

EAST RENFREWSHIRE COUNCILCABINET24 August 2023Report by Head of Accountancy (Chief Financial Officer)FINANCIAL PERFORMANCE FOR YEAR ENDED 31 MARCH 2023**PURPOSE OF REPORT**

1. To advise the Cabinet of the financial results for 2022/23 and to compare the out-turn with the final budgetary control statement for the year which was submitted to Cabinet on 13 April 2023. The report also provides details of the Devolved School Management funds held by each school/centre as at 31 March 2023.

**RECOMMENDATIONS**

2. It is recommended that members: -
- (i) note the outturn position compared to the previous Budgetary Control Report;
  - (ii) note that once the audit has been completed, the final accounts will be submitted to a future meeting of the Council along with the External Auditor's report.
  - (iii) note the amounts held in the Devolved School Management earmarked reserve as at 31 March 2023 (Please see annex A)

**OUTTURN**

3. Subject to audit, the financial results contained in the Accounts for the 2022/23 financial year are satisfactory.
- The Council's affairs have again been managed within its operational budget, resulting in an overall improved position of £5.622m, much of which was of a one-off nature. The main variances were made up as follows:
    - improved income, including interest earned on temporary investment balances and higher Council Tax collection arising from new-build completions of £2.2m
    - a lower requirement for miscellaneous budgets in relation to redundancies & other contingencies of £1.2m,
    - teachers industrial action £1m and
    - departmental underspends, including staff vacancies and contract savings of £1.222m as a result of tight financial controls over service spending
  - The surplus was arrived at after taking account of the budgeted drawdown of £5,253k from the non-earmarked general reserve.

- From the surplus achieved, a total of £5,600k has been allocated to various earmarked reserves to address current pressures faced by the Council. The balance of £22k has been allocated to the non-earmarked reserve resulting in a net decrease in this reserve of £5,231k.
- The balance in the Council's non-earmarked reserve as at 31 March 2023 is £6,541k which equates to 2.3% of the annual budgeted net revenue expenditure and is within the Council's Reserves policy to hold a minimum level of around 2% and an upper target of 4%.
- Significant Covid-19 spend of £8,631k has been incurred during the year of which £5,523k was funded from the reserve set up at the end of the 2020/21. Further funding was also received during the year totalling £3,108k. The year-end Covid-19 reserve balance was £8,562k which will be allocated fully in 2023/24 to support residents and the local economy.
- The Council's overall General Fund reserve balance (including earmarked funds) as at 31 March 2023 totals £51.997m. This is an increase of £5.808m from last year and mainly reflects the establishment of the new Service Concession Reserve, after seeking approval to revise the PFI debt arrangements. In total, over £45.456m of General Fund reserve balance is earmarked for specific purposes.
- Capital Expenditure of £46.189m was invested during 2022/23 despite progress on sites being impacted by increased costs and resource shortages.
- An operational deficit of £0.069m has been made on the Housing Revenue Account, this decreasing the accumulated surpluses brought forward on that Account to £1.798m.

## **COMPARISON TO BUDGETARY CONTROL**

4. The Budget Monitoring Report for Period 10 submitted to the Cabinet on 13 April 2023 forecast an underspend of £2.624m in 2022/23. At the year-end the favourable variance improved to £5.622m after taking the budgeted drawdown of reserves of £5.253m. This improved year end position related mainly to increased income, including interest earned on investment deposits and higher Council Tax collection arising from new building completions, all of which were only confirmed at year end, managed underspends of staff vacancies and contract savings as a result of tight financial controls.

5. The Period 10 report to Cabinet advised that management action taken to address in-year pressures had had a positive impact on reducing the Council's projected expenditure at the year-end and that that trend was expected to continue in line with experiences in previous years. All general fund departments achieved that expectation at year-end.

## **DEVOLVED SCHOOL MANAGEMENT**

6. Devolved School Management (DSM) was introduced in 1993 by the then Scottish Executive requiring councils to devolve 80% of school budgets to Head Teachers to give them the autonomy to make decisions on resource allocation and priorities subject to local consultation.

7. Since then DSM has evolved to reflect the changing landscape within which schools operate. Such changes include policy, procedural, legislative and the economic and financial climate.
8. The Current ERC DSM scheme allows for Head Teachers/Heads of Centre to transfer unspent funds at the end of each financial year to a DSM reserve, subject to an agreed limit and certain conditions being met. The maximum amount held in each school/centre's DSM reserve at the end of the financial year can be no greater than 6% of the total devolved budget for that year. This approach is consistent with national DSM principles and guidance intended to assist school leaders in managing budgets given the school year does not align with the financial year. As budget pressures have increased on all departments, this arrangement also allows school leaders to smooth the introduction of any required savings.
9. At 31 March 2023 the amount held by the council in the DSM earmarked reserve totalled £4,298k and members are requested to note the makeup of this reserve by school/centre along with prior year comparison and the percentage of the 2022/23 devolved budget that this represented. (Please see annex A).

## RECOMMENDATIONS

10. It is recommended that members: -
  - (i) note the outturn position compared to the previous Budgetary Control Report;
  - (ii) note that once the audit has been completed, the final accounts will be submitted to a future meeting of the Council along with the External Auditor's report.
  - (iii) note the amounts held in the Devolved School Management earmarked reserve as at 31 March 2023 (please see annex A)

## BACKGROUND PAPERS

A full copy of the Council's unaudited accounts can be accessed within the papers for the Audit & Scrutiny Committee of 22 June 2023.

The approved report on the Scheme of Devolved School Management can be found using the following link.

[https://www.eastrenfrewshire.gov.uk/media/7397/Cabinet-item-09-10-March-2022/pdf/Cabinet\\_item\\_09\\_-\\_10\\_March\\_2022.pdf?m=63781380318600000](https://www.eastrenfrewshire.gov.uk/media/7397/Cabinet-item-09-10-March-2022/pdf/Cabinet_item_09_-_10_March_2022.pdf?m=63781380318600000)

## KEYWORDS

Financial performance, reserves, annual accounts, accounting policies, corporate governance

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Further information is available from Barbara Clark, Chief Accountant  
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<b>Establishment</b>	<b>Balance 31-3-22</b>	<b>Balance 31-3-23 (Pre Audit)</b>	<b>Reserves as % of 2022/23 Budget</b>
Arthurlie Family Centre	£55,246	£12,963	0.7%
Braidbar Nursery	£5,793	£1,962	0.6%
Busby Nursery	£15,099	£20,051	4.2%
Calderwood Lodge Nursery	£26,661	£37,563	6.0%
Carlibar Nursery	£25,063	£31,399	5.3%
Carlibar Pre-School Assess Unit (PSADU)	£5,901	£6,496	5.3%
Carolside Nursery	£16,320	£12,254	2.4%
Cart Mill Family Centre	£35,331	£49,097	6.0%
Crookfur Family Centre	£25,374	£51,500	6.0%
Cross Arthurlie Nursery	£175	£2,950	0.8%
Eaglesham Nursery	£23,142	£28,606	5.1%
Giffnock Nursery	£8,052	£ -	0.0%
Glen Family Centre	£33,302	£23,182	2.8%
Glenwood Family Centre	£11,074	£ 2,035	0.2%
Hazeldene Family Centre	£13,880	£28,562	4.0%
Isobel Mair Family Centre	£34,054	£26,207	3.3%
Madras Family Centre	£19,851	£ -	0.0%
Maidenhill Nursery	£10,149	£23,543	4.6%
McCready Family Centre	£1,657	£1,624	0.2%
Mearns Nursery	£3,138	£20,595	6.0%
Netherlee Nursery	£10,662	£18,371	3.4%
Overlee Family Centre	£6,359	£25,302	4.9%
St Cadoc's Nursery	£6,702	£13,554	3.9%
Thornliebank Nursery	£4,980	£ 755	0.3%
Braidbar Primary	£42,228	£26,178	2.6%
Busby Primary	£57,561	£74,194	5.4%
Calderwood Lodge Primary	£60,575	£65,671	5.8%
Carlibar Primary	£75,479	£97,367	5.6%
Carolside Primary	£124,578	£128,541	5.1%

Crookfur Primary	£103,921	£62,819	3.1%
Cross Arthurlie Primary	£60,445	£56,370	3.7%
Eaglesham Primary	£77,210	£46,946	2.8%
Giffnock Primary	£43,167	£10,021	0.7%
Hillview Primary	£41,474	£32,440	2.5%
Kirkhill Primary	£113,838	£87,793	3.6%
Maidenhill Primary	£49,887	£63,837	4.1%
Mearns Primary	£137,888	£165,959	5.6%
Neilston Primary	£70,265	£20,409	1.4%
Netherlee Primary	£122,181	£119,302	4.6%
Our Lady of the Missions Primary	£119,454	£74,136	2.4%
St Cadocs Primary	£50,674	£41,456	1.8%
St Clare's Primary	£28,337	£25,958	1.8%
St John's Primary	£30,119	£65,897	5.1%
St Josephs Primary	£52,242	£56,812	3.7%
St Mark's Primary	£50,826	£27,028	1.7%
St Thomas Primary	£34,770	£38,861	4.8%
Thornliebank Primary	£42,921	£13,205	1.3%
Uplawmoor Primary	£27,689	£29,322	6.0%
Barrhead High	£249,294	£234,175	4.8%
Eastwood High	£274,428	£371,321	5.3%
Mearns Castle High	£362,072	£305,795	3.8%
St Lukes High	£176,414	£131,096	2.8%
St Ninians High	£532,839	£589,083	5.7%
Williamwood High	£494,953	£508,078	5.5%
Woodfarm High	£193,313	£183,675	3.7%
Carlibar Comm Unit	£48,218	£44,028	3.3%
Isobel Mair	£54,600	£14,184	0.4%
Outreach Project	£528	£5,301	2.9%
Secondary - Language & Communication Unit	£21,628	£40,161	5.7%
Sensory Support Service	£11,819	£2,600	1.2%
	<b>£4,435,800</b>	<b>£4,298,590</b>	