit of £44 million over this period, before any decisions on council tax. Assuming a 3 per cent council tax increase in each year, this central deficit forecast would reduce to £35 million.

90. To address the medium and longer-term challenges, the Council has continued to invest in a range of measures. The Council has agreed a capital programme of £160 million in 2022/23 across public infrastructure, schools, nurseries, public buildings and council housing. These will run alongside the Glasgow City Region City Deal programme.

91. As part of the budget planning for 2023/24, the Council intends to take advantage of the financial flexibility arrangements approved by the Council in September 2020 to secure financial stability in the short-term and help address the forecast medium-term structural budget deficit.

92. The Council has also developed economic and social renewal and recovery plans, which set out how the Council will work with partners to respond to the Covid-19 pandemic over the short to medium-term.

93. The Financial Outlook report further noted that the combined measures from accounting flexibilities and transformation (as detailed below) are insufficient to close the forecast financial gap the Council is facing. A range of other financial sustainability measures require to be explored and the Council has agreed to develop a portfolio of additional measures to address these including:

- a Strategic Property Review including estate consolidation and rationalisation. Further work is ongoing in relation to the management and maintenance of property assets, including charging proposals
- charging, fees and commercialisation. Work to assess and benchmark the current level of fees and charges relative to peer councils and the cost of service delivery

- a strategic review of procurement to explore optimal use of national contracts.

94. As the Council has not yet concluded the various reviews, it is not possible to determine whether the £20 million savings target (over and above the £15 million targeted from the transformation programme) will be fully achieved, or in what timescale.

95. The Council may therefore need to utilise reserve balances in the near term to temporarily provide financial support to manage this shortfall.

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

Recommendation 3

Develop a revised financial strategy which ensures the total balances available are used to support the financial sustainability of the Council over the medium-term. The financial strategy should incorporate a revised approach to service delivery and new ways of working.

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

City Deals

97. The £1.13 billion Glasgow City Region City Deal is an agreement between the UK Government, the Scottish Government and eight local authorities across the Glasgow City Region. Renfrewshire Council is the lead authority on two City Deal infrastructure projects with funding of £148.8 million.

- **The Glasgow Airport Investment Area Project** (GAIA - £43.1 million) is delivering the enabling infrastructure and utility connections into Netherton Campus, a 52-hectare Renfrewshire Council-owned site next to Glasgow Airport. Work on this project has been delayed due to the Covid-19 lockdown, and is due to complete in 2023/24, with capital expenditure of £6.425 million to 31 March 2022.

- **The Clyde Waterfront and Renfrew Riverside Project** (CWRR - £105.7 million) includes the construction of a new opening bridge across the River Clyde, and the construction of the Renfrew North Development Road. Work on this project is due to complete in 2024/25. Capital expenditure to 31 March 2022 was £6.032 million.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

The Council has appropriate governance arrangements in place and these operated effectively. Following the local council elections in May, the Scottish National Party formed a minority administration. In addition, there was a significant turnover in members. Officers have implemented induction and support arrangements for new and returning Members.

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

Governance arrangements operating throughout the Covid-19 pandemic have been appropriate and operated effectively

98. During 2021 the Council completed the installation of the Public-i system created the opportunity for the Council to hold hybrid Board meetings in Renfrewshire House.

99. This meant that the system was available for its use to begin at formal Board meetings in August 2021. All of the Council's Policy Boards, the Audit, Risk and Scrutiny Board and the Leadership Board have taken place using the Public-i system. In all cases, these have been hybrid meetings with some members present in the Chamber while others accessed the meeting remotely.

100. It is proposed the Council continues with the current arrangements for Board meetings which allows for hybrid meetings, with the option available to the Convener of each Board to hold the meeting remotely by Teams. It is proposed the Council extends the use of the Public-i system for meetings of the Regulatory Functions Board starting with the meeting on 27 October 2022.

101. Overall, the Council has appropriate governance arrangements in place which support effective scrutiny, challenge and decision making.

New administration

102. In May 2022 the Scottish Local Authority elections were held. Forty-three councillors were elected and a new administration was formed with the Scottish National Party (SNP). There was a significant turnover in members.

103. Following the elections in May an induction programme for newly elected members was established. The new administration and committee membership is still new and evolving and it is too early to comment on the effectiveness of arrangements.

Openness and transparency

104. There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public has access to understandable, relevant and timely information about how the body is taking decisions and using resources.

105. There is evidence from several sources which demonstrate the Council's commitment to transparency. Members of the public can attend meetings of the full Council and other Boards. Minutes of these Board meetings and supporting papers are available on the Council's website. Most items on Board agendas are covered in open session at meetings rather than in private.

106. The Council webcasts its main Council and Policy Board meetings and all agenda papers and minutes, including the annual accounts, are on the Council's website.

107. The Council's website allows the public to access a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint. In addition, the website encourages the public to sign up for e-alerts to get news they are interested in delivered straight to their inbox.

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

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

5. Best Value

Using resources effectively and continually improving services.

Main judgements

The Council has an appropriate and effective Best Value framework in place. The Council continues to make positive progress addressing the recommendations contained in our 2016/17 Best Value Assurance Report.

The Council has a good understanding of the equality issues affecting its communities and stakeholders and have implemented policies to tackle these, including addressing the impact of the pandemic on its communities.

The Council's performance management arrangements remained effective during the pandemic. The Council was able to maintain service performance levels despite the pandemic and continues to perform well in comparison to other councils.

The Council is making good progress in securing Best Value

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

111. The BVAR concluded that the Council has a clear and ambitious vision for Renfrewshire to revitalise the area's economy and address poverty and inequality. This vision is supported by the Council's partners and the Council Plan; management structures and performance management processes are also well aligned to the vision.

112. We also highlighted key areas where the Council should focus its improvement activities going forward. The report made seven recommendations relating to areas for further development including cross party working, community engagement, partnership working, financial sustainability, workforce planning and governance arrangements.

113. Progress in implementing the recommendations continues to be monitored by the Corporate Management Team on an annual basis, with the next update scheduled for December 2022.

The Council has a good understanding of the equality issues affecting its communities

114. The Public Sector Equality Duty as required of public sector bodies is set out in the following guide as ensuring that, "*those carrying out a public function consider how they can positively contribute to a more equal society through advancing equality and good relations in their day-to-day business*". It requires equality to be considered in all functions of public authorities, including decision-making, design of policies and delivery of services. This is required by the Equality Act 2010. The specific duties in relation to the duty came into effect in 2012 and were amended by subsequent Equality Act 2010 (Specific Duties) (Scotland) Amendment Regulations (in 2015 and 2016).

115. The best value audit work carried out this year focussed on the Council's arrangements for demonstrating best value relating to the theme of Fairness and Equality. Areas considered were as follows:

- how committed is the Council to equal opportunities (EO) and fairness?
- to what extent is EO and fairness embedded in service delivery?
- to what extent does the council promote EO and fairness in the community?

116. We reviewed the Equality Impact Assessment (EQIA) area of the Council website which provides information on how the Council assess decisions against equality and human right outcomes. This sets out the approach to EQIAs as a two stage-process involving initial screening and a full EQIA (if required). The website also provides information on why EQIAs are undertaken and covers areas such as policy development, budget setting and procurement.

117. As a schedule A listed authority, the Council is required to report on areas such as:

- information on recruitment, development, retention and protected characteristics; gender pay gap information and equal pay. As the Council employs more than 150 staff, all equal pay statements should report on sex, race and disability. The latest Equality Progress Report (for the period 2021-2025) includes all of the above requirements and was considered at the Council meeting in March 2021.

118. In addition to the above the Council has also undertaken work to consider:

- how fairness is embedded on service delivery. The Equality Outcomes and Progress report for the period 2021-2025 includes details on national research and issues affecting Renfrewshire. This covers areas, including: supporting employment and improving economic prospects for women, BAME people and disabled people; improving routes to employment and training for young people; black history and culture being fully incorporated into cultural and educational activities and doing more to address social isolation in older people and disabled people

- the extent to which the Council promotes EO and fairness in the community. This includes the Community Impact Assessment undertaken in September 2020. The findings confirmed a number of key priorities which partners and communities should address jointly. These have been used to inform the development of a Social Renewal Plan for Renfrewshire. In addition, the Council has engaged with the Public Services Panel via a survey in Spring 2022, works with third sector partners (e.g., with the Poverty Alliance on their "get heard" programme); participates in the Alcohol and Drug Change Programme and has developed a Renfrewshire Climate Panel where local citizens have been recruited to help make decisions to ensure that actions taken are right for local communities.

119. The Council has a good understanding of the equality issues affecting its communities and stakeholders and have implemented policies to attempt to tackle these, including addressing the impact of the pandemic on its communities. It is important that the Council continues to work with its partners and communities on these priorities, and that people most impacted are able to shape the actions that are taken to address the issues being experienced.

Performance management arrangements are being refreshed

120. The Council reports its progress against the Council Plan to the Leadership Board every six months.

121. There are Service Improvement Plans (SIPs) for all key service areas. They contain detailed action plans which link to the priorities in the Council Plan. They are also closely linked to other relevant plans, including Renfrewshire's Community Plan and Local Outcome Improvement Plan. Progress against SIP indicators is reported to relevant Policy Boards every six months. These are the forums where Councillors can challenge how services are performing.

122. Performance information is also accessible through the Council's "Our Current Performance" webpage. This includes performance progress updates on SIPs and the Council Plan. The webpage also links to the Council's annual report, *It's all about you*. This reports performance against indicators that the public have told the Council they are most interested in. The presentation of the report has been refreshed to take account of public requests to have a more accessible and easier to read format.

123. The Council is currently reviewing and refreshing its quarterly scorecard of performance information. Policy teams are engaging with each of their service Directorates to review performance indicators and to identify new measures for inclusion in the Council Plan scorecard and the new Corporate Management Team scorecard. The Council is also undertaking a wider audit of performance measures and are considering options for performance management software –

124. The Council has an established performance management framework that managers and Councillors clearly understand, which provides a sound base for ongoing and continuous improvement.

Statutory performance indicators (SPIs) are being monitored

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

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

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

127. We have evaluated the Council's arrangements for fulfilling the above requirements and concluded that it complies with requirements.

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

128. The fallout from the pandemic continues to impact on performance measures, particularly for services which were temporarily suspended, or operated at a reduced level or have had to adapt to new ways of working. The Council has continued to monitor key performance targets throughout the year with performance being regularly reported to the Audit, Risk and Scrutiny Board.

129. The Council has highlighted areas where performance has been challenging and this has been detailed in recent reports to the respective Policy Boards. This is most acute in areas where activity had to stop as a result of the pandemic, such as non-essential housing repairs, where there is now a significant increase in demand that is being managed as the Council moves forward to address the backlog.

The Council continues to perform well in comparison to other councils

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

131. The annual performance report to the Audit, Risk and Scrutiny Board was presented on 21 March 2022. This provided the Board and the public with a full assessment of all 101 indicators in the LGBF for 2020/21, highlighting those indicators in the top and bottom quartile, trend data and ranked position over the two years, Scottish average and the family group range for all indicators.

132. The Council continues to perform well in comparison to other councils, with 24 indicators are in the top quartile (ranked 1st to 8th) (26 indicators in 2021), however 11 indicators are in the bottom quartile (ranked 25th to 32nd) (12 indicators in 2021).

133. These represent the first full pandemic data and will compare favourably to the position in 2019/20. The 2021/22 data will be published in 2023.

National performance audit reports

134. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22, Audit Scotland published a number of reports were issued which may be of interest to the body. These are outlined in Appendix 2.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. Property, plant and equipment valuations The Code of Practice on Local Authority Accounting requires authorities to revalue property, plant and equipment with sufficient regularity to ensure the carrying amount does not differ materially from current value, being the value that would have been obtained if revalued. Property, plant and equipment valuations within the annual accounts is supported by workings from valuers, using a rolling programme of revaluations. The valuation process could be enhanced through greater documentation of the annual valuation report and management scrutiny over the report including: • The assets revalued in year and the methodology applied in the valuation exercise; • Key assumptions and estimates made in the valuation; • The total valuation amount reflected within the annual accounts; and	We recommend that a valuation report is prepared by the council's valuer on an annual basis outlining the details of the work undertaken, the impact on the asset values and the methodology applied in completing the revaluation programme. There should be clear evidence of how officers have challenged and scrutinised the valuation to ensure the accounts are free from material misstatement. Exhibit 2, Recommendation 1	**Agreed action:** The valuation programme and terms of engagement with valuers will be reviewed before the end of the financial year. As a minimum it is expected that all assets valued on a Depreciated Replacement Cost will be reviewed in 2022/23. **Responsible officer:** Head of Finance and Business Services and Head of Economy and Development **Agreed date:** 31 March 2023

Issue/risk	Recommendation	Agreed management action/timing
• Details of compliance with industry standards In addition, there should be clear assurances around how those assets not subject to revaluation would not be materially understated. **Risk:** There is a risk that the documentation to support the valuation exercise lacks detail and results in additional audit work being required to ensure appropriate assurances are obtained to support the valuations within the annual accounts.		
2. Related party disclosures The information held relating to member and officer interests could be enhanced to ensure that all relevant information is recorded to support the governance and financial reporting requirements around the disclosure of related parties. Processes and controls to consider and identify relevant relationships and transactions that require to be disclosed within the annual accounts should be reviewed for appropriateness. **Risk:** There is a risk that the council fail to identify related parties due to underlying documentation lacking sufficient detail.	We recommend that a review of controls and processes around related parties is undertaken. This will include the documentation of member and officer interests as well as the processes in place to identify the relevant disclosures for inclusion in the financial statements. Exhibit 2 Recommendation 2	**Agreed action:** Work is already underway to take account of best practice and IAS24 requirements in the Related Party disclosure. This note will be fully reviewed and updated for 2022/23. **Responsible officer:** Head of Finance and Business Services **Agreed date:** 31 March 2023
3. Financial strategy to support financial sustainability	Develop a revised financial strategy incorporating new or temporary financial flexibilities and assess how the total balances available are best utilised to support	**Agreed action:** The Council's Financial Outlook is being continually reviewed in light of changing economic climate and regular reports to Council will take

Issue/risk	Recommendation	Agreed management action/timing
The council face continuing financial challenges and significant uncertainty It is anticipated that new financial flexibilities may become available and the impact of these should be assessed within the scope of the wider financial strategy. **Risk:** There is a risk that decisions around financial flexibilities, transformation and redesign of savings are made without detailed financial impacts being available to support the decision-making process.	the financial sustainability of the council over the medium term. The council will need to actively engage with local and national partners to deliver the required level of efficiencies and savings. Paragraph 99	place over the coming months. As reported to Council in June 2022, a number of workstreams are underway to identify financial savings over and above those covered by the Right for Renfrewshire transformation programme. A further report to Council in December 2022 will detail the flexibilities being utilised to support the strategy. **Responsible officer:** Director of Finance and Resources **Agreed date:** 31 March 2023

Follow-up of prior year recommendations 2020/21

Issue/risk	Recommendation	Agreed management action/timing
1. Improvement in Council House Valuation Process To ensure the accuracy of land and property valuations within the annual accounts, management obtain expert advice from appropriately qualified staff within the council's property services department. **Risk:** There has been a significant turnover in staff and adequate records have not been maintained to support council house valuations.	The Council should formalise the internal process for the request and provision of land and property valuations. In addition, appropriate staffing and resource should be deployed to improve the valuation arrangements within the Council.	Discussions between Finance and Property officers will take place to agree what supporting information will be provided and when. Responsible officers: Head of Finance and Head of Economy & Development Agreed date: 31 March 2022
2. Ensuring effective use of temporary reserves arising	The Council will need to continue to assess the adequacy and use of	These funds are earmarked in specific Covid-19 reserves and their future use will be

to fund the Council's pandemic response The Council's earmarked reserves relating to the pandemic response totalled £17.296 as at 31 March 2021. **Risk:** There is a risk that this temporary funding is not used effectively.	ringfenced balances as it reviews its financial strategy; and to ensure that funding specifically allocated for the Covid-19 response is utilised in accordance with grant conditions.	appropriate and relevant in line with the Council's recovery plans and financial strategy. Responsible officer: Director of Finance and Resources Agreed date: 31 March 2022
3. Land and buildings valuation. The Council revalue elements of its fixed assets over a five-year rolling programme, with different classes of asset being revalued each year. **Risk:** There is a risk of large valuation movements between each year's annual accounts.	Management should consider a valuation methodology whereby 20 per cent of each class of asset is revalued each year, with all assets still being revalued once over a 5-year period.	The valuation programme is kept under review and consideration will be given to this recommendation in advance of the next year-end. Responsible officers: Head of Finance and Head of Economy & Development Agreed date: 31 March 2022
4. Heritage assets The last valuation external valuation was in 2013. **Risk:** There is a risk the value of heritage assets is not accurately reflected within the financial statements.	The Council should undertake a systematic valuation of heritage assets. This should be aligned with the transfer of records onto the new electronic management system.	Due to ongoing construction work in the museum service, access to these assets is limited in the short-term. This action is likely to require a longer timeline. Responsible officer: Head of Finance Agreed date: 31 March 2023
5. Financial sustainability The impact of the pandemic continues to present financial challenges, with a projected deficit of up to £25 million. **Risk:** The Council may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.	The Council should develop a revised financial strategy which ensures the total balances available are used to support the financial sustainability of the Council over the medium-term. The financial strategy will require to incorporate a revised approach to service delivery and new ways of working. To address the financial challenge, the Council will need to actively engage with local and national partners to	The Council will be setting its 2022/23 budget in March 2022 which will include plans for the available balances and an updated indication of the medium-term financial outlook. The financial strategy will continue to be regularly updated to highlight any funding gap faced by the Council and outline action required to address this. Responsible officer: Director of Finance and Resources

	deliver the required level of efficiencies and savings. Paragraph 88	Agreed date: 30 September 2022
6. Community Impact Assessment The findings from the community impact assessment confirm a number of key priorities. **Risk:** There is a risk that priorities are not taken forward by the Council and its partners.	It is important that partners and communities continue to work together on these priorities, and that people most impacted are able to shape the actions that are taken to address the issues being experienced. Paragraph 116	A lead officer has been appointed to implement the Council's/partner's Social Renewal Plan. Progress will be regularly reviewed by the Community Planning Partnership and reported to Leadership Board. Key priorities within the Social Renewal and Economic Recovery Plans will be embedded within the next Council Plan in 2022 and through a review of the Local Outcome Improvement Plan. Responsible officer: Head of Policy and Commissioning Agreed date: August 2022

Follow-up of prior year recommendations 2019/20

Issue/risk	Recommendation	Agreed management action/timing
8. Process for Identification of Internal Recharges We noted that there is scope for improvement in the Council's process to identify internal recharge transactions accurately and efficiently.	A review of the processes for internal recharging will be undertaken by Finance staff with a view to eliminating unnecessary charges. Development of the system will be undertaken to better identify internal transactions.	A new journal type has been introduced into the Financial Management System to make identification of internal recharges easier. In addition, work is ongoing to review all internal recharges by department, with a view to better understanding, re-thinking and improvement of processes where appropriate. This is now part of a wider review of processes in Finance that is still ongoing. Responsible officer: Head of Finance Revised date: 31 December 2022

9. Budgetary process Budget reports are considered by Policy Boards throughout the year; however, the budget setting and monitoring arrangements could be more transparent.	The Council has made a number of improvements in this area: • a year-end budget report was submitted alongside the unaudited annual accounts in June 2020. • budget monitoring reports now clearly outline changes from the originally approved budget. There remains an opportunity to further improve transparency through the timely publication of an amended budget to reflect decisions made by members during budget approval.	Budget monitoring reporting arrangements are subject to continuous review and development with a view to standardisation and improving transparency and ease of use. The format of the approved budget will be considered for the 2021/22 Estimates. Responsible officer: Director of Finance and Resources Revised date: 31 March 2022 In the 2021/22 estimates, budget motions were all to be funded from carried forward reserves, and Council Tax did not increase, meaning no substantive changes to the published Approved Revenue Estimates. A second report, if appropriate, will be considered for the 2022/23 Estimates.
10. Community Engagement The locality plan identifies broad outcomes for improvement, but it does not refer to localities where action will be focused nor are clear timescales for achieving these set out. **Risk:** There is a risk that outcomes do not focus on the correct localities.	The Council should clarify within the locality plans the localities where outcomes for improvement will be focused and specify the timescales for achieving these.	Local plans are being developed by each of the Local Partnerships, and initial priorities identified during 2019. Due to the pandemic the Local Partnerships were paused and this work did not progress at the original pace intended. Sessions are being planned for January 2021 to resume locality level discussions on local priorities in light of Covid-19. Responsible officer: Head of Policy and Commissioning Revised date: 30 June 2021 Work has been undertaken through the Developing Communities workstream to review Local Partnership arrangements, and to consider how to strengthen these going forward in recognition of learning we

		have gained during Covid-19 in relation to community relationships, capacity and empowerment. Resources are being identified to support the further development of the Local Partnerships, with colleagues from community learning and developing supporting work on the development of the local plans and priorities during 2022. This will be a key element of local work in relation to Covid-19 recovery.

Appendix 2. Summary of 2021/22 national performance reports and briefing papers

May

Local government in Scotland Overview 2021

June

Covid 19: Personal protective equipment

July

Community justice: Sustainable alternatives to custody

September

Covid 19: Vaccination programme

January

Planning for skills

Social care briefing

February

NHS in Scotland 2021

March

Local government in Scotland: Financial Overview 20/21

Drug and alcohol: An update

Scotland’s economy: Supporting businesses through the Covid 19 pandemic

Renfrewshire Council
2021/22 Annual Audit Report

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