

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 20 February 2025.

Present:

Councillor Andrew Morrison (Chair)
Councillor Tony Buchanan (Vice Chair)
Councillor Paul Edlin

Councillor David Macdonald *
Provost Mary Montague *
Councillor Gordon Wallace *

Councillor Morrison in the Chair

(*) indicates remote attendance

Attending:

Louise Pringle, Director of Business Operations and Partnerships; Kirsty Stanners, Head of Finance (Chief Financial Officer); Jamie Reid, Head of Communities and Transformation; Michelle Blair, Chief Auditor; Barbara Clark, Chief Accountant; Debbie Hill, Chief Procurement Officer; Linda Hutchison, Clerk to the Committee; and Bethany Mitchell, Assistant Democratic Services Officer.

Also Attending:

Laura Prior and Grace Scanlin, Ernst and Young.

Apology:

Councillor Annette Ireland.

DECLARATIONS OF INTEREST

1115. There were no declarations of interest intimated.

CHAIR'S REPORT – VARIOUS ISSUES

1116. The following matters were raised during the Chair's report:-

(i) Accounts Commission Best Value Report

Councillor Morrison referred to the Accounts Commission's very positive Best Value report regarding the Council, commenting that it had included reference to the overview of advantages and disadvantages of working from home presented to the Committee, at its request, during 2024. Having reported that the Corporate Management Team, Leader of the Council and Councillor Buchanan, in his capacity as Vice Chair of the Committee, had met members of the Accounts Commission earlier in the week to discuss the report and matters arising from it, he thanked Councillor Buchanan for representing him at that meeting. He explained that he had attended a subsequent meeting with the Chief Executive at which he had received a briefing.

(ii) Fraud Response Statement 2023/24 – Procurement Issues

Under reference to the Minute of the meeting of 23 January (Page 1058, Item 1086 refers), when clarification had been provided on fraud prevention related issues regarding procurement, including conflict of interest related checks done to address the potential for links between council officers and contractors used by the Council, Councillor Morrison referred to the feedback provided previously on the joint completion by procurement and the procuring service of a contract strategy document for every tender opportunity.

He reminded the Committee that, in light of further issues raised by Councillor Ireland at the January meeting, it had been agreed to seek clarification on whether or not the section of the contract strategy document on conflict of interest, which required officers involved in the procurement to declare any conflict of interest and did not permit them to be involved in the procurement where this was the case, relied solely on self-reporting and was considered sufficiently robust. Since the meeting, the Chief Procurement Officer had confirmed that no further action would be taken beyond an officer's self-declaration, as to do otherwise could be considered a breach of the person's personal information. It had also been clarified that when an officer was engaged in a procurement activity, they were taken through the Contract Strategy document by a Procurement Category Manager during which the importance of a fair and transparent process and the risks to the Council if this was not adhered to were stressed to the officer. Self-declaration was part of that process. If an officer indicated they wished to declare a conflict, the details were recorded on a register, the officer concerned would be removed from the activity, and the Chief Procurement Officer reported the register entry to the officer's Head of Service.

(iii) Meeting with External Auditor

Councillor Morrison stated that he was due to have his next regular meeting with the External Auditor on 20 March. This would be in advance of the Committee's scheduled meeting that month when the External Audit Plan would be considered

(iv) Treasury Management Training for Elected Members

Under reference to the Minute of the meeting of 23 January (Page 1058, Paragraph 1087 refers), when members of the Committee had agreed to advise the Clerk if they wished further Treasury Management training, Councillor Morrison highlighted that reports on this issue were now considered more frequently than before. He confirmed that, in response to representations from some Elected Members, further training was to be arranged, attendance at which would be offered to all Elected Members.

The Committee noted the report.

TACKLING DIGITAL EXCLUSION – CLARIFICATION

1117. Under reference to the Minute of the meeting of 21 November 2024 (Page 1025, Item 1051 refers), when it had been agreed that further clarification be provided on various issues associated with tackling digital exclusion, including the approximate number of people who had taken advantage of digital literacy training, the Committee considered a report by the Clerk summarising the clarification received and circulated on the issues concerned.

The Committee noted the report.

TREASURY MANAGEMENT STRATEGY 2025/26

1118. Under reference to the Minute of the meeting of 23 January (Page 1058, Item 1086 refers), when it had been agreed to note the Interim Treasury Management Report for Quarter 3 of 2024/25 and recommend to the Council that the organisations specified in the report for investment of surplus funds be approved, the Committee considered a report by the Head of Finance (Chief Financial Officer) explaining that, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice 2021, the Audit and Scrutiny Committee was responsible for ensuring effective scrutiny of the Council's treasury management strategy and policies.

In accordance with that requirement, a copy of the Treasury Management Strategy for 2025/26 was attached to the report for consideration in advance of its submission to the Council. It was highlighted that the figures within the report had been compiled on the basis of the latest available information.

The Strategy Report included a proposal to amend treasury management practices in accordance with Annex E accompanying the report which listed organisations approved for the investment of surplus funds, in respect of which information was provided on related issues such as credit ratings and limits. It was also proposed that a policy on the repayment of loans fund advances, as specified in Section 3.4 of the report, be approved.

The Chief Accountant confirmed that, as before, the report concentrated on the Council's Borrowing and Investment Strategies, and setting out parameters which helped monitor both. Regarding the Performance Indicators (PIs) set to monitor permissible borrowing and allow it to be compared against actual gross debt, she highlighted that it was not planned to fully fund capital expenditure by external borrowing whilst interest rates remained high in favour of using reserves where possible, taking account that interest rates were forecast to fall during the year. The PIs had been set using the Council's 2025/26 Capital Programme, in respect of which the Chief Accountant confirmed that any movement in the Programme would affect how well the limits set could be adhered to, and that the PIs could require to be reviewed once the implications of a new Accounting standard were known in full. Quarterly and year-end reports would continue to be provided to the Committee.

Having clarified that it remained the case that the primary objectives of the investment strategy were security and liquidity, the Chief Accountant referred to the types of investments that could be made as set out in Annexes C and D to the report respectively and associated risks; the proposed list of investors itemised in Annex E; and related monitoring arrangements. Regarding the Council's policy on the repayment of loan debt, specific reference was made to the intention to move from using equal instalments of principal to an annuity method in line with other councils across Scotland, which was considered a fair and prudent approach.

Reference was also made to a range of economic background information within the report which provided contextual information on the United Kingdom and global economic situation.

In response to Councillor Edlin, the Chief Accountant and Head of Finance (Chief Financial Officer) referred to regular guidance received from the Council's Treasury Management Advisors and also CIPFA regulations local authorities required to adhere to which ensured that levels of borrowing were appropriate. In response to Councillor Wallace, they explained why, following completion of a modelling exercise, repayment of loan debt using an annuity method was now deemed the appropriate way forward.

Provost Montague highlighted reference within the Strategy to the CIPFA Code which required the Head of Finance (Chief Financial Officer) to ensure that both Elected Members and officers with responsibility for treasury management received adequate training in this area. More specifically, she referred to the requirement for authorities to do a range of things to monitor and review knowledge and skills in this area, including recording attendance at training and ensuring action was taken when poor attendance was identified, seeking feedback on what was done regarding this. The Senior Democratic Services Officer and Head of Finance (Chief Financial Officer) commented on various issues, including the range of training opportunities offered to Elected Members, the preparation and publication of Elected Members' training records annually which was a requirement, and related reporting options.

Having expressed the view that Elected Members learned from participation in meetings and referred to the importance of equitable participation of Elected Members in committees to which they were appointed, Provost Montague suggested that it would be useful when reviewing governance documents associated with formal meetings to consider further potential courses of action when this was not the case.

Clarification was provided to Councillor Morrison on a range of issues raised by him, including that CFCR was the acronym for Capital From Current Revenue; and why housing borrowing was so low for 2025/26 relative to other years although a housing emergency had been declared and the shortage of social housing. It was explained that this was due to the use of a £6.5m capital receipt from the sale of land and Housing advancing the building of 105 new homes to help address the emergency. The Chief Accountant also explained why the Housing Revenue Account debt as a proportion of income stream was due to fall by a relatively large amount from 2026/27 onwards which was because loan fund debt inherited at local government reorganisation would be paid off.

The Committee agreed:-

- (a) **to recommend to the Council** that the Treasury Management Strategy for 2025/26 be approved, including the Prudential and Treasury Indicators and the amended list of organisations for investment of surplus funds in accordance with Annex E to the report;
- (b) **to recommend to the Council** that the policy on the repayment of loans fund advances as specified in Section 3.4 of the report be approved;
- (c) **to recommend to the Council** that the forms of investment instruments for use as permitted investments be approved in accordance with Annex C to the report;
- (d) to note the comments made by Provost Montague on meeting participation and related issues and that appropriate officers would be alerted to these; and
- (e) otherwise, to note the report.

NATIONAL EXTERNAL AUDIT REPORT – TRANSFORMATION IN COUNCILS

1119. The Committee considered a report by the Clerk on the publication in October 2024 of a report by Audit Scotland entitled *Transformation in Councils*. Under the Committee's specialisation arrangements, Councillor Morrison was leading the review of the report. The Director of Business Operations and Partnerships had been asked to provide comments and a copy of her feedback was appended to the report.

The report explained that, while many of the expectations set out in the External Audit report impacted on national bodies, the Council was playing an active role in national networks and programmes in support of sectoral transformation. In terms of the national expectations for Councils, East Renfrewshire was considered to be very well placed, having a clear long-term strategic vision for the area which was shared with partners and underpinned by excellent partnership working arrangements. The digital transformation strategy was being refreshed by building on a foundation of previously successful transformation programmes, which was enabling the Council to keep pace with technological change and maintain a strong strategic focus on prioritisation, benefits and addressing local needs. This approach would support the Council to help meet the fiscal and workforce challenges ahead, realise tangible benefits, and meet its long-term ambitions for the area.

It was concluded that the Council was well placed to respond to the expectations set out in the report; that the Council's transformation programme was part of Audit Scotland's very positive Best Value report published in February; that work was underway to refresh the Council's Transformation Strategy in the summer of 2025; and that the External Audit national Best Value theme this year was Transformation, the findings of which would be reported on as part of the Annual Accounts in the autumn.

Councillor Morrison sought clarification on the quantification of efficiency savings linked to transformation, and referred to the importance of transformation taking account of the authority's growing population and associated impact on services. The Head of Communities and Transformation highlighted that potential savings was just one of various potential benefits that could be realised, citing others such as benefits for communities. He also referred to a one Council approach taken which looked at projects from various perspectives, and the alignment of work to the strategic vision *A Place to Grow*. Whilst also referring to the social value of innovation and preventative work, he commented that measuring the future impact of transformation work was challenging.

The Director of Business Operations and Partnerships highlighted that various transformation initiatives involved technology, such as automation, citing various examples. She explained that, although it was possible to demonstrate savings from transformation work, it was not always easy to draw a direct link between projects and budgets, such as when work progressed over several years. She also referred to transformation work at a national level, such as through the Improvement Service, individual reviews within the Council some of which were the subject of reports to committees, and strategic and operational work done to prioritise work, confirming that there was a model for project prioritisation. In response to Councillor Wallace who highlighted that the External Audit report was about radical change at a high level and sought clarification on the position locally, she commented that references in the report to step and radical change were directed at all local authorities, and that there were examples where the Council was ahead of others on some processes.

Whilst referring to the Christie Commission, shared services and collaboration, the national reform agenda which local authorities feed into and related issues, Councillor Buchanan reported on his recent attendance at an event at Strathclyde University at which national Government, local authorities and the third sector had been represented. Issues discussed had included, for example, how digitalisation and automation helped with transformation, but did not necessarily result in staff losses but rather redeployment of employee resources to

where they were needed more. He highlighted that some change was only discernible in the long-term, rather than being measurable year on year.

In response to Councillor Edlin, the Director of Business Operations and Partnerships and Head of Finance (Chief Financial Officer) quantified the financial resource allocated in 2024/25 and 2025/26 through SOLACE to augment Improvement Service capacity to develop some transformation work streams, and clarified how the Council's contribution had been calculated.

In response to Councillor Morrison, it was clarified that the outcome of work to refresh the Council's Digital Transformation Strategy would be reported to the Cabinet.

The Committee agreed to note the report and related comments made.

INTERNAL AUDIT PLAN 2024/25 – IMPLEMENTATION PROGRESS - OCTOBER TO DECEMBER 2024 (QUARTER 3)

1120. Under reference to the Minute of the meeting of 28 March 2024 (Page 811, Item 799 refers), when the Internal Audit Strategic Plan for 2024/25 to 2028/29 had been approved, the Committee considered a report by the Chief Auditor regarding progress made on the implementation of the Plan from 1 October to 31 December 2024.

It was confirmed that four reports relating to planned 2024/25 audit work had been issued since the last progress report had been considered, details of which were provided. Reference was also made to the quarterly performance indicators (PIs) for the section. It was proposed to delete the overtime audit from the plan as overtime had been checked recently as part of the payroll audit, and to reallocate the time as consultancy to assist HR/Payroll to carry out some checks on system calculation anomalies. Two requests for assistance were dealt with using contingency time during the quarter.

The Chief Auditor highlighted various issues, during which she clarified that one of the reports issued had been a follow up report on Environment Department audits. She reported that there had been no issues raised on major concern from the audits undertaken, but drew the Committee's attention to a recommendation rated as high in relation to Bonnyton House concerning the corporate appointeeship bank account, regarding which it had been recommended that action be taken quickly. She confirmed that the work on both issues dealt with using contingency had been concluded, neither of which had resulted in a report being written or a loss to the Council. The section was currently meeting all of its PI standards except one on the time taken to issue reports.

In response to Councillor Wallace, the Chief Auditor confirmed that audit work on the City Deal involved checking the latest four claims submitted were reasonable and accurate, and if the projects were overspent or running late. Having heard him refer to the current delay regarding the Aurs Road project and suggest that there could be value in looking at this project in more detail to ascertain the current position and, for example, actual versus projected expenditure and if there were any lessons to be learned, the Chief Auditor confirmed that this type of issue was considered at least some of the time when City Deal audits were done. She added that the City Deal audit work had been completed, but that the file on that remained to be reviewed by her following which she could provide clarification. It was suggested therefore that it would be useful to circulate the Internal Audit report on the City Deal on completion.

The Committee agreed:-

- (a) to approve the deletion of the overtime audit from the Audit Plan;
- (b) that the audit report on the City Deal be circulated on completion; and

- (c) otherwise, to note the report and related comments made.

CHAIR

