

To: Audit, Risk and Scrutiny Board

On: 6 November 2023

Report by: Director of Finance and Resources

Heading: Azets Report to those charged with governance - Renfrewshire Council Group Annual Accounts 2022/23

1. **Summary**

- 1.1 Each year the Council's appointed external auditors carry out an audit of the Council's financial statements and provide an opinion as to whether those statements provide a true and fair view of the financial position of the Council, and its income and expenditure for the year; and also whether they have been prepared in accordance with the Local Government (Scotland) Act 1973.
- 1.2 In accordance with International Auditing Standards (ISA260), the external auditor, Azets, is obliged to report to those charged with the governance of the organisation matters which have arisen in the course of the audit.
- 1.3 The attached ISA260 report from Azets outlines their findings from the audit of the 2022/23 the Renfrewshire Council Group accounts.
- 1.4 Under the Local Authority Accounts (Scotland) Regulations 2014, the Council must meet to consider the Annual Accounts and aim to approve those accounts for signature no later than 30 September.
- 1.5 Azets officers will attend the Audit, Risk and Scrutiny Board meeting to present their reports.
- 1.6 There were two material adjustments made to the annual accounts over the course of the audit. They were:
- updated property values of schools and leisure centres, following the receipt of revised valuation calculations; and

- the value of the Council’s pension asset disclosed in the Balance Sheet required to be changed following late guidance issued by Audit Scotland in July 2023, which warranted further actuarial calculations to identify the pension asset cap or ‘ceiling’ that can be reported in the accounts.

Further detail is included in Azets’ Annual Audit report, presented at agenda item 1. Other minor and presentational changes were also agreed.

2. Recommendations

- 2.1 Members are requested to consider the attached report from Azets.
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Implications of the Report

1. **Financial** – The 2022/23 Annual Accounts demonstrate the Council continues to operate services within the resources available, and in line with the relevant legislation.
 2. **HR & Organisational Development** – none directly arising from this report.
 3. **Community/Council Planning** – none directly arising from this report.
 4. **Legal** – An audit opinion free from qualification demonstrates the Council’s compliance with the statutory accounting requirements set out in the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
 5. **Property/Assets** – none directly arising from this report.
 6. **Information Technology** – none directly arising from this report.
 7. **Equality & Human Rights** – none directly arising from this report.
 8. **Health & Safety** – none directly arising from this report.
 9. **Procurement** – none directly arising from this report.
 10. **Risk** – none directly arising from this report.
 11. **Privacy Impact** – none directly arising from this report.
 12. **Cosla Policy Position** – none directly arising from this report.
 13. **Climate Risk** – none directly arising from this report.
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Renfrewshire Council

**2022/23 Annual Audit Report to the
Council and the Controller of Audit DRAFT**

November 2023



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Key messages

This report concludes our audit of Renfrewshire Council (the “Council”) for the year ended 31 March 2023. This section summarises the key findings and conclusions from our audit.

Financial statements audit

Audit opinion	<p>The annual accounts will be considered and approved by the full Council.</p> <p>Our independent auditor’s report is expected to be unqualified, subject to finalising our work on asset valuations and subsequent events confirmations.</p>
Key audit findings	<p>The Council has appropriate administrative processes in place to prepare the annual accounts and the supporting working papers. We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p>

Audit adjustments	<p>We identified two material adjustments. The first is an adjustment of £258.3 million reducing the pension fund asset. This relates to a technical accounting adjustment to limit recognition of the pension asset to the Fund's pension 'asset ceiling' in compliance with accounting standards and guidance published by Audit Scotland in July 2023.</p> <p>The second is a £20.6million adjustment and reduction to the value of property assets identified following a review of property valuation calculations which had incorrectly included void areas in valuations.</p> <p>The Council updated the financial statements for all the potential audit adjustments identified during the audit process. This decreased the total comprehensive income to £255.8 million.</p> <p>We also identified some minor disclosure and presentational adjustments during our audit, all of which have been reflected in the final set of financial statements.</p>
Accounting systems and internal controls	<p>We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the Council's processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include these in this report. We consider the control environment within the Council to be satisfactory.</p>

Wider scope audit

Dargavel Primary school

We have reviewed the Council's response to the independent report on issues relevant to the building of Dargavel Primary School (the 'Bowles Report') and evaluated the Council's plans and progress in implementing the recommendations contained in that report.

The Bowles Report identified a number of historic significant failures in scrutiny, governance and working practices across a number of Council services in relation to the handling of the Dargavel Development. These failures led to the Council commissioning the developer of the Dargavel site (BAE Systems) to build a school with significantly fewer places than required by the scale of the development and the local area. The Council has accepted the Bowles Report recommendations and

acted quickly to develop a detailed action plan to take forward its response to those recommendations.

A key outcome is that the Council is now required to build a new and unplanned school to meet the needs of primary school age pupils in Dargavel and will also be required to deliver a larger extension than originally planned to provide the required high school capacity. This will incur additional cost. The Council is currently estimating completion of the new primary school by August 2027.

The initial capital cost of the new primary school is estimated at between £42million-45million, with the capital cost of additional secondary school provision at c£30million, and the Developer required to contribute approximately half of the second element of the cost. The estimated net cost to the Council of £60million is expected to be met from borrowing, resulting in interest payments of c£4million per annum. The costs do not include the running costs of the new school which the Council estimates, on a net basis, will be c£0.5million per annum.



These unplanned annual costs are incorporated into the Council's medium term financial plan (MTFP) as they impact on budgets from the 2027 financial year. As noted below, the Council has included these additional costs in its MTFP which has identifies a budget gap of up to £50million between existing expenditure plans and available funding.

We note that, once the issues relating to Dargavel School became apparent, the Council acted quickly to commission a full independent review (the Bowles Report) and has been open and transparent in publishing and communicating the outcomes from this review and in addressing the issues raised.

In parallel to the independent review progressing, the Council's focus has been to engage and communicate with the local communities impacted by the Dargavel School issue to address concerns and prioritise the education needs of local children. The Council has also been in negotiations with the Developer of the Dargavel site to secure the necessary land for building the new school and is establishing robust and accurate long-term projections of educational demand that is expected to emerge from Dargavel Village once completed, to inform key decisions.

Our report includes a small number of recommendations for the Council to consider in strengthening its response to the Bowles Report findings, mainly in relation to the monitoring and measurement of progress in implementing some recommendations.

Wider scope themes

<p>Financial Management</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>Auditor judgement</p> <p>Financial management remains challenging in the current funding and post-pandemic environment.</p> <p>The Council reported a revenue overspend of £7.5million in 2022/23 caused mainly by the impact of inflation on the cost of fuel and materials, and the effect of pay awards in increased staff costs.</p> <p>The Council was not able to fully deliver its capital programme spend and some projects in line with original plans due to the ongoing impact of COVID and complex nature of some of the projects. Capital projects with a value of c£42million (25% of the capital programme) had to be re-profiled in the year.</p> <p>The Council has appropriate financial monitoring arrangements in place and we have not identified any significant weaknesses in financial controls.</p>	
<p>Financial Sustainability</p> <p>Financial sustainability looks forward to the</p>	<p>Auditor judgement</p>	

medium and longer term to consider whether the Board is planning effectively to continue to deliver its services and the way in which they should be delivered.

The Council approved its 2023/24 revenue budget at its meeting in March 2023 and agreed a 6% increase in council tax and utilisation of non-recurring reserve funding of up to £12million to achieve a break-even position. The projected year end outturn is an overspend of £5.7million (or 1% of the budget).

Medium term financial sustainability remains challenging as the Council is estimating a budget deficit of between £45million to £50million for the forecast period from 2023/24 and 2026/27. These already challenging savings targets now include c£4m cost per annum for the addition of costs required to service debt associated with the Dargavel Primary school issue.

The Council has reported cost savings of over £170million since 2011 and further savings will be challenging to achieve without a detrimental impact on the services. The Council must now make difficult decisions on spending priorities if it is to remain financially sustainable.

The Council has an ambitious £700 million capital programme in place over the next five years for both housing and non-housing programmes. Since the pandemic, the Council has not been able to fully deliver capital spend and some projects in line with original plans due to a number of market related factors, including the cost of materials, supply chain issues and availability of contractors. Given the scale of the Council's ongoing programme this is likely to remain a continuing area of challenge.

Vision, Leadership and Governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Auditor judgement



The Council approved a new Council Plan in September 2022, articulating its vision, priorities and strategic objectives. The Plan has five main strategic outcomes: Place, Economy, Fair, Green and Living our values.

The Council operates an 'Audit, Risk and Scrutiny Board' which is chaired by an independent councillor. Our audit found some scope to better clarify the role of the Audit, Risk and Scrutiny Board within the Council's overall scrutiny arrangements and we welcome the Council's decision to undertake a review of its scrutiny and governance arrangements in the coming year. This will include an assessment of the effectiveness of the Audit, Risk and Scrutiny Board alongside the relevant CIPFA good practice guidance.

The Council has approved and adopted a Local Code of Corporate Governance and complies with that Code.

Use of Resources to Improve Outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Auditor judgement



The Council continues to recover from the post pandemic environment with the pace of improvement impacted by a high inflation economy and a challenging local government funding settlement.

The Council has generally good arrangements for performance management and operates a layered performance management framework aligned to its strategic objectives. Performance outcomes are available on the Council's website, using a wide range of user friendly and easy to follow presentations, dashboards and narrative.

The Council mostly met its key performance indicator targets in relation to people support, although performance declined relative to the prior year in some areas (e.g. children services), while other services (e.g. employment and support) reported improved performance outcomes. Care, buildings and road indicators recorded an overall decline in service performance.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure Best Value.

We have considered the effectiveness of council leadership in developing new local strategic priorities following the elections in May 2022. Our key findings and conclusions are summarised below.

Council leadership in developing new local strategic priorities

Auditor judgement



Renfrewshire Council has a clear strategic ambition. The overall vision is for “Creating a fairer Renfrewshire built on innovation, wellbeing and opportunity”.

The Council has an ambitious strategic plan which contains numerous actions to improve service delivery across the complex range of council services. Whilst this is commendable, proposed actions are not currently prioritised and it can be difficult to distinguish which of them represent key priorities or the relevant time and cost impact associated with delivering them.

The Council activities to involve its citizens in decision making are wide ranging and community empowerment, wealth and wellbeing are reflected in the strategic priorities underpinning Council Plan. To support these priorities, the Council is continuing to actively seek to design operating models and services that strengthen the community voice and bring decision making more directly into local communities.

In this context, the Council faces challenges to rebuild the trust and confidence of the local communities directly affected by the need to provide additional primary and secondary school places in Dargavel. The Council recognises this and has a good programme of active engagement with the impacted communities continuing to raise a number of concerns with the Council.

The Council has set out a strong focus on the need to reduce inequalities and has refreshed its Community Plan to reflect this focus on addressing inequalities as part of the 'Fair' strategic outcome within the overall Council Plan. The Council demonstrates a clear commitment to those priorities through numerous initiatives to tackle inequality.

We note that the Council has a clear commitment to tackling climate change, having declared a climate emergency in 2019. This commitment forms a stand-alone strategic outcome in the Council Plan ('Green') which closely links to the Council's 'Plan for Net Zero' and 'RenZero'.

The Council's Delivery Plans are also well established and aligned to financial, people and other key enabling plans.

The Council has an appropriate governance framework in place to support member and officer working relationships. Our audit found Member and officer working relationships to be generally working well with a more collaborative approach to decision making being adopted.

A Best Value review was undertaken on Renfrewshire Council in 2016/17. The Best Value Assurance Report (BVAR) includes recommendations to help the Council address the improvement areas identified during the audit. We have considered progress made by the Council in implementing the recommendations made in the BVAR. Our findings are summarised below.

Best value Assurance Report – follow up

Auditor judgement



The Council had eight recommendations and progressed against each. We note however that some of the recommendations are no longer relevant due to changed circumstances since the report was published. Our audit has confirmed that cross-party working arrangements have improved significantly, training has been provided to members at an appropriate level, governance arrangements at Renfrewshire Leisure (now OneRen) have been clarified and workforce strategies changed in response to new circumstances. The Council's medium term financial strategy plays an important role in decision making and performance information is now published on the Council's website.

Definition

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope and best value areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



Introduction

The annual audit comprises the audit of the financial statements and the wider-scope and Best Value audit responsibilities set out in the Code of Audit Practice.

We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit, Risk and Scrutiny Board at the outset of our audit. Subsequent to issuing the plan our risks remained the same, however we have updated our approach for the issues that have arisen since our plan was issued or when we have obtained further, more detailed knowledge, of a particular area of work as noted below.

Responsibilities

The Council is responsible for preparing its annual accounts, including financial statements which show a true and fair view, and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward



looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Annual accounts audit

The Council's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual report.</p>	<p>The draft financial statements, Management commentary, remuneration report and corporate governance statement were considered by the Council and approved on 22 June 2023.</p> <p>We anticipate we will issue unqualified audit opinions.</p> <p>We identified two material adjustments during our audit of the financial statements, as set out in Appendix 2. Management agreed to amend the draft financial statements for all of the errors and presentational points we identified.</p> <p>We received the draft annual accounts in line with our audit timetable. Our thanks go to the Finance team for their assistance with our work.</p>

Opinion	Basis for opinion	Conclusions
<p>Going concern basis of accounting</p>	<p>In the public sector, when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the Council's functions.</p> <p>Our wider scope audit work considers the financial sustainability of the Council.</p>	<p>Our understanding of the legislative framework and activities undertaken by the Council provides us with sufficient assurance that the services provided by the Council will continue to operate for at least 12 months from the signing date.</p> <p>Our audit opinion is unqualified in this respect.</p>

Opinion	Basis for opinion	Conclusions
<p>Opinions prescribed by the Accounts Commission:</p> <ul style="list-style-type: none"> • Management Commentary • Corporate Governance Statement • Remuneration Report 	<p>We plan and perform audit procedures to gain assurance that the management commentary, corporate governance statement and the audited part of the remuneration report are prepared in accordance with:</p> <ul style="list-style-type: none"> • statutory guidance issued under the Local Government in Scotland Act 2003 (management Commentary); • the Delivering Good Governance in Local Government: Framework (corporate governance statement); and • the Local Authority Accounts (Scotland) Regulations 2014 (remuneration report) 	<p>We have concluded that:</p> <ul style="list-style-type: none"> • the information given in the management commentary is consistent with the financial statements and has been prepared in accordance with relevant statutory guidance; • the information given in the corporate governance statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework; • the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Opinion	Basis for opinion	Conclusions
Matters reported by exception	<p>We are required to report on whether:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept; or• the financial statements and the audited part of the remuneration report are not in agreement with the accounting records; or• we have not received all the information and explanations we require for our audit.	We have no matters to report.

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit, Risk and Scrutiny Board in March 2023. The Plan explained that we follow a risk-based approach to our audit that reflects our overall assessment of the relevant risks that apply to the Council. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures were designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we consider the significant risks for the audit that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the 'Key Audit Matters'), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures.

Our opinion on the annual accounts is not modified with respect to any of the risks described below.

Council's significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Management override of controls

Significant risk description

Management of any entity is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits.

This was considered to be a significant risk and Key Audit Matter for the audit.

Inherent risk of material misstatement: Very High

Management override of controls

How the scope of our audit responded to the significant risk

Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.

Audit procedures

- Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals.
- Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals.
- Testing high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and appropriate approval in line with the Council's journals policy.
- Gaining an understanding of the accounting estimates and critical judgements made by management. We challenged key assumptions and considered the reasonableness and indicators of management bias which could result in material misstatement due to fraud.
- Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Key observations

We did not identify any indication of management override of controls from our audit work. We did not identify any areas of bias in key judgements made by management. Key judgements were consistent with prior years.

Council's significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area

Fraud in revenue recognition

Significant risk description

Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed inherent risk on every audit unless it can be rebutted.

The presumption is that the Council could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position. Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.

In respect of council tax income, non-domestic rates, housing rents and non-ring fenced government grants, however, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate these revenue streams. The risk of fraud in relation to revenue recognition is however present in all other revenue streams.

On review of the income transactions during the fieldwork we have narrowed this risk to cut-off, rather than the full population, as this would be an area for potential fraud or manipulation.

This was considered to be a significant risk and Key Audit Matter for the audit.

Inherent risk of material misstatement:
Revenue (occurrence / completeness): High

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud

Key risk area

risk associated with the recording of income around the year end.

Audit procedures

- Evaluating the significant income streams and reviewing the controls in place over accounting for revenue.
- Considering key areas of income and obtaining evidence that income is recorded in line with appropriate accounting policies and the policies have been consistently applied during the year.
- Substantively testing a sample of income items.

Key observations

We have not identified any issues as a result of this testing.

Fraud in non-pay expenditure

Significant risk description

As most public sector bodies are net expenditure bodies, the risk of fraud is also present in relation to expenditure. There is a risk that expenditure may be materially misstated in the financial statements.

On review of the expenditure non-pay transactions during the fieldwork we have narrowed this risk to cut-off, rather than the full population, as this would be an area for potential fraud or manipulation.

This was considered to be a significant risk and Key Audit Matter for the audit.

Inherent risk of material misstatement:

- Non-pay expenditure (occurrence / completeness): High
- Accruals (existence / completeness): High

Key risk area

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals and expenditure around the year end.

Audit procedures

- Evaluating the significant non-pay expenditure streams and the design of the key controls in place over accounting for expenditure.
- Considering key areas of expenditure and obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been consistently applied during the year.
- Testing accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Key observations

We have not identified any issues as a result of this testing.

Valuation of land and buildings and council dwellings (key accounting estimate)

Significant risk description

The Council held council dwellings with a net book value of £714.7 million and land and buildings with a net book value of £354.5 million at 31 March 2023. The Council revalue land and buildings and council dwelling on a five-year rolling basis.

Council dwellings are valued by the District Valuer using the beacon method which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A full revaluation exercise is completed every five

Key risk area

years. In interim years the values of beacon properties are updated to reflect key factors including changes in rental prices.

Other land and buildings are held at fair value and revalued as part of the five-year rolling programme. In addition, indices are applied to all assets held at Depreciated Replacement Cost (DRC) to reflect market changes within the year.

Last year the Council processed an audit adjustment of £69.5million to correct the carrying amount of property, plant and equipment in relation the valuation of assets. While the Council uses the rolling programme of valuations, this process has not been sufficient to consider the impact of the economic environment and increasing building prices on the full portfolio of the Council's assets.

There is a significant degree of subjectivity in the measurement and valuation of investment property, land and buildings and council dwellings. This subjectivity and the material nature of the Council's asset base represents an increased risk of misstatement in the financial statements.

Inherent risk of material misstatement:
Investment property, land & buildings and council dwellings (valuation): Very High

How the scope of our audit responded to the significant risk

Key judgements

Councils are required to revalue investment properties annually and property, plant and equipment with sufficient regularity to ensure that the carrying amount does not differ materially from the current value at 31 March.

Audit procedures

- Evaluating management processes and assumptions for the calculation of the

Key risk area

estimates, the instructions issued to their valuation experts and the scope of their work.

- Evaluating the competence, capabilities and objectivity of management's valuation expert.
- Considering the basis on which the valuations were carried out and challenging the key assumptions applied.
- Evaluating the information used by the valuer to ensure it was relevant and consistent with our understanding.
- Ensuring revaluations made during the year were input correctly into the Council's fixed asset register and the accounting treatment applied was in line with the financial reporting framework.
- Testing a sample of valuations against documentation and assumptions used.

Key observations

Based on our analysis we have identified that a number of assets have been valued higher when compared to our expectations. As a result of our challenge and further investigation the Council has identified that for a limited number of properties incorrect floor areas were provided to the external valuer. Once corrected it resulted in an audit adjustment of £20.6million to reduce the value of properties.

We requested further information on the Council's exposure to potential risk in relation to Reinforced Autoclaved Aerated Concrete (RAAC) being used in the construction of public buildings with a potentially significant impact on asset impairment.

The Council has already visually assessed all schools with no occurrence of RAAC identified. Of 205 other buildings, 28 have been identified

Key risk area

as requiring further visual inspection for the presence or absence of RAAC materials. At the point of preparing this draft the Council was not aware of any basis of impairment of RAAC assets on the council's estate.

Valuation of defined benefit pension asset (key accounting estimate)

Significant risk description

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate.

Inherent risk of material misstatement:

Defined benefit pension asset (valuation): High

How the scope of our audit responded to the significant risk

Key judgements

A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation and mortality rates) can have a material impact on the pension asset/liability.

Audit procedures

- Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to their actuarial experts and the scope of their work.
- Evaluating the competence, capabilities and objectivity of management's actuarial expert.

Key risk area

- Considering the basis on which the valuation was carried out and challenging the key assumptions applied.
- Evaluating the information provided to the actuary for the purposes of their calculation of the IAS 19 estimate to ensure it was complete and consistent with our understanding.
- Ensuring pension valuation movements made during the year were input correctly into the general ledger and financial statements and that the accounting treatment applied was in line with the financial reporting framework.

Key observations

The IAS 19 actuarial report for the Council identifies a pension surplus (or pension asset) of £434.1 million. This is a significant change to the prior year's pension liability of £55.2 million and is mainly driven by a significant increase in discount rate assumption between the years. The discount rate as of 31 March 2023 was 4.75% and decreases the value of future pension obligations substantially which, when combined with no significant movement in the value of pension investments, results in a pension surplus outcome.

Accounting standards require the Council to review the pension surplus and only recognise the lower of the surplus or an 'asset ceiling'. A detailed technical guidance note on how to calculate the pension asset ceiling was issued by Audit Scotland early in July 2023. Limiting the recorded pension asset to the asset ceiling value of £175.9 million, resulted in a £258.3 million audit adjustment processed in the accounts.

We are satisfied that we have obtained reasonable assurance over the disclosures in

Key risk area

the financial statements relating to the pension asset.

Financial instruments: fair value measurement (key accounting estimate)

Significant risk description

The Council maintains significant debt and investment portfolios. The Council measures its financial instruments at fair value or amortised cost or, where no reliable measurement exists, measured at cost.

Fair values are categorised by their level in the fair value hierarchy:

- Level 1 – fair value is derived from quoted prices in active markets for identical assets or liabilities
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability
- Level 3 – fair value is determined using unobservable inputs

For level 1 and level 2; the Council's valuations are supported by independent expert advice. For level 3, there is the potential for management to use their judgement to influence the financial statements.

Inherent risk of material misstatement:

Investments and borrowings (valuation): High

How the scope of our audit responded to the significant risk

Key judgements

For level 1 and level 2; the Council's valuations are supported by independent expert advice. For level 3, there is the potential for management to use their judgement to influence the financial statements.

Audit procedures

Key risk area

- Evaluating and reviewing the controls in place over accounting for financial instruments.
- Considering the Council's material financial instruments and obtaining evidence that these have been appropriately valued at 31 March 2023 including challenging fair value classification.
- Review of management experts and external investment managers.
- Review of the disclosures within the annual accounts to ensure they are consistent with supporting information.

Key observations

The Council has relatively non-complex financial instruments and borrowings in place. We have concluded that the valuation of PFI schemes and other investments and borrowings are free from material misstatement.

Provision for doubtful debts (key accounting estimate)

Significant risk description

The Council in its annual accounts provides for doubtful debts over sundry debtors and housing rent arrears.

Key risk area

How the scope of our audit responded to the significant risk

Key judgements

There is a significant degree of subjectivity in the measurement and valuation of provisions for doubtful debts. This subjectivity represents an increased risk of misstatement in the financial statements.

Audit procedures

- Obtaining the breakdown of provisions and assessing the reasonableness of management's judgements as well as challenging the appropriateness of any assumptions used.
- Performing substantive testing on provisions for doubtful debts where values and balances are derived by valuation and estimation.

Key observations

Our work in this area has not identified any issues.

Group and the Council materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile the Council and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the Council and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality for the group financial statements was £8.4 million and the Council's financial statements was £8.4 million. On receipt of the unaudited financial statements, we reassessed materiality and updated it to £8.9 million and £8.8 million for the group and the Council accordingly. We consider that our updated assessment has remained appropriate throughout our audit.

	Group £million	Council £million
Overall materiality for the financial statements	8.9	8.8
Performance materiality	6.7	6.6
Trivial threshold	0.250	0.250

Materiality

Our assessment is made with reference to the group and Council’s gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing financial performance of the Council and its group.

Our assessment of materiality equates to approximately 1% of gross expenditure as disclosed in the 2022/23 unaudited annual accounts.

In performing our audit, we apply a lower level of materiality to Remuneration Report. Our materiality was set at £5,000.

We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our materiality levels set. We perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.

Performance materiality

Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out.

Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.

Trivial misstatements

Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Common Good Funds materiality

Our initial assessment of materiality for the Paisley Common Good Fund financial statements was £0.140 million. On receipt of the unaudited financial statements, we reassessed materiality and updated it to £0.120 million.

Our initial assessment of materiality for the Renfrew Common Good Fund financial statements was £0.690 million. On receipt of the unaudited financial statements, we reassessed materiality and updated it to £0.670 million.

Our initial assessment of the Johnstone Common Good Fund materiality remained unchanged from the planning stage.

We consider that our updated assessments have remained appropriate throughout our audit.

	Overall materiality	Performance materiality	Trivial threshold
	(£)	(£)	(£)
Paisley	£120,000	£90,000	£5,000
Johnstone	£1,040	£780	£52
Renfrew	£670,000	£502,500	£33,500

Overall materiality: our assessment is based on approximately 2% of net assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of each fund.

Performance materiality: Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.

Trivial threshold: 5% of overall materiality for the financial statements.

Group audit

The Council prepares group financial statements in addition to its own financial statements, as required by the CIPFA Code, as there are material differences between the Council and group figures. The Council's group structure is detailed within the annual accounts.

As group auditors under ISA (UK) 600 we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the

applicable financial reporting framework. The following table sets out the components within the group.

Component	Significant	Level of response required
Renfrewshire Leisure Ltd (OneRen)	No	Analytical
Common Good Funds	No	Analytical
Paisley Museum Reimagined Ltd	No	Analytical
Park Lane Developments (Renfrewshire) LLP	No	Analytical
Coats Observatory Trust	No	Analytical
Strathclyde Partnership for Transport	No	Analytical
Strathclyde Concessionary Travel Scheme Joint Committee	No	Analytical
Renfrewshire Valuation Joint Board	No	Analytical
Renfrewshire Health and Social Care Integration Joint Board	No	Analytical

Comprehensive – the component is of such significance to the group as a whole that an audit of the component’s financial statements is required for group reporting purposes.

Analytical - the component is not significant to the group and audit risks can be addressed sufficiently by applying analytical procedures at the group level.

We revisited our planning group scope assessment, following receipt of the unaudited accounts and our assessment remained the same.

As part of our audit, we reviewed the consolidation entries made within the group accounts, confirmed those entries back to the financial statements of the group bodies and evaluated any significant adjustments made to align the accounting policies or the different year end dates. Overall, we concluded that the results of the group bodies had been appropriately consolidated into the Council’s audited group accounts.

Our analytical procedures have not highlighted any significant material issues in the Group accounts.

Renfrewshire Trust Funds

Coats Observatory Trust Fund

The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment.

The Council's charitable trust is covered by the requirements of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit. Each registered charitable trust has required a full audit since 2013/14.

There is one registered charity preparing its accounts on a receipts and payments basis – Coats Observatory Trust Fund. This is subject to separate Audit Report.

Audit differences

We identified a small number of errors in the draft financial statements during our audit. These are set out in more detail in Appendix 2. Management agreed to amend the financial statements for all the errors we identified. The overall impact of the adjustments made on the financial statements of the Council was:

- Nil impact on the deficit on the provision of services
- £411.3 million reduction of total comprehensive income
- £431.9 million reduction to net assets.

We also identified disclosure and presentational adjustments during our audit which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

Internal controls

As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

We did not identify any significant control weaknesses during our audit.

Follow up of prior year recommendations

We followed up on progress in implementing actions raised by the predecessor auditor in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 3.

Other communications

Accounting policies, presentation and disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the Council.

The accounting policies, which are disclosed in the financial statements, are in line with the CIPFA LASAAC Code of Practice and are considered appropriate. The accounting policies used in preparing the financial statements are unchanged from the previous year.

There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately. Overall, we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Audit, Risk and Scrutiny Board. Internal Audit is providing regular updates to the Board on any fraud related investigations. We have not been made aware of any additional incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the Council. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

Written representations

We requested written representations from management, and these were approved at the same time as the financial statements were approved by the Audit, Risk and Scrutiny Board, signed by the director of finance and resources, and provided to us before we completed our audit and issued our auditor's report.

Related parties

We are not aware of any related party transactions which have not been disclosed.



Confirmations from third parties

All requested third party confirmations have been received.

Wider Scope

Dargavel Primary School

Our external audit plan highlighted our intention to monitor the Council's response to the "Independent Review of the Council's assessment of the demand for education for Dargavel Village, secured in Section 75 Agreements with BAE Systems" (the 'Bowles Report') published in June 2023.

The Council commissioned the Bowles Report following completion of the building of a new primary school in Dargavel last year which was found to have been built with significantly less capacity than required for the catchment area – about one third of the size required. The Council has worked on possible solutions to address the issue which had been caused by an error in estimating pupil numbers at the outset of the project.

The cost to address this error for the Council will be significant and is currently estimated at up to £75 million in gross capital costs for building a second primary school in Dargavel and building a larger than planned secondary school extension to accommodate the increased need for pupil places.

These costs are expected to be met from new borrowing and will add c£4million per annum in additional revenue costs to meet interest payments. The net running costs associated with operating the new schools will be at least £0.5million per year. The additional revenue costs of c£4million for borrowing interest cost have been factored into the Council's medium term financial plans as they will mainly take effect from when the new school is built which is currently projected to be by August 2027.

We note in context that the Council's existing medium term financial plan highlights the need to make savings of as much as £50million for the period to the 2026-2027 financial year. The revenue costs associated with the Dargavel issues identified above added to that already challenging savings target and will need to be incorporated into the Council's medium term financial plans in due course.

We summarise the independent examiners review work below, together with our assessment of the Council's response and actions to date. Our work has been informed by a range of meetings with Council officers and examination of a wide range of available documentation.

We have noted throughout our work the openness and transparency with which the Council have approached this difficult and challenging issue and we would like to thank the Council for their support during our audit.

Independent examiner's report – the Bowles Report

The Council commissioned the Bowles Report to provide an independent assessment of the circumstances which led to the significant error in school capacity planning for Dargavel School. The Report was published and presented at the June 2023 full Council's meeting. The review was undertaken by a former local government director and chief executive with experience of leading major independence investigations. The Bowles Report made a number of recommendations and we summarise its key findings below.

We note that the remit of the report was limited to a review of the Dargavel Development and should not be regarded as indicative of how the Council manages major capital programmes or projects.

The independent examiner identified a number of the contributory factors:

- A failure of leadership in the education service.
- Limited corporate oversight of the project.
- Lack of clarity about the size of the development.
- A complete and repeated failure to test data for reasonableness.
- Ignoring conflicting data.
- Not either understanding or planning to manage the risk associated with this large development.
- Focussing on capacity problems at Bishopton Primary School.
- Ignoring emerging problems when agreeing to a 2 form entry primary school in 2018, which increased the capacity of the planned Dargavel school by about 100 places.
- A failure to recognise the growing school capacity problem until May 2022.
- A failure to take any concerns expressed by others seriously.

The report notes that all of the senior officers involved in the Dargavel development are no longer employed by the Council. We note that some of those officers have moved to senior positions with other local authorities.

The school was built as a part of Section 75 agreement with BAE Systems and linked to housing regeneration development in the area of Dargavel. Section 75 refers to a type of agreement by which a developer agrees to contribute to the additional public costs associated with delivery of any new housing development, including costs associated with schools, health, roads and other infrastructure. The early agreement between the Council and BAE Systems was for a maximum of 2,500 houses and a new primary school with capacity for 340 pupils. The revised 2018 planning consent increased the development to c.4,000 houses and a primary school requirement for 430 pupils.

When the school opened in January 2022, and with the development of just over 2,200 houses, it became apparent that pupil registrations were exceeding estimates raising concerns over the overall school capacity.

Additional work by the Council to create a robust long-term estimate of pupil numbers (further confirmed by more detailed projections from the Council's consultants - Edge Analytics) identified a need for a primary school capacity of 1,100 pupils and high likelihood of breaching the existing 430 capacity in the 2023/24 school intake requiring c.60% more pupil spaces in the short term.

The Council's Education and Children's Services Policy Board agreed an interim solution to instal 6 new modular classrooms, which were delivered on time, before the end of August 2023 to address immediate capacity issues.

The current long-term estimates for the required primary school pupil places in Dargavel are projected to peak between 1,100-1,500 and reduce over the long term towards the end of the 2030 decade to a settled level as the development matures. These estimates have been subsequently confirmed by the Council's consultants Edge Analytics. The range of estimated projections reflects a number of risk-based scenarios and sensitivity analysis identified as part of the additional work undertaken by the Council and Edge Analytics recognising that there are multiple factors that can impact and influence the actual pupil demand that will ultimately emerge over time.

The work undertaken by the Council to establish robust estimates of demand for pupil places in Dargavel addresses a key recommendation identified by the Bowles Report:

- The initial Section 75 agreement from 2009 estimated that demand for school places was based on an adjacent area of Bishopton. However, Bishopton is a mature area with low pupil demand, while new housing (i.e. Dargavel) tends to attract more young families yielding higher numbers of pupils for pre-school and primary age groups. Data from other sources, like NHS expected demand, which contradicted the estimates, was either not used or disregarded by the Council.
- The final Section 75 agreement increased the housing development from 2,500 to 3,850 houses (55%), but the school roll size was only increased by 30% to 440. There was also lack of clarity over the 3,850 number, as other documents reviewed by the independent examiner suggested a maximum number of 4,291 houses to be developed. There has been 'overwhelming evidence' that the pupils demand was significantly underestimated before the Council entered into the Section 75 agreement.
- Concerns were expressed by parents, the Community Council, and other stakeholders, but were ignored by the Council.

- When BAE Systems proposed to further lower the number of secondary school pupils places from 300 to 200, the Council agreed without evidence of any challenge from officers. The Council did not use data on actual educational demand to do a robust estimation of the pupils expected demand.
- The above shortcomings resulted in the Council weakening its negotiating position by allowing the capping of BAE contributions in both Section 75 agreements.

The Bowles Report included recommendations for improving the reliability of estimates of demand for primary and secondary school places in Dargavel. As noted above, the Council has acted quickly to address these recommendations and appointed Edge Analytics to support its work in this area. The subsequent work of Edge Analytics has confirmed the Council's estimates.

The Council's response and our assessment

The Council had already been prioritising its response to many of the issues associated with Dargavel School since they emerged, and had anticipated and progressed many of the actions the Bowles Report subsequently recommended. For example, education provision in Dargavel has been a standing item on Education and Children's Services Policy Board meeting agendas for over a year.

The Council's initial response to the recommendations contained in The Bowles Report was necessarily prepared shortly after the publication of the independent examiner's report. As a result, this initial high-level response records the Council's acceptance of the recommendations in the Report and commitment to addressing them.

This initial response has since been supplemented by a more detailed action plan response in a Specific, Measurable, Achievable, Realistic and Timebound (SMART) format which enables appropriate monitoring and reporting of progress in implementing agreed actions.

The Bowles Report has covered the decision making issues relevant to the outcome of building too small a school to meet community needs. The impact of that decision on educational outcomes for school children in the Bishopton and Dargavel areas remains a significant concern for the local community. The Council has put a range of mitigations in place to address those concerns, including the provision of modular primary school classrooms to provide additional short term capacity and a number of community engagement touch points to reassure parents and respond to local concerns. The Council remains in regular dialogue with parents, teachers and community groups in the local area. We note that a small number of members of the affected local communities continue to raise concerns with the Council and the Council continues to engage to address local concerns.

The Bowles Report also raises wider issues for the Council in planning effectively for the future school estate. We note that the Council has employed Edge Analytics as

consultants to support its efforts to ensure it has the most robust long term projection data across the whole of its school estate to support better informed long term strategic investment decisions on the school estate that will be made in future years. A key challenge for the Council will be to win the trust and confidence of local communities as it communicates and explains any potential future school estate configuration decisions it may take in years to come.

The Council has been very open and transparent in responding to our audit queries. We met with the senior management team at the end of August and issued our 'key lines of enquiry', which we include in the table below, and received a formal response on 6th September. We have remained in regular contact with the Council to discuss and clarify the Council's response which has included the development of a more detailed action plan (in response to the Bowles recommendations) to enable appropriate scrutiny and facilitate effective tracking and monitoring of progress in implementing agreed actions.

The Audit, Risk and Scrutiny Board is the Council's main scrutiny body, but was not actively engaged in the commissioning of the Bowles Report or in scrutiny of the Council's response to its recommendations until relatively recently. The Council chose to consider and scrutinise the Bowles Report at a full Council meeting with the first formal report on the issue to the Audit, Risk and Scrutiny Board due to be presented to the Board in November. The Council provided the following formal responses to our audit enquiries at the time of drafting this report.

Audit Enquiry	The Council's response and audit assessment
<p>Future Budgetary Impact</p> <p>What is the full capital cost of the new school and has the Council considered a range of options on how will it be funded? Have the additional revenue costs been identified (i.e. additional staff members, gas and electric, etc)? Has the opportunity costs of building the additional school been identified?</p>	<p>The Council estimates that the capital cost for the development of the 2nd 800 place Dargavel primary school will in the £42million to £45million range. The new school is expected to be completed by August 2027.</p> <p>The capital cost of extending Park Mains High School is estimated at between £27million to £30million and will accommodate an additional 400 pupils.</p> <p>Both estimates exclude financing, VAT and any other associated costs.</p> <p>The estimates above have been based on the standard area per pupil and cost</p>

Audit Enquiry

The Council's response and audit assessment

per square meter as per the Scottish Futures Trust ('SFT') guidance included in their 'Learning Estate Investment Programme' guidance.

Audit assessment: The calculated initial capital cost is within SFT's ranges. Although minimal in scale relative to the Council's overall revenue budget, we asked the Council to prepare more a more detailed revenue cost assessment for running and operating the new schools. The Council estimates the net additional revenue impact to be £0.5million per annum, which will represent an additional 0.1% cost pressure on the Council's budget in 2028/29 when the full year effect of this cost will require to be addressed

Current Budgetary Impact

What is the immediate impact on the Council's overall budgets (capital and revenue), including the impact of future savings, impact on Council tax levels and supporting displaced pupils (i.e. transportation costs)?

The immediate impact would be between circa £60 million in capital cost, with the expected borrowing financing cost of £4 million per year. The figure is net of an expected BAE Systems contribution to 200 spaces to the provision of the secondary school extension.

The Council informed us that any impact on future revenue, savings or Council tax would be considered as part of the Council medium term financial plans.

Audit assessment: The Council estimates additional capital costs of up to £75million (£60million net) to address primary and secondary school capacity issues in the Dargavel area. The revenue cost associated with borrowing to finance these costs is estimated at

Audit Enquiry

The Council's response and audit assessment

£4million per annum with a further £0.5million per annum in net running costs for the new schools. The £4.5million in new revenue costs is now included in the Council's existing savings target of £50million. The Council has not yet identified how it will achieve the cost savings required to fund this additional expenditure.

Operational Performance

When will the new school be ready? What work has the Council done to ensure any new school provision will meet the needs of current and future children for both primary and secondary education provision in the area?

Has the Council considered the short-/long-term impact on pupil performance and other operational targets? Has that consideration extended to impact on Dargavel and surrounding schools? What mitigations have been put in place? How long are they required for?

How will the Council monitor the impact on educational outcomes for the surrounding area?

The new primary school, and extended secondary school are expected to be operational from August 2027.

The Council's Education and Children's Services Policy Board considers the Dargavel school issue on an ongoing basis.

The last update to August 2023 Board meeting considered the progress of the modular interim solution installation, other schools impacted and referred to developing a long-term Learning Estate Strategy and Management Plan.

The Council delivered an interim solution (6 modular classrooms) to meet the immediate capacity needs for pupil places and to retain classroom space ratios within government guidelines.

In future years, pupils not allocated places in Dargavel Primary (including modular classrooms) will be placed in the neighbouring Bishopton Primary school.

These interim changes necessary to meet the immediate education needs of local children did lead to some initial concern with parents in both Dargavel and Bishopton schools. The Council has

Audit Enquiry

The Council's response and audit assessment

been able to demonstrate that many of these initial concerns have been addressed and the Council's monitoring indicates that these interim measures are working well with no evidence at this stage of any negative impact on education experience or attainment in the affected schools.

Long term estimates of the demand for pupil places have been completed and mapped to the current school estate capacity. The Council appointed specialist consultants Edge Analytics to support with this work.

The Council has been in discussion with BAE Systems and reached an agreement for additional land to be transferred to the Council to provide a preferred site to enable new school construction as well as providing increased land at the existing primary school to provide greater flexibility. The Council is assessing the preferred procurement and delivery route for the new school and will in due course undertake appropriate statutory consultation processes.

Audit assessment: The level of scrutiny given to this issue at Council is appropriate. However, we note that the role of the Audit, Risk and Scrutiny Board in providing scrutiny over the Dargavel School issues has not been sufficiently articulated at the outset. The very first report on the issue was presented to this Board in September 2023 with a further report planned for November 2023 to provide scrutiny and challenge over the Council's detailed response actions to the Bowles report.

Audit Enquiry

The Council's response and audit assessment

The Bowles report itself was considered at full Council and regular updates provided through the Education and Children's Services Policy Board since November 2022.

The Council has implemented a number of mitigations to address immediate school capacity issues in the short term and work on estimating the demand for school places over the next 15 years has also been completed to support appropriately risk informed decision making by the Council.

The Council monitors the impact of these changes on the educational outcomes for pupils as part of its existing established arrangements. Early indications are that pupils continue to perform well in both Dargavel and Bishopton schools which are both regarded as high performing primary schools.

Community engagement

What is being done to ensure community engagement improved and continues whilst the issues are resolved? What additional support is being provided to the pupils already impacted?

The Council has an appropriate stakeholders engagement strategy in place. The Council has established more formal forums with stakeholders, parents, local groups and councillors amongst others to maintain and improve future engagement.

Audit assessment: The decision making failures identified in the Bowles Report create a significant challenge for the Council in building trust and confidence with local communities in decision making affecting the school estate for both the Dargavel and Bishopton communities and more widely for how decisions on the future

Audit Enquiry

The Council's response and audit assessment

school estate are appropriately scrutinised and communicated. The Council has recognised this, has been alert to this risk from the outset of the Dargavel issue, and has an existing stakeholder engagement strategy which has been appropriately adapted to the developing situation. In future years, the Council will have further school estate decisions to make and in this context the Council should consider developing a more specific plan for how it will make those decisions, the appropriate governance and scrutiny arrangements for those decisions, and how it will involve local communities in those decisions and ensure effective communication with all key stakeholders each stage of the decision making process.

Lessons learned

Has a lesson learned exercise been undertaken which identified the root cause of the issues identified in the external report and recommendation raised on how to resolve these issues?

The Council accepted the findings of the Bowles Report in full and as an immediate response provided an initial high level action plan response when the report was published in June 2023. A more detailed action plan has subsequently been prepared over the summer period and will be subject to regular monitoring and scrutiny of the Council's progress in implementing agreed actions.

Audit assessment: The Council has good arrangements in place for monitoring capital projects and has already implemented many of the Bowles Report recommendations. The Council has also developed a detailed action plan response to the Report recommendations. The Bowles Report

Audit Enquiry

The Council's response and audit assessment

was considered at full Council and the Audit Risk and Scrutiny Board will scrutinise and monitor progress in implementing agreed actions. This governance route was not, however, clearly articulated at the outset and this would have provided greater clarity in respect to the appropriate governance route for scrutinising the Council's response to the Dargavel issue. We note that the Education & Children's Services Policy Board has been monitoring, and will continue to monitor, the educational aspects of Bowles Report recommendations and the Council's response. We note that the Council is reviewing its governance and scrutiny arrangements as part of its response to the Bowles Report.

Action plans

Is there a detailed action plan in place which outlines the recommendation identified from both external and internal reviews?

1. Does this action plan outline:
 - a. the response to the recommendation in sufficient detail for a third party to understand the proposed approach;
 - b. the responsible owner of the action; and
 - c. a deadline for the action to be completed?
2. Has this action plan been scrutinised and approved by the appropriate governance forum?

See comments above, the Council has prepared a detailed action plan response to the Bowles Report recommendations.

Audit assessment: See comments above.

Contractor engagement

The Council has worked closely with BAE Systems and negotiated a transfer

Audit Enquiry

The Council's response and audit assessment

What are the outcomes of negotiations with BAE? How has the Council ensured that lessons learned have been applied to prevent similar issues reoccurring? What oversight have the legal team had in regard to this agreement?

of land to the Council for £1 consideration, for the purpose of new school construction and to increase the land at the existing school site to provide increased flexibility.

In exchange for this transfer the Council clarified the understanding that a maximum of 4,322 homes are consented to be delivered as a part of Dargavel Masterplan. The Council has also agreed to reduce the quantum of social housing to be delivered by 93 units, and redesignating part of the site from commercial to residential use.

Audit assessment: The Council has worked constructively with BAE Systems and obtained additional land to enable a new School to be built with an estimated completion date of August 2027 and has secured additional land at the existing school site to secure greater flexibility to meet potential long term changes.

Governance arrangements

What is being done to ensure similar issues are not evident in similar projects recently completed or ongoing? What is being done to improve the governance around significant capital investments to ensure issues don't reoccur? Does the council operate with cross department teams in place (capital projects managers, finance, legal, education officers etc) working together to ensure a holistic approach to complex capital projects?

The Council has demonstrated that the Bowles Report findings are limited to the Dargavel School project and has appropriate governance arrangements for managing major investment programmes such as its City Deal Programme and Community Investment Programme .

In recognition of the growing scale of investment being delivered in the learning estate, the Council has also recently established a new Strategic Learning Estate work programme and its terms of reference and governance model aligns with the Council's strategic

Audit Enquiry

The Council's response and audit assessment

priorities, sets its purpose, oversight arrangements and brings officers from different departments into its Programme Board.

The Council is planning to review its overall governance and scrutiny arrangements as part of a wider review of effective corporate governance. The Council has also agreed to undertake a review of the effectiveness of its Audit, Risk and Scrutiny Board against CIPFA good practice guidelines.

Audit assessment: The Council has good arrangements for tracking and monitoring the project management of major capital projects.

We note the Council's planned reviews of governance and scrutiny arrangements, and we will monitor the outcomes from these reviews in future audit work.

Accountability

Has the Council considered any further steps that could be taken towards the key staff responsible for the decision making that resulted in the failure to build an appropriately sized school?

The Council has sought independent legal advice and considered the potential for any form of appropriate action against former senior officers involved in Dargavel School decision making. All of the senior officers involved in the historic handling of Dargavel are no longer employed by the Council and the Council has assessed in conjunction with external advisors that there is no prospect of pursuing any specific action against former senior employees of the Council.

It would be inappropriate for the Council to make any comment on any ongoing

Audit Enquiry

The Council's response and audit assessment

disciplinary actions against existing employees.

Audit assessment: The Council has obtained appropriate external legal advice and considered the potential for any form of action against former senior employees involved in Dargavel School decision making.

Summary of the audit judgments and progress on Dargavel primary school

The Council acted quickly to respond to the Dargavel issue, including appointing an independent examiner who has recognised the transparency and helpfulness of the Council in supporting his work in a difficult and challenging area. We can confirm that the Council continues to engage openly and transparently in addressing issues relevant to Dargavel School. This open and transparent approach is an important element of the Council's response supporting the rebuilding of public trust and confidence in future decision making on the school estate.

Officers recognise that estimating future population trends is an ongoing complex exercise and requires specialist input and challenge. The Council has appointed a specialist consulting firm (Edge Analytics) to support their work in providing the best possible data and estimates over the likely demand for future school places and to review those estimates on ongoing basis to react to any changes to expected demand patterns.

The Dargavel School issue continues to be a priority area for the Council involving significant time for senior leaders and for the Council to ensure an appropriate response. We have observed an appropriate level of involvement of members at the Education, Children's Services Policy Board level who continue to scrutinise the delivery of education across the Council. The Council has structured and formalised its approach to the governance of other major capital projects. There has been a recent review by officers and adoption of Strategic Learning Estate work programme, bringing together officers from different departments to oversee educational estate delivery and ensure joint working going forward.

We note that the Council is undertaking its own review of scrutiny and governance arrangements partly in response to Bowles Report recommendations and we welcome the planned review of the effectiveness of the Audit, Risk and Scrutiny

Board to support the effectiveness of future scrutiny arrangements. We will continue to monitor developments in this area as part of our audit.

We note that the Council assesses the impact of Dargavel School decisions on the standard of teaching delivery and pupil attainment as part of its regular monitoring arrangements. The Council assesses that, whilst there has been some disruption, there has been no detriment to either teaching delivery or pupil education in the Dargavel and Bishopton areas. The Council continues to monitor this closely.

The Council recognises that it still faces a significant challenge to build the trust and confidence of the affected local communities in its decision making in relation to Dargavel. For example, although there is support from across associated Parent Councils for the Council's decision to extend (rather than replace) an existing secondary school serving the Dargavel and Bishopton area, a recent report to the Education, Children's Services Policy Board comments on the negative reaction from some within the Dargavel community to this decision. The Council recognises this and is alert to actively managing this ongoing issue. This confirms that future decision making on the school estate will remain a high profile issue for the Council going forward.

Recommendation 1

Financial management

Our detailed findings on the Council's financial management arrangements are set out below.

Financial performance

The Council reported General Fund overspend of £7.5million at 31 March 2023. Significant additional spend was incurred due to inflationary pressures during the year.

£10million of expected budget savings were incorporated into revenue estimates for 2022/23 with £8.8million of further savings targeted for 2023/24, including savings of £1.4million from the use of the flexibilities in relation to service concession arrangements.

The capital programme budgets for both HRA and non HRA elements have been re-profiled and decreased during the year by c£27million (17%) due to further COVID-19 related delays. The Council estimates it will achieve a small underspend on its revised capital budget. However, the Council is aware of the pressure on the overall capital programme and an expected increase in costs due to contractor claims and materials cost inflation which will require to be funded.

Revenue performance against budget

The bulk of the General Fund overspend was split between two services: Children's Services with £3.5million, and Environment & Infrastructure of £6.7million. The main financial challenge during the year has been from inflationary pressure on staff costs, the cost of food, fuel, energy, construction and children's residential care.

More specifically: the number and cost of complex child care packages have increased, high gas and electricity costs account for £2m of the overspend, refuse collection costs were impacted by increased fuel costs, with car park income still below pre-pandemic levels recording £1 million less income than expected.

The largest cost element in the Council's accounts are staff costs which was at c£384million representing 43% of total expenditure. In 2022/23 a national pay settlement was agreed for local government workers at 5% and for teachers at 7%. To support the additional cost, the Scottish Government provided councils with additional funding, with Renfrewshire Council receiving £8.6million.

The council tax collection rate for the year was 95.5%, slightly below the target of 95.9%. However, income from this source exceeded budget by £2.2million due to better than expected prior year arrears collection rates.

The General Fund balance increased to £127.4million at 31 March 2023 from £104.7million in the previous year. The Council maintains unallocated reserves of £10.3million which equals to 2.3% of the Council's net annual running cost.

Housing revenue account (HRA)

The Housing Revenue Account (HRA) reported a net cost of £15.7million (£8.7million), mainly due to increased repairs and maintenance costs. The balance of HRA reserves has been maintained at the same level as the prior year at £6.5 million.

Capital expenditure

The capital programme budget for 2022/23 was £161 million, which consisted of non-housing programmes of £132 million and a housing related programme of £29 million. The delivery of the capital programmes has been impacted by the complexity and scale of the projects, the costs of inflation, availability of contractors and increasing professional fees. This resulted in an in-year re-profiling of the capital programme and an underspend against budget of £42 million (or 25% of the budget) of which £32 million was for non-housing development and £10million related to housing.

The largest element of the Council capital programme spend is City Deal, responsible for almost one third of the programme, with Leisure and Heritage projects, council dwellings and roads and transport projects making up the remainder.

The projects re-profiled into 2023/24 largely relate to Paisley Museum, Paisley Town Hall and Paisley Town Centre Infrastructure, City Deal and the new Paisley Grammar Campus.

Treasury management

Capital spend is sourced through a number of funding and borrowing streams. Almost half of capital funding comes from external borrowing, with 46% being funded from government grants and contributions and 5% from other sources. During 2022/23 the Council borrowed £25 million from the Public Works Loans Board (PWLB) on a long-term loan basis. Cash levels have decreased when compared to the balance as at March 2022,

The Council remained within its authorised capital financing requirement (CFR) of £480 million, with the actual CFR being £442.1 million. The ratio of net revenue used for paying for the borrowing financing cost (loan interest) was 33% for housing and 3% for non-housing.

Systems of internal control

We have evaluated the Council's key financial systems and internal financial controls to ensure internal controls are operating effectively to safeguard public assets.

We did not identify any significant weaknesses in the Council's accounting and internal control systems during our audit.

Prevention and detection of fraud and irregularity

We found the Council's arrangements for the prevention and detection of fraud and other irregularities to be sufficient and appropriate.

National fraud initiative

The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.

The most recent NFI exercise commenced in 2022. The Council uploaded the data in line with the requirements of the NFI in October 2022 ahead of the new data sets being released in January 2023. Council officers are working through the matches and an update to the Council is going to be presented during 2023/24. There are no significant findings to note so far.

Overall, the Council's arrangements with respect to NFI are satisfactory. We will follow up completion of the work as part of our 2023/24 audit.

Financial sustainability

Significant audit risk

Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:



Extract from External Audit Plan - Financial sustainability

The Council considers its medium-term financial planning through its Financial Sustainability and General Fund Financial Outlook report regularly presented to the full Council. The Council has considered a range of scenarios from optimistic to pessimistic and identified a 'central scenario' with a funding gap of £45 million to £50million between 2024/25 and 2026/27. Assuming a 5% council tax increases in each of those years the funding gap reduces to a range of £30 -35million and would require the Council to identify c.£10million of savings and efficiencies each year. However, such council tax increases would be subject to prior Council vote and approval.

The Council reviewed its budget planning assumptions to reflect the financial challenges impacting on the external environment which the Council operates in. In addition to council tax, other assumptions included pay and contractual inflation cost pressures. The emerging and uncertain impact of cost pressures on the Council's finances and ability to deliver services in a sustainable manner remains a significant challenge and risk.

The key Council's transformation programme Right for Renfrewshire ("RFR") aims to transform the Council's services, create efficiencies, and generate savings over the medium term. It was paused between 2020 and 2021 to focus the efforts on the emergency response to the COVID-19 pandemic and restarted again in 2022. The Council recognises that as a result, the savings have fallen behind the requirement to secure financial sustainability. The original RFR savings target of £25million was revised in June 2022 when the Council reinstated the programme with a target to achieve £15million of savings instead. The Council delivered £5million of savings between 2020-22 against the original RFR target. The new savings target £15million has also proven to be challenging and it is currently expected that £8million will be achieved over the period of 2023-2025.

The Council has been reviewing its medium-term sustainability workstreams noting that over the period from 2010 it has already achieved £173million of savings and that the scope for further savings is therefore limited without impacting the quality of the services delivery. The Council has concluded that these measures will deliver less savings than planned and is currently investigating the potential for further savings and efficiencies.

The Council's reserves include £21.5million of ringfenced reserves (in relation to COVID and inflation mitigation) and £10.3million of unallocated reserves. While the Council plans to potentially draw down up to £12million of ringfenced reserves to achieve a breakeven position in the short term, it has acknowledged that these cannot be utilised as a sustainable solution to close the medium-term budget gap. The Council recognises that difficult decisions on spending priorities will be required to address the projected budget deficit.

The Local Government Finance circular 10/2022 confirmed that local authorities can utilise financial flexibility whereby the capital repayment element of service concessions can be accounted for over the expected useful life of the asset

instead of the contract period. The Council has approved the use of this flexibility, which will produce an in-year saving of £1.4million, with reduced cost available up to 2036/37. However, this re-profiling exercise will also generate cost, not previously present, beyond 2036/37. The net cost impact over the revised life of the assets is nil. Council's utilisation of the service concession financial flexibilities has been incorporated into the Financial Outlook reports during 2022.

Our detailed findings on the Council's arrangements for achieving long term financial sustainability are set out below.

2023/24 revenue budget

The Council approved its 2023/24 revenue budget at a meeting in March 2023. The Council voted 6% increase on council tax and agreed utilisation of non-recurring reserve funding up to £12million to achieve a break even position.

The projected outturn at March 2023/24 is an overspend of £5.7million against its total budget of £509.6million. The key areas of the adverse variance relate to:

- £2.6million in relation to external specialised residential accommodation placements within Children and Families;
- £2.3million in relation to the ongoing shortfall in parking income, waste collection cost driven up by fuel prices and other inflationary pressures; and
- £1.1million from repair and maintenance of streetlight columns, due to inflationary pressures and under-recovery within soft facilities management services

There is also uncertainty in relation to ongoing pay negotiations and their impact on 2023/24 outturn.

Cost improvement plans

The Council re-commenced its service transformation programme in 2022, including arrange of financial sustainability workstreams to achieve savings over the medium term. This is branded under the name of Right for Renfrewshire ('RFR'). There have been specific, targeted reviews undertaken as a part of RFR to generate savings and included reviews of the Operations and Infrastructure service within Environment and Infrastructure to generate savings over 2022/23 to 2024/25. Remaining areas of the Council where reviews have been undertaken include Corporate Governance, Marketing and Communications, Policy and Partnerships and People and Organisational Development. The Council expects that these reviews will largely deliver against their savings target in 2023/24.

The budget savings under RFR were expected to be at £8million over the remaining 12 months, against £15 million target. £4.7million of these savings are incorporated

into 2023/24 budget. The Council is undertaking work on how to achieve a longer-term target of £20million savings in the medium to longer term.

In addition, the above target will be affected by additional savings required to fund additional revenue costs in relation to the Dargavel Primary school issue.

Medium term financial plan

Officers have noted that the prior year’s savings were largely achieved by two departments which make up only 20% of the total council budget. Commitment to savings would need to be met by all services, including the Council’s subsidiaries.

The medium-term financial challenge and financial gap has been considered by the Council numerous times, but no clear options have been presented or decision has been made as to how to address those challenges. This poses an increasing risk to the Council’s delivery of services over the medium-term, and we would recommend addressing as a priority.

Recommendation 2

Capital plans

The Council has a number of medium- and long-term capital projects, financed through borrowing, Levelling up Fund, City Deal, Regeneration Capital Grant funds and Scottish government funding. The biggest capital projects over the next 5 years include City Deal Projects (Clyde Waterfront & Renfrew Riverside, Glasgow Airport Investment Area), Advanced Manufacturing Innovation District Scotland South project, Paisley Museum and investment in heritage venues and town centre infrastructure. This is supported by asset lifecycle maintenance programmes.

Exhibit: Capital programme

	2023/24	2024/25	2025/26	2026/27	2027/28
	(£m)	(£m)	(£m)	(£m)	(£m)
Non-housing	145.9	94.0	85.4	53.4	45.6
Housing	29.7	48.6	69.0	71.7	51.9
Total	175.6	142.6	154.4	125.1	97.5

Projected outturn at March 2023/24 is an underspend of £0.1million. The total borrowing and long-term debt over the next three years is expected to increase by 34% from £429million in 2023/24 to £575million in 2025/26 and new borrowing will need to be financed, therefore reducing revenue available to provide other services.

These reductions have been budgeted for and impact is included within the overall projected £50million medium term financial gap.

This year's programme included construction of Paisley Grammar New Campus and Primary Schools Estate Programme, but additional expected cost of building a new primary school in Dargavel and extending the secondary school there is not included in the above estimates. The Council expects to finance this cost of c.£72-75m from external borrowing.

Housing Revenue Account

The Council plans to deliver total housing capital investment of £270.8million over the 5-year period up to 2027/28. The council expects that £26.6million of the total will be financed from government grant. The HRA 2023/24 budget of £29.7million is expected to be on track for delivery, with no under or overspend currently reported.

The HRA operates a rolling 30-year Business Plan model which is the standard operating practice amongst local authorities and Registered Social Landlords. The 30-year basis of the model reflects the need for a long term planned approach to the replacement of major items such as rewiring, central heating aligned to the lifecycle of the element.

Similar to non-housing construction, the sector is still experiencing the impact of pandemic recovery, with the backlog of repairs to void properties influencing income generation. The Council is focusing on the first phase of its capital programme to deliver c.1,100 housing properties and to invest £30million in the existing high-rise accommodation.

Vision, leadership and governance

Our detailed findings on the Council's arrangements are set out below.

Vision

The Council approved a new Council Plan in September 2022, articulating its vision, priorities and strategic outcomes for the Council. The Council Plan strategic outcomes are used to underpin the Council's internal and external communication and engagement and these align to their organisational values. The Plan has five main strategic outcomes: Place, Economy, Fair, Green and Living our values.

Corporate leadership team

Renfrewshire council senior team consist of the Chief Executive, 3 Directors of departments and 15 Heads of Service (along with the Chief Officer of the HSCP and Chief Executive of partner organisation OneRen). The Council's internal structure changed in December 2022 when Community Learning moved into the Chief Executive's Services, and Community Protection and Housing services were consolidated with Environment and Infrastructure, and one director's post was deleted as a result.

Governance arrangements

The Council's governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives set out in the Council plan. The Council has approved and adopted a Local Code of Corporate Governance and publishes information on how it complies with that Code.

The Council has a number of Boards (Committees) with delegated authorities and specific remits in place. The Audit, Scrutiny and Risk Board is chaired by an independent member of the council and comprise nine members from all political parties represented on the Council. Its remit is to consider internal and external audit and scrutiny reports, note internal audit performance, consider and monitor progress reports against any action points raised by internal and external auditors. The Board also has responsibility for considering the Council's code of corporate governance, approving the risk management policy and strategy and reviewing the effectiveness of risk management arrangements. Other functions include monitoring and reviewing service delivery performance, policies and practices and to submit recommendations to the Council.

The Council has recently committed to undertaking a review of the effectiveness of the Audit, Risk and Scrutiny Board against the CIPFA good practice guidance for

audit committees. The Council should also consider the effectiveness of existing scrutiny arrangements across all governance bodies as part of its evaluation of the role of the Audit, Risk and Scrutiny Board.

Recommendation 3

Seven Local Partnerships have been established and have identified initial local priorities. Decision making including that relating to relevant grants is delegated to each Local Partnership through a lead officer appointed by the Council.

Risk Management

Renfrewshire Council has a risk management framework in place formed over key components and supported by a high-level combined risk management policy and strategy, last revised in March 2021. The strategy is due to be reviewed by the Audit, Risk and Scrutiny Board in November 2023. The risk management objectives refer to:

- Leadership and management;
- Policy and strategy;
- People;
- Partnership and resources;
- Processes;
- Risk handling and assurance; and
- Outcomes and delivery.

Updates on progress reports and monitoring of risks are reported to the Audit, Risk and Scrutiny Board on a six-monthly basis. Each Council department has at least one representative on the Corporate Risk Management Group (the Group). The Group has overseen reporting of the 2022/23 strategic and corporate risk, monitoring progress on behalf of the Corporate Management Team. Services have taken ownership of their risks with processes being followed for reporting, and where necessary 'escalation' of significant risks to the strategic or corporate registers. All service departments submitted their risk data on time for the progress reports to the Audit, Risk and Scrutiny Board as planned.

Cyber security

There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents in other organisations have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation.

We have considered risks related to cyber security at the Council as part of our integrated audit as part of our understanding of the Council's use of IT. Based on this initial assessment we concluded that arrangements are appropriate.

Internal audit

The internal audit service operates in accordance with the Public Sector Internal Audit Standards and reports to the Audit, Risk and Scrutiny Board. Internal audit undertakes an annual programme of work, approved by the Board, based on a strategic risk assessment. The Council's Chief Auditor provides an independent opinion on the adequacy and effectiveness of the governance framework, risk management and internal control.

To ensure the integrity of the internal audit function, the annual internal audit strategy and plan is determined by the Chief Auditor in consultation with all service Directors and their senior management teams.

The internal audit opinion for 2022/23 was that, subject to management addressing the critical and important recommendations made in the limited and no assurance reports, it is considered that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control, risk management and governance arrangements.

Internal audit presented results of their activity for 2022/23, out of the planned days of 941, 903 (or 96%) were delivered. Internal audit also followed up on 94 recommendations of which 67% have been completed, 23% were partially completed and 7% not implemented. We consider internal audit work during our risk assessment and on ongoing basis.

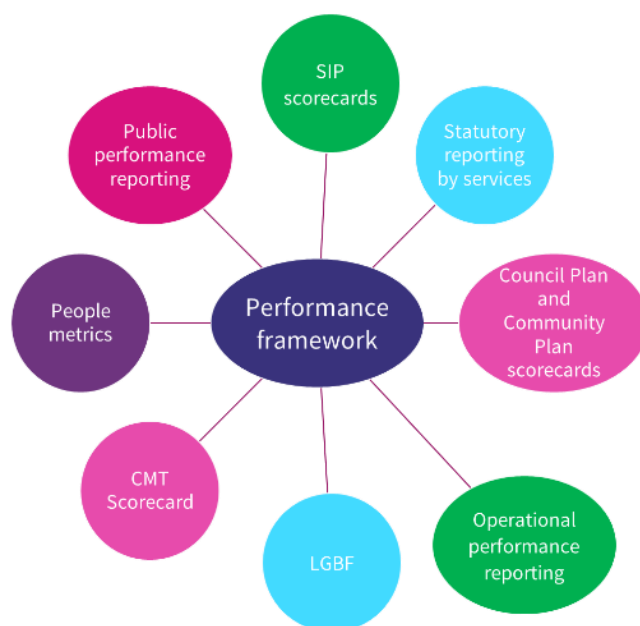
In line with the requirements of the Public Sector Internal Audit Standards (PSIAS) the internal audit function was subject to an external assessment performed by an internal auditor of another local authority. The external reviewer concluded that RC's internal audit fully complies with PSIAS requirements.

Use of resources to improve outcomes

Our detailed findings on the Council's arrangements are set out below.

Performance management framework

The Council introduced a new performance framework to measure against the new 2022-27 Council Plan objectives. A high level summary of the Framework is presented below:



Source: The Council's internal documentation

The framework assumes 6 monthly reporting to Leadership Board with performance indicators against action progress grouped by Council Plan strategic outcomes. These outcomes have also one cross-cutting theme – Improving outcomes for children and families.

Service Improvement Plans (SIP) at teach service level were also given a new format to make them aligned with the above. The reporting is done on 6 monthly basis to relevant Boards including an annual outturn report. All performance indicators and actions in the Council Plan Framework are included in SIPs.

The next stage of performance reporting is at operational level with range of service-specific performance reporting across Council to the appropriate Policy Board, together with statutory performance reports.

Local Government Benchmark Framework (LGBF) is scrutinised by the Corporate Management Team (CMT) with reports to the Audit, Risk and Scrutiny Board. The

CMT would also review a number of performance reports, scorecards, people metrics and have ‘deep dives’ into specific areas on a quarterly basis.

These documents are then used to create public performance reporting in user friendly formats, and by using interactive presentations, case studies and dashboards.

Service improvement and reporting 2022/23

We have considered how the Council demonstrates a trend of service improvement in delivering their strategic priorities, as required by the Audit Scotland planning guidance for 2022/23.

The Council reports its performance on website across different themes, against 105 indicators included in LGBF, Best Value requirements, and also includes a high level list of performance indicators in its statutory annual accounts.

A summary of the information the Council reports publicly on its service performance is set out below.

Extract from the accounts is included below. In terms of key performance indicators the Council mostly meets the target in relation to people support, although some of the performance declined relative to prior year (children services), while other (employment and support) have improved. Care, buildings and road indicators have overall declined.

Council Services Key Performance Indicators	22/23	21/22	Target
Pothole repairs completed within timescales	95%	83%	80%
Reported street lighting faults which were repaired within the 7-day timescale	99.2%	99.9%	95%
Affordable housing completions	369	170	200
Number of unemployed/ low waged people being supported through Renfrewshire Council Employability Programme (INVEST)	1,370	859	1,100
Number of people supported, sustained in work at 6 Months through Renfrewshire Council Employability Programme (INVEST)	340	221	180
Number of people viewing or attending the events programme	151,500	63,630	65,000
Looked After Children cared for in the community	90%	92%	89.9%
Accommodated Looked After Children placed with families	87%	89%	83%
Community Asset Transfer - number of months from receipt of an application to a determination being issued from the Council	4	n/a	6
Proportion of vehicle fleet using alternative fuels	28%	25%	25%
Statutory A-road inspections completed on target	83%	100%	100%
Statutory B-road inspections completed on target	86%	100%	100%
Building Standards first reports issued within 20 days	67%	53.4%	95%
New business start-ups with Business Gateways Support	206	272	320
Care leavers participating in employment, training or education	52%	59%	55%
Council housing stock which meets the Scottish Housing Quality Standard	68%	57%	100%

Statutory performance information

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission's best value audit responsibilities. In turn, councils have their own responsibilities, under their best value duty, to report performance to the public. The Accounts Commission issued a revised Statutory Performance Information Direction ('2021 Direction') in December 2021, which applies for the three-year period from March 2023 to March 2025. The 2023 Direction requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes
- own assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments.

The Council have made proper arrangements for preparing and publishing the statutory performance information in accordance with the Direction. The information reported on the Council's website is the Council's response to meeting the requirements.

Climate change

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75 percent reduction in greenhouse gas emissions by 2030.

There are specific legal responsibilities placed on public bodies to contribute to reducing greenhouse gas emissions, to adapt to climate change, to act sustainably and to report on progress. All public bodies need to reduce their direct and indirect emissions and should have plans to do so. Many public bodies also have a role in reducing emissions in wider society, and in supporting activity to adapt to the current and potential future impact of climate change.

The key actions the Council has taken to reduce climate change are set out in the table below:

What targets has the body set for reducing emissions in its own organisation or in its local area?

The Council set net zero target by 2030.

Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?

The Council has 'Renfrewshire's Plan for Net Zero' strategy in place with five key themes and actions.

How does the body monitor and report progress towards meeting its emission targets internally and publicly?

The Council plans to use annual updates of emissions modelling tool, which will be taken to a Board and published.

Has the body considered the impact of climate change on its financial statements?

No, but the Council is currently working on phased road map with interim annual targets for the area as a whole and also a carbon budget for the Council as an organisation.

What are the areas of the financial statements where climate change has, or is expected to have, a material impact?

Not applicable as per the answer above.

Does the body include climate change in its narrative reporting which accompanies the financial statements and is it consistent with those financial statements?

Yes, climate change targets, main policies and strategies are summarised in the annual report.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure Best Value. There are the following four aspects to auditors' work:

- Thematic reviews;
- Follow-up and risk-based work;
- Service improvement and reporting; and
- Contributing to Controller of Audit reports.

Thematic review

Auditors are required to report on Best Value or related themes prescribed by the Accounts Commission. This year's thematic review is on the effectiveness of council leadership officers and members in developing new local strategic priorities following the elections in May 2022. We present the findings in a separate report with a summary set out below:

How clear is the new council vision and its priorities?

The Council has 2022-27 Council Plan clearly articulating the vision, priorities and 5 strategic outcomes for the Council. The development of the new Council Plan was done in tandem with the refresh of Renfrewshire's Community Plan with Strategic Needs Assessment which underpinned both documents, outlining the key themes, needs and opportunities for Renfrewshire. The Community Planning Executive Group had full oversight of the development process.

How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?

There is a performance framework in place with indicators to measure progress against each of the strategic outcomes.

There is a variety of the forums for the views of the citizens to be reflected in the Council's decision making. These include Fairer Renfrewshire Programme, Connected Communities Programme and a number of other ones. The Community Impact Assessment and resultant programmes are based on

How effectively do the council priorities reflect the need to reduce inequalities and climate change?

consultation and engagement on priorities. There are also participatory budgeting programmes in place.

As a part of the Community Impact Assessment there was a specific equalities-led engagement programme run, recognising that the pandemic exacerbated inequalities. This work then led to the Social Renewal Plan and Fairer Renfrewshire programme. These findings were also reflected in the Strategic Needs Assessment which was clear about the challenge faced. The Community Plan was refreshed almost exclusively to focus on the inequalities and the 'Fair' strategic outcome in the Council Plan has a strong focus on this.

Council commitment to this includes specific funding for the programme and a sub-committee of the Leadership Board established to specifically focus on this key priority area.

Renfrewshire Council has a strong commitment to tackling climate change, having declared a climate emergency in 2019. This commitment forms a stand-alone strategic outcome in the Council Plan (green) which closely links to our Plan for Net Zero and RenZero identity.

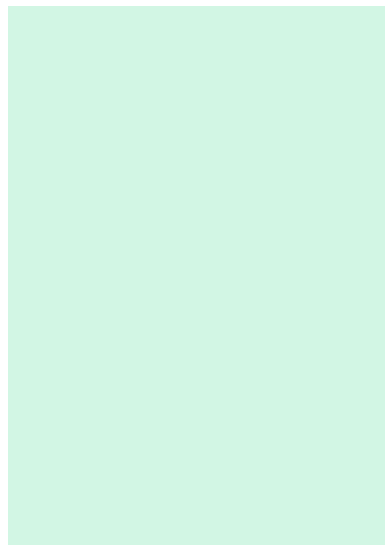
How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities?

Service plans highlight how key priorities within the Council and Community Plan will be delivered, often at a more granular level. The Council's strategic framework has links from the Council and Community Plan to service level and operational plans. The Council has a well-established approach around transformation and achieving savings across services through the Right for Renfrewshire programme and now through Financial Sustainability workstream.

There are workforce plans, financial plans, assets and digital plans at the Council, formalised into strategies, capital plans and other documents, followed by operational consideration.

Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

The Council established a Cross Party Sounding Board to allow matters to be canvassed by officers with Elected Members in what is intended to be a non-political forum. The Council has agreed to establish a cross-party body to discuss and review existing governance arrangements of the Council. Officer



briefings for all of the three major political groups are offered in advance of policy boards and these occur more frequently under the current Council.


Our interviews with members and senior management team members indicate that this has been an area of improvement over the years.

The Service Improvement Plan scrutiny process outlined above gives Members the opportunity to scrutinise service performance in relation to progress against the agreed priorities. This process is also mirrored in the Council Plan scrutiny process with performance reported to Board every 6 months.

Best Value Assurance Report follow-up

Auditors are required to follow up Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports and Annual Audit Reports. We are also required to have regard to the seven Best Value themes when completing our wider scope work

A Best Value review was undertaken on Renfrewshire Council in 2016/17. The Best Value Assurance Report (BVAR) includes recommendations to help the Council address the improvement areas identified during the audit. We have considered progress made by the Council in implementing the recommendations made in the BVAR. Our findings are summarised below.

Best value Assurance Report – follow up	Auditor judgement	
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The Council had eight recommendations and progressed against each. We note however that some of the recommendations are not directly applicable to the Council after so many years since the report was published.

Recommendation 1: Councillors should improve cross-party working, given the financial challenges that exist and the important decisions that will need to be made in the future.

Progress: from our work and interviews with council members and officers we can conclude that the members are working with each other effectively.

Recommendation 2: Councillors should take advantage of the training and development opportunities that the council provides to ensure they have the necessary skills and knowledge to perform their role effectively.

Progress: appropriate training is delivered to members, monitored by the Council and reported to appropriate Board annually.

Recommendation 3: The Council should review its governance arrangements to ensure they provide for a relationship with Renfrewshire Leisure Limited (RLL) that is clear, independent, and more easily understood by the public.

Progress: governance arrangements has been updated and strengthened.

Recommendation 4: The Council should develop a detailed medium and long-term workforce strategy and plan and implement its organisational development strategy. Implementing both the workforce and organisational development strategies will be critical to managing how future services are provided.

Progress: this had a number of iterations over the years and a progress report on the Council's People Strategy was presented to Finance, Resources and Customer Services Policy Board in September 2023.

Recommendation 5: The Council is continuing to review how it will achieve the savings required within the medium- term financial strategy. The Council should prioritise how services need to be provided in future to meet these savings.

Progress: The Council's Financial Outlook is being continually reviewed in light of changing economic climate and regular reports are made to the Council.

Recommendation 6: Community Planning partners need to plan their budgets and finances together to provide a clearer picture of the overall resources available.

Progress: At the meeting of the Community Planning Executive Group in September 2023, a discussion took place on resourcing and the need to collectively focus resources on joint priorities.

Recommendation 7: The Council and its partners need to continue to involve communities and work together on joint priorities and to strengthen partnership

working. This will provide a positive base to ensure the Community Empowerment (Scotland) Act 2015 is fully implemented.

Progress: there was progress made in this area in relation to development of new local partnerships and through the Developing Communities. However, the Dargavel primary school issue demonstrated that more needs to be done in this area.

Recommendation 8: The Annual Report should include a summary position regarding the Council's performance together with relevant detailed performance information. This would improve the accessibility of performance information and help to demonstrate greater transparency by the Council.

Progress: There a number of performance management methods and the Chief Executive's Service's current Service Improvement Plan is to review and refresh the Council's performance management framework, which will continue to be reported on via the mid-year and outturn reports.

We have considered the Best Value themes as part of our wider scope work and have not identified any significant risks in this respect.

Service improvement and reporting

We have considered this as part of our wider scope work within Vision, leadership and governance section of this report.

Contributing to Controller of Audit Reports

The Controller of Audit reports to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five-year audit appointment. Auditors are required to include judgments on the pace and depth of continuous improvement in the council as part of their wider scope work to contribute to these reports. Our findings and conclusions are set out in our wider scope work within Vision, leadership and governance section of this report.

Appendices



Appendix 1: Responsibilities of the Council and the Auditor

Appendix 2: Audit differences identified during the audit

Appendix 3: Action Plan

Appendix 4: Follow up of prior year recommendations

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Appendix 1: Responsibilities of the Council and the Auditor

Responsibilities of the Council

The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Director of Finance and Resources has been designated as that officer. The Director of Finance and Resources is responsible for the preparation of the Council’s annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Area	The Council’s responsibilities
Corporate governance	<p>The Council is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements and related reports	<p>The Council has responsibility for:</p> <ul style="list-style-type: none"> preparing financial statements which give a true and fair view of the financial position of the Council and its group and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent and a remuneration report that is consistent with the disclosures made in the financial statements and prepared in accordance with prescribed requirements. The management commentary should be fair, balanced and understandable and also address the longer-term financial sustainability of the Council. <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the Council and its financial performance, including providing</p>

Area	The Council's responsibilities
	<p>adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>The Council is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Council is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p>Standards of conduct for prevention and detection of fraud and error</p>	<p>The Council is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.</p>
<p>Financial position</p>	<p>The Council is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Best Value</p>	<p>The Council has a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority</p>

Area	The Council's responsibilities
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	and resources, and that proper procedures are established and operate satisfactorily.
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Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The [2021 Code](#) came into effect from 2022/23.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Council and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management



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

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Vision, leadership and governance



Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes



Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

Best Value

[Ministerial guidance to Accountable Officers for public bodies](#) sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value. Our work in respect of the Council's best value arrangements has been integrated into our audit approach, including our follow up on the Council's Best Value Assurance Report and work on the wider scope dimensions.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>

Independence

The Ethical Standards and ISA (UK) 260 require us to give the Council full and fair disclosure of matters relating to our independence. We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We

confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Our period of total uninterrupted appointment as at the end of 31 March 2023 was one year.

Audit and non-audit services

The total fees charged to the Council for the provision of services in 2022/23 were as follows. Prior year charges for the predecessor auditor are also shown for comparative purposes:

	2022/23	2021/22
Auditor remuneration	£298,450	223,730
Pooled costs	-	23,320
Contribution to PABV costs	£78,110	110,340
Audit support costs	£10,290	11,940
Sectoral cap adjustment	£55,800	-
Total Council's audit	£442,650	£369,330
Non-audit services - Council	-	-
Non-audit services – wider group	£710	-
Total fees	£443,360	£369,330

The FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. We have detailed in the table below the non-audit services provided to both the Council and the wider group, the threats to our independence and the safeguards we have put in place to mitigate these threats.

Non-audit service	Service provided to	Type of threat	Safeguard
Tax return preparation	Park Lane Developments (Renfrewshire) LLP	Self-review	Non-audit services on this component are delivered by a separate tax team lead by a tax partner.

Appendix 2: Audit differences identified during the audit

We are required to inform the Council of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. The non-trivial misstatement discovered during the course of our audit which have been adjusted for by management are summarised in the table below.

Adjusted misstatements

Details of the item corrected following discussions with management is as below.

No	Detail	Assets	Liabilities	Reserves	CIES
		Dr / (Cr) £m	Dr / (Cr) £m	Dr / (Cr) £m	Dr / (Cr) £m
1.	Correction of pension fund plan assets that were initially recognised in full. Adjusted from application of asset ceiling restriction.	(258.3)			258.3
2.	Valuation of property adjustment	(20.6)		20.6	
3.	Resource transfer adjustment				23.3 (23.3)
4.	Holiday pay accrual		(0.7)		0.7
5.	Asset depreciation adjustment	(1.6)			1.6
Net impact on General Fund Reserve					Nil
Net impact on net assets					(281.2)

Unadjusted misstatements

We identified no unadjusted misstatements during our audit.

Misclassification and disclosure changes

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the Council.

We identified a number of reclassification adjustments and some minor presentational issues in the Council's accounts, and these have all been amended by management. Details of all disclosure changes amended by management following discussions are as below.

No	Detail
1.	Disclosure on the Dargavel School required extending to reflect the results of the independent review.
2.	Disclosures in the remuneration report were inconsistent between each other.
3.	Restatement of prior year reserves have had no note to explain its nature.
4.	NDR Income account note contribution figure was inconsistent with the financial statements.
5.	Pension asset has been presented under liabilities in the balance sheet as a 'positive' figure rather than under assets category.
6.	Minor presentational and disclosure issues. The audit team have raised minor and presentational issues with management and we recommend that this is updated.
7.	Presentational classification adjustment to Note 4 between depreciation and other service expenses, not impacting the core statements.

Overall, we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

Appendix 3: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

Action plan grading structure

To assist the Council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated as follows:

Rating	Assessment rationale
High	An issue that results in a severe impact to the achievement of objectives in the area audited.
Medium	An issue that results in a moderate impact to the achievement of objectives in the area audited.
Low	An issue that results in a small impact to the achievement of objectives in the area audited.

Current year action plan

1. Dargavel school response		Medium
Observation	<p>The Council has responded in a transparent and open manner to issues raised through the Bowles Report. We welcome the creation of a detailed action plan response to Bowles report recommendation and we note the planned reviews of overall governance arrangements and the specific review of the role the Audit, Risk and Scrutiny Board should have going forward.</p> <p>The Council recognises that it faces an ongoing challenge to build the trust and confidence of local communities in its school estate decision making. A recent report to the Education, Children’s Services Policy Board comments on the community negative reaction to the Council’s decision on extending (rather than replacing) an existing secondary school and indicates that decisions on the future school estate will remain a high profile area for the Council.</p>	

<p>Implication</p>	<p>Lack of clarity over the above points might lead to slow pace of remediating issue or re-occurrence in the future</p>
<p>Recommendation</p>	<p>We recommend that the Council:</p> <ul style="list-style-type: none"> • Performs a more comprehensive and continuous assessment of future operating costs for planned new school provision. • Consider whether any additional monitoring and assessment arrangements for pupil educational attainment may be required for pupils in the Bishopton and Dargavel communities • Consider how it will evidence better joint working between council departments in future projects • Remains open and measures its effectiveness in rebuilding its relationship with the affected communities.
<p>Management response</p>	<p>The Council has developed a substantial action plan addressing all the key recommendations from the independent review; and which will address the external audit points above. The action plan will subject to ongoing monitoring and scrutiny by the Audit, Risk and Scrutiny Board.</p> <p>Responsible officer: Chief Executive</p> <p>Implementation date: Ongoing</p>

2. Financial sustainability		High
Observation	<p>Officers have noted that the prior year's savings were mainly achieved by two departments which make up only 20% of the total council budget. Commitment to savings would need to be met by all services, including the Council's subsidiaries.</p> <p>The medium term financial challenge and financial gap has been considered by the Council numerous times, but no clear options have been presented or decision have been made as to how to address those challenges. The Council now needs to make difficult spending priority decisions to secure financial sustainability going forward.</p>	
Implication	<p>This poses an increasing risk to the Council's delivery of services over the medium term and we would recommend addressing as a priority.</p>	
Recommendation	<p>To present the Council with a range of options and services implications.</p>	
Management response	<p>A Financial Outlook update has been reported to Council at each board cycle, the last being 28th September 2023. This continues to update status of the budget deficit position in the medium term and the progress of savings targets. The Council's senior management team continue to identify options for further savings and service transformation, for agreement by elected members in setting future annual revenue budgets.</p> <p>Responsible officer: Director of Finance & Resources</p> <p>Implementation date: Ongoing</p>	

3. Cut off de minimis		Low
Observation	<p>The Council applies a 'de minimis' limit to determining how it will process transactions into the correct financial year. However, we identified that this threshold is not formally set.</p>	
Implication	<p>There could be inconsistent treatment of the transactions with no formal limit set leading to misstatements.</p>	
Recommendation	<p>To formalise arrangements around cut-off recording.</p>	

Management response	<p>A formal de minimis will be included in year-end guidance documents from 2023/24 onwards.</p> <p>Responsible officer: Head of Finance and Procurement</p> <p>Implementation date: 31 March 2024</p>
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4. Land valuations frequency		Low
Observation	Our audit of fixed assets identified that a number of land values have been revalued in 2023, but had not been revalued in the five years before that valuation.	
Implication	Revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from current value.	
Recommendation	We recommend revaluing land values at least once in five years in line with standard industry practice and accounting requirements.	
Management response	<p>There have been resourcing issues within the Council's Estates team, with external assistance purchased in 2023. Land values will be reviewed at least once in five years.</p> <p>Responsible officer: Head of Economy and Development</p> <p>Implementation date: 31 March 2024</p>	

Appendix 4: Follow up of prior year recommendations

We have followed up on the progress the Council has made in implementing the recommendations raised by the previous auditor last year which were reported as either new or ongoing.

Recommendations raised in 2021/22 (predecessor auditor recommendations)

1. Property, plant and equipment valuations	<p>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:</p> <ul style="list-style-type: none">• 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 <p>The recommendation was 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.</p>
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Implementation date

Closed

Response: The Council's valuer has detailed which assets have been valued in the year and the impact of this on the wider category of assets. Improvements will continue to be made to

Recommendations raised in 2021/22 (predecessor auditor recommendations)

annual valuation information to allow increased clarity on the work undertaken in year.

Responsible officer: Head of Economy and Development

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.

The recommendation was 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.

Ongoing

Response: The Related Parties disclosure was refreshed and significantly expanded in the 2022/23 accounts and further development of the note will be undertaken for the 2023/24 accounts.

Responsible officer: Head of Finance and Procurement

Recommendations raised in 2021/22 (predecessor auditor recommendations)

3. Financial strategy to support financial sustainability

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 recommendation was to develop a revised financial strategy incorporating new or temporary financial flexibilities and assess how the total balances available are best utilised to support the financial sustainability of the council over the medium term.

The council will need to actively engage with local and national partners to deliver the required level of efficiencies and savings.

Ongoing

Response: Financial Outlook update reports have been reported to Council at each board cycle, the last being 28th September 2023. This continues to update the budget position in the medium term and the progress of savings targets. The use of financial flexibilities was agreed by Council in September 2021.

Responsible officer: Director of Finance and Resources



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We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology

My Ref: AR/CB
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Azets Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Dear Sirs

**Renfrewshire Council
Financial Statements for the year ended 31 March 2023**

This representation letter is provided for the purpose of expressing an opinion as to whether Renfrewshire Council's financial statements present a true and fair view, in all material respects, in accordance with applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Renfrewshire Council's Chief Executive and the Audit, Risk and Scrutiny Board, the following representations given to you in connection with your audit of Renfrewshire Council's annual accounts for the year ended 31 March 2023.

Financial Statements

- i. Renfrewshire Council and I have fulfilled our responsibilities for the preparation of Renfrewshire Council's financial statements in accordance with applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code), for being satisfied that they give a true and fair view and for making accurate representations to you.
- ii. I have complied with the requirements of all statutory directions affecting Scotland and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The financial statements are free of material misstatements, including omissions.
- iv. Renfrewshire Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.



Finance and Resources
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Renfrewshire House, Cotton Street, Paisley PA1 1TT
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Email: Alastair.macarthur@renfrewshire.gov.uk



- v. I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and I believe that I have appropriately fulfilled these responsibilities.
- vi. The methods, data and significant assumptions used by us in making accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework. I am satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vii. Renfrewshire Council has satisfactory title to all assets disclosed in the accounts. I have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities as at 31 March 2023 are reflected in the financial statements.
- viii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of Renfrewshire Council has been assigned, pledged or mortgaged;
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of applicable law and accounting standards.
- x. All events subsequent to the date of the financial statements and which require adjustment or disclosure have been adjusted or disclosed.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK adopted international accounting standards, and as interpreted and adapted by the Code.
- xii. I confirm my estimation of the holiday pay accrual is materially accurate and complete within the financial statements.
- xiii. I have assessed Renfrewshire Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Renfrewshire Council's ability to continue as a going concern.



Finance and Resources
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Information Provided

- xv. I have provided you with:
 - a. access to all information of which I am aware that is relevant to the preparation of the Renfrewshire Council's financial statements such as accounting records, and all other records requested;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within Renfrewshire Council (via remote arrangements where necessary), from whom you determined it necessary to obtain audit evidence.
- xvi. I have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions undertaken by Renfrewshire Council have been recorded in the accounting records and are properly reflected in the financial statements.
- xviii. I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. I have disclosed to you all information in relation to known fraud or suspected fraud that I am aware of and that affects Renfrewshire Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. I have disclosed to you all information in relation to instances of, or allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. I have disclosed to you the identity of Renfrewshire Council's related parties and all the related party relationships and transactions of which I am aware.
- xxiii. I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.



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xxiv. I acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as I am aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Annual Governance Statement

xxv. I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Renfrewshire Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks or weaknesses in governance or internal control that are not disclosed within the AGS.

Management Commentary

xxvi. The disclosures within the Management Commentary fairly reflect my understanding of Renfrewshire Council's financial and operating performance over the period covered by the financial statements.

Remuneration Report

xxvii. I am satisfied that the disclosures within the Remuneration report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Approval

The approval of this letter of representation was minuted by Renfrewshire Council at its meeting on 9 November 2023.

Yours faithfully

Signature:

Name: Alastair MacArthur

Position: Director of Finance and Resources

Date



Finance and Resources
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