



Council Offices, Almada Street  
Hamilton, ML3 0AA

Monday, 19 June 2023

Dear Councillor

## **Risk and Audit Scrutiny Committee**

The Members listed below are requested to attend a meeting of the Committee to be held as follows:-

**Date:** Tuesday, 27 June 2023

**Time:** 14:00

**Venue:** Hybrid - Committee Room 1, Council Offices, Almada Street, Hamilton, ML3 0AA

The business to be considered at the meeting is listed overleaf.

Yours sincerely

**Cleland Sneddon**  
**Chief Executive**

### **Members**

Elaine McDougall (Chair), Mary Donnelly (Depute Chair), Mathew Buchanan, Alistair Fulton, Ross Gowland, Celine Handibode, Cal Johnston-Dempsey, Susan Kerr, Richard Lockhart,

### **Substitutes**

Colin Dewar, Gavin Keatt, Monique McAdams, Helen Toner

## BUSINESS

### 1 Declaration of Interests

- 2 **Minutes of Previous Meeting** 5 - 10  
Minutes of the meeting of the Risk and Audit Scrutiny Committee held on 23 May 2023 submitted for approval as a correct record. (Copy attached)

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#### Item(s) for Decision

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- 3 **Internal Audit Annual Assurance Report 2022/2023** 11 - 24  
Report dated 12 June 2023 by the Audit and Compliance Manager, Finance and Corporate Resources. (Copy attached)
- 4 **Annual Governance Statement for 2022/2023 and Significant Governance Areas Quarter 4 Progress Report** 25 - 56  
Report dated 9 June 2023 by the Executive Director (Finance and Corporate Resources). (Copy attached)

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#### Item(s) for Noting

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- 5 **Unaudited Annual Accounts 2022/2023** 57 - 214  
Report dated 19 June 2023 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 6 **Internal Audit Activity as at 9 June 2023** 215 - 222  
Report dated 9 June 2023 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 7 **2022 National Fraud Initiative Exercise** 223 - 232  
Report dated 12 June 2023 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 8 **Audit Scotland Report Resourcing the benefit service – A Thematic Study** 233 - 238  
Report dated 1 June 2023 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 9 **Forward Programme for Future Meetings** 239 - 242  
Report dated 2 June 2023 by the Executive Director (Finance and Corporate Resources). (Copy attached)

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#### Urgent Business

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- 10 **Urgent Business**  
Any other items of business which the Chair decides are urgent.

Clerk Name:	Elizabeth-Anne McGonigle
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Clerk Telephone:	07385403101
Clerk Email:	elizabeth-anne.mcgonigle@southlanarkshire.gov.uk



## RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Confero and in Committee Room 1, Council Offices, Almada Street, Hamilton on 23 May 2023

### Chair:

Councillor Elaine McDougall

### Councillors Present:

Councillor Mary Donnelly, Councillor Alistair Fulton, Councillor Ross Gowland, Councillor Cal Johnston-Dempsey, Councillor Susan Kerr, Councillor Richard Lockhart, Councillor Gavin Keatt (*substitute for Councillor Mathew Buchanan*)

### Councillors' Apologies:

Councillor Mathew Buchanan, Councillor Celine Handibode

### Attending:

#### Finance and Corporate Resources

Y Douglas, Audit and Compliance Manager; E-A McGonigle, Administration Officer; A Norris, Administration Assistant; J Taylor, Head of Finance (Strategy)

### Also Attending:

#### Audit Scotland

J Boyd and M Ferris, External Auditors

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## 1 Declaration of Interests

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No interests were declared.

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## 2 Minutes of Previous Meeting

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The minutes of the meeting of the Risk and Audit Scrutiny Committee held on 7 March 2023 were submitted for approval as a correct record.

**The Committee decided:** that the minutes be approved as a correct record.

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## 3 Review of Counter Fraud, Bribery and Corruption Policy

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A report dated 5 May 2023 by the Executive Director (Finance and Corporate Resources) was submitted on the revised Counter Fraud, Bribery and Corruption Policy, together with arrangements for communication of the Policy and a refreshed approach to training.

The Council's Counter Fraud Policy had been in place for a significant period of time and had undergone a series of revisions. The requirement to amend the Policy again to reflect further legislative changes had provided the opportunity to amalgamate various elements of the Council's Fraud Policy into a single document. The revised Policy, which was attached as an appendix to the report, remained mainly unchanged.

Details were provided on the areas covered by the Policy including:-

- ◆ roles and responsibilities of employees and managers
- ◆ fraud detection, investigation and reporting

- ♦ recovery and sanctions

The overarching message was one of a commitment to preventing fraud and corruption through:-

- ♦ robust financial and operational controls
- ♦ guarding against the threat of Serious and Organised Crime
- ♦ developing a counter-fraud culture

The Council would, where justified, take appropriate disciplinary and legal action in all proven cases and good governance would be demonstrated by reporting anti-fraud activity to this Committee.

The summary document 'Fraud Whistle Blowing for Third Parties' was attached as Appendix 1 to the Policy and detailed how members of the public could raise concerns and how the Council would respond. Separately, appended to the Policy, was the proposed approach the Council would adopt to Due Diligence and Anti-Tax Evasion Detection. The Policy, and related appendices, would be uploaded to the Council's intranet and the 'Fraud Whistle Blowing for Third Parties' summary document would be uploaded to the Council's internet.

A Learn on Line fraud course had previously been available to employees. The content of that course was high level and generic to ensure it was applicable to all Council Services. It was proposed that instead of regularly reviewing and updating the content of this online course, fraud awareness would now be raised through periodic bulletins, 'toolbox' talks and Executive Director briefings. This would provide flexibility to allow for more topical issues to be covered.

The Audit and Compliance Manager responded to a member's question in relation to fraud awareness training, specifically:-

- ♦ who was trained in fraud awareness and did that include elected members
- ♦ was fraud awareness training mandatory and were records of completion kept

**The Committee decided:**

- (1) that the Counter Fraud, Bribery and Corruption Policy be approved;
- (2) that it be noted that the Policy and appendices be uploaded to the Council's intranet and; that separately, the summary document 'Fraud Whistle Blowing for Third Parties' as detailed at Appendix 1 to the Policy, be uploaded to the Council's internet; and
- (3) that the refreshed training approach, as set out at section 5.3 of the report, be noted.

*[Reference: Minutes of the Executive Committee of 22 September 2010 (Paragraph 7)]*

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#### **4 Internal Audit Activity as at 5 May 2023**

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A report dated 5 May 2023 by the Executive Director (Finance and Corporate Resources) was submitted providing an update:-

- ♦ on work completed by Internal Audit during the period 18 February to 5 May 2023
- ♦ on progress with the external assessment of the Council's internal audit function's level of compliance with the Public Sector Internal Audit Standards (PSAIS)

Findings from internal audit assignments were reported to this Committee throughout the year and the last progress report was considered by this Committee on 7 March 2023. Key performance indicators, which reflected quality, on time and within budget for the 2022/2023 Internal Audit Plan would be presented in the 2022/2023 Internal Audit Assurance report at the 27 June 2023 meeting of the Committee. It was anticipated that all targets would be met.

As at 5 May 2023, 94% of the 2022/2023 Audit Plan was complete with 3 assignments still being progressed at that date. Assignments completed in the period 18 February 2023 to 5 May 2023, together with a summary of overall assurances, were detailed in Appendix 1 to the report.

The Council formed part of the Glasgow City Region City Deal which funded a range of capital projects within South Lanarkshire. At the May 2023 meeting of the Cabinet, audit reports had been presented on:-

- ◆ the Internal Audit Plan for 2023/2024
- ◆ Change Control and Contract Management (Phase 2)
- ◆ Project Procurement Strategies
- ◆ Follow Up Audit work

Updates were also provided on:-

- ◆ the self-assessment for the PSIAS external review which had been passed to East Lothian Council. The review was in progress and the outcome of the exercise would be reported to the Committee in June 2023
- ◆ meetings of the Chief Internal Auditors' Group which had provided an opportunity to share best practice and attend presentations on topical issues. A copy of the Chief Internal Auditors' Group 2022/2023 Annual Report was provided at Appendix 2 to the report
- ◆ progress against the Audit Strategy which was a requirement of the PSIAS. Delivery of the 2022/2023 Strategy had been evidenced by the completion of the Internal Audit Plan in year, and monitored during the year by performance indicators which were regularly reported to the Committee

The Audit and Compliance Manager responded to members' questions on various aspects of the report.

**The Committee decided:** that progress be noted.

*[Reference: Minutes of 7 March 2023 (Paragraph 5)]*

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## **5 Annual Audit Plan 2022/2023**

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The Committee considered the South Lanarkshire Council Audit Plan for 2022/2023 submitted by Audit Scotland, the Council's External Auditor.

The Plan set out the audit work necessary to allow Audit Scotland to provide an independent auditor's report and meet the wider scope requirements of public sector audit which included assessing arrangements for:-

- ◆ financial management
- ◆ financial sustainability
- ◆ vision, leadership and governance
- ◆ use of resources to improve outcomes

The planned work on the wider scope responsibilities was risk based and proportionate and in addition to local risks, challenges which were impacting the whole public sector would be considered. In 2022/2023, climate change and responding to cyber security threats would be considered.

The Plan was structured around the following areas:-

- ◆ annual accounts audit planning
- ◆ wider scope and best value
- ◆ reporting arrangements, timetable and audit fee
- ◆ other matters

Details were given on key aspects of those areas.

COVID-19 had continued to impact on the conduct and timeliness of the audit and it was recognised that it was in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. Ways of working more efficiently to expedite the 2022/2023 audits whilst maintaining high standards of quality were being identified. A hybrid approach would be taken for the 2022/2023 audit which would include a blend of onsite and remote working.

Audit Scotland had been appointed as the external auditor for the Council for the period 2022/2023 to 2026/2027 inclusive, and a biography of the audit team was provided at Appendix 1 of the report.

The Audit Director responded to a member's questions in relation to the audit fees and the 2 new audit quality standards.

**The Committee decided:** that the report be noted.

*[Reference: Minutes of 7 March 2023 (Paragraph 7)]*

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## **6 Audit Scotland – Financial Bulletin 2021/2022**

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A report dated 4 May 2023 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Local government in Scotland: Financial bulletin 2021/2022' which had been published in January 2023.

The report had been divided into 2 parts:-

- ◆ councils' financial summary 2021/2022
- ◆ councils' financial outlook

The key messages from the Audit Scotland report were detailed, together with an assessment of the position in South Lanarkshire Council.

**The Committee decided:**

- (1) that the key messages and recommendations contained in the Audit Scotland report entitled 'Financial bulletin 2020/2021', as detailed in sections 4 and 5 of the report, be noted; and



- (2) that the commentary on the Council's position, as included in the Audit Scotland report and as detailed in section 6 of the report, be noted.

*[Reference: Minutes of 22 June 2022 (Paragraph 6)]*

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## **7 Financial Resources Scrutiny Forum Activity**

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A report dated 5 April 2023 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Financial Resources Scrutiny Forum in the period from September 2022 to April 2023.

A report on the business considered by the Financial Resources Scrutiny Forum would continue to be submitted to the Risk and Audit Scrutiny Committee on an annual basis.

**The Committee decided:** that the report be noted.

*[Reference: Minutes of 22 June 2022 (Paragraph 7)]*

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## **8 Forward Programme for Future Meetings**

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A report dated 27 April 2023 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 26 March 2024.

As part of future arrangements, members were invited to suggest topics for inclusion in the Committee's forward programme.

**The Committee decided:** that the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 26 March 2024 be noted.

*[Reference: Minutes of 7 March 2022 (Paragraph 8)]*

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## **9 Urgent Business**

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There were no items of urgent business.



# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>27 June 2023</b>
Report by:	<b>Audit and Compliance Manager (Finance and Corporate Resources)</b>

Subject:	<b>Internal Audit Annual Assurance Report 2022/2023</b>
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## 1. Purpose of Report

1.1 The purpose of the report is to:-

- ♦ report on the progress and performance of Internal Audit and to provide an independent audit opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ended 31 March 2023

## 2. Recommendation(s)

2.1 The Committee is asked to approve the following recommendation(s):-

- (1) that Internal Audit's performance be noted;
- (2) that the overall findings from internal audit work be noted, and that it be approved that these will inform the Council's 2022/2023 governance statement; and
- (3) that the level of assurance be noted.

## 3. Background

3.1 The internal audit service is delivered within South Lanarkshire Council (SLC) within the context of the Public Sector Internal Audit Standards (PSIAS) (revised 1 April 2017), compliance with which is mandatory under Section 95 of the Local Government (Scotland Act) 1973. This sets out a series of standards to ensure a professional, independent and objective internal audit service is delivered that supports good governance within an organisation.

3.2 PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed to provide assurance that internal activity is conducted in accordance with an Internal Audit Charter, that it operates in an efficient and effective manner and that it is perceived to be adding value and improving operations. The self-assessment exercise undertaken in 2022/2023 has confirmed that South Lanarkshire Council's internal audit function continues to generally conform to the Public Sector Internal Audit Standards. This self-assessed position is currently being review by an independent assessor and will complete in June 2023. No significant areas of non-compliance have been identified to date and the assessment is anticipated to conclude that the section continues to generally conform with the requirements set out in PSIAS.

3.3 The primary objective of Internal Audit is to evaluate and improve the effectiveness of governance, risk management and control processes. The purpose of this report is to

provide an independent audit opinion on the overall adequacy and effectiveness of SLC's framework of governance, risk management and control arrangements based on audit work undertaken in 2022/2023.

3.4 The internal audit approach in 2022/2023 has sought to:-

- ◆ provide real-time advice and insight in the development of new systems and controls
- ◆ ensure that core internal audit work remains risk-based and relevant and continues to inform longer term planning around risks
- ◆ regularly report activity to the Council's Risk and Audit Scrutiny Committee

3.5 Significant time in the year has been committed to Oracle Fusion, a major system upgrade. Where internal audit staff are diverted into operational roles, declaration of interest processes will address any impairment to independence and objectivity.

3.6 In 2022/2023, Internal Audit has set out to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Throughout the year, Internal Audit has reported to the Council's Risk and Audit Scrutiny Committee (RASC). Reports to the RASC have detailed the findings from each finalised assignment in conjunction with information in relation to Internal Audit activity's purpose, authority, responsibility and performance relative to the 2022/2023 Audit Plan.

#### 4. Link to Council's Objectives and Top Risks

4.1 As a function, Internal Audit seeks to link to the Council's Connect Value of 'accountable, effective, efficient and transparent'.

4.2 In addition to Connect, assignments within the Audit Plan each year are linked to the Council's top risks and to wider strategic risks to ensure that work has the correct focus and is directed to areas where an independent review would add greatest value. The 2022/2023 Audit Plan was presented to RASC on 26 January 2022 with an update on 27 September 2022.

4.3 The Plans could not cover all of the organisation's top risks. Instead, these Plans prioritised audits and tasks that reviewed the key, strategic risks to the Council's operations in 2022/2023.

#### 5. Internal Audit Workload and Performance

##### 2022/2023 Workload

5.1 The actual number of audit days delivered in 2022/2023 was 1,126 days which was 102% of the target planned days in the year. 94% of the Audit Plan was delivered by 30 April 2023. The three outstanding audit assignments at this date related to a special investigation and two routine assignments covering petty cash and purchase cards.

	Total No. Jobs
Planned assignments	48
<b>Reports completed to draft</b>	<b>45<sup>1</sup></b>

*Table One - Internal Audit workload analysis for 2021/2022*

<sup>1</sup> This includes 2 routine assignments where audit testing has been completed and a level of review has been undertaken. None of the findings reviewed to date have highlighted significant issues that require mention in this Annual Report. It also includes 1 special investigation which is ongoing and formal findings are not yet available.

- 5.2 Each of the audits undertaken in the year were conducted in conformance with PSIAS. The standards require the Council's internal audit function to demonstrate engagement with clients to ensure the Audit Plan is agreed at the outset of the year and continues to address known and emerging risks as the year progresses. The scope of the 2022/2023 Audit Plan was amended to reflect the significant resources committed to the implementation of Oracle Fusion. Through this, the internal audit function delivered a service that aligned to the strategies, objectives, and risks of the organisation.
- 5.3 Internal Audit continue to sit on a variety of internal working groups. This participation provides assurance that the implementation of internal controls has been a key consideration in the development of new processes or revisions to existing practices and that these embed the key internal controls of segregation of duties, authorisation, reconciliation and monitoring.

### **2022/2023 Performance**

- 5.4 A summary of key Internal Audit performance statistics is included at Appendix 1. These detail performance in areas that are relevant to the delivery of an effective and efficient internal audit service. Performance indicators were reported to the Committee during the year. 3 from 5 indicators exceeded targets with the other 2 indicators falling marginally behind target.
- 5.5 The Committee is asked to note Internal Audit's workload and performance in the year to 31 March 2023 and that both remain sufficient to support the audit opinion expressed within this report.

## **6. Basis of Audit Opinion**

- 6.1 The opinion expressed within this report (see 7.4) has been based, primarily, on the output from the 2022/2023 Internal Audit Plan as well as reports that have been issued by the Council's external auditors, regulators and inspectors during the year.

### **Area of Assurance – Governance**

- 6.2 The first area of assurance is in relation to the Council's **governance arrangements** and the findings that support the overall assessment of these are detailed in paragraphs 6.3 to 6.11.
- 6.3 Reinforcing **Conflict of interest processes** remains important. Processes are fit for purpose and provide clear guidance to Managers around their responsibility to monitor ongoing compliance. This has been embedded within annual governance checks and further opportunities are being explored to reinforce this good governance policy. In conjunction with this, there has been a review of the Council's **counter-fraud policy**. The requirement to amend this policy to reflect further legislative changes provided the opportunity to amalgamate various elements of the Council's fraud policy into a single document and to further refine the content.
- 6.4 The approach to raising fraud awareness was also reviewed during the year and plans are being developed to utilise periodic bulletins, 'tool box talks' and Executive Director briefings to convey key messages to target groups of employees.
- 6.5 Aside from these assignments, **routine governance tasks** have been delivered as required; an audit certificate for the Leader European Union rural programme has been provided and a cross-Resource review of the 2021/2022 Director Statements of Assurance was completed.

- 6.6 Good governance is also demonstrated by the timeous implementation of actions and recommendations made by both internal and external audit and external inspectors.
- 6.7 PSAIS places a responsibility for monitoring progress with the **delivery of internal audit actions** on the Chief Internal Auditor to ensure that recommendations are effectively implemented. Relatively few Internal Audit actions fell due in 2022/2023 reflecting the impact of COVID-19 on routine audit plans in recent years. Although relatively few in number in 2022/2023, Council-wide, 100% of internal audit actions were delivered on time. This suggests that actions are, in the main, being fully and timeously implemented. This was checked independently by a limited programme of formal follow-up reviews undertaken in the year.
- 6.8 Audit actions also arise from **external auditors and inspectors**. One such area is internal audit activity undertaken by Glasgow City Council who act as internal auditors for the Glasgow City Region – City Deal. More robust arrangements have been established to follow up specific City Deal actions and progress with implementation is reported to the RASC as part of regular update reports. None of the actions in year were significant but implementation is nonetheless important to demonstrate good governance.
- 6.9 Assurance around effective governance comes also from the **annual exercise that assesses the effectiveness of the governance arrangements** within South Lanarkshire Council. On an annual basis, an assurance mapping process is undertaken in conjunction with the Good Governance Group to inform the Council's Annual Governance Statement. Within individual Director's Statement of Assurance, Resources have indicated a commitment to deliver against the recommendations of external auditors and other external review agencies and report progress to Committees and Boards.
- 6.10 The Council's **External Auditors** undertook the 2021/2022 financial audit during 2022/2023 and provided an unqualified opinion in relation to the Council's financial statements. There has been no formal interim audit output for 2022/2023. Internal Audit have liaised with External Audit periodically throughout the year and have collated financial year-end data.
- 6.11 Audit Scotland also publish wider Public Sector reports throughout the year. Where appropriate, the key messages and their application to SLC are reported to Committees.

#### **Area of Assurance – Risk Management**

- 6.12 The second area of assurance is around the Council's **risk management arrangements** and the findings that support the overall assessment of these are detailed in paragraphs 6.13 to 6.23.
- 6.13 Work started in 2022/2023 and will continue into 2023/2024 to categorise controls that mitigate the Council's top risks using the Institute of Internal Auditors '**three lines of defence**' methodology. This framework recognises that different parts and levels of the organisation play complementary roles in risk management. Controls that form the first line of defence sit at a Service level with the second line of defence being those that 'oversee' (Corporate Management Team, Committees etc). The final level is that of independent assurance provided by internal and external audit or external inspectors. Good risk management will evidence controls across all 'lines'. An initial analysis of controls has been completed and will be shared with Risk Sponsors to assist in the annual review of top risks. Gaps in controls will be considered for inclusion in the 2024/2025 Internal Audit Plan.

- 6.14 **Cyber Security** remains a significant risk with an attack possible despite the controls in place. Experience of other organisation's attacks has highlighted that there is always heightened vulnerabilities around employees and legacy systems. Levels of awareness is raised via briefings and Learn On Lines but there would be value in making all relevant courses mandatory. Assurances have been provided that damage could be contained were an attack to happen and that there would be sufficient back-up to restore systems in such an event. Despite these assurances there would inevitably be disruption to operations.
- 6.15 Internal Audit have been advised that there is a protocol in place that could be used to manage an incident both from a technical perspective and wider management actions. This protocol sets out how the team will communicate if the Council's network was down and plans are in place to review this protocol every year and to "re-test" every three years. The appropriateness of this timeframe needs to be considered within the context of the pace of change in the cyber landscape.
- 6.16 In the event that all network data was lost, it would be helpful to have a definitive list of what would be recovered first in terms of priority. 'Emergency' (can't be stopped) services are known but have not necessarily been prioritised. Further refinement of the plans, in this context, may be beneficial.
- 6.17 Work is required to update service business continuity plans and this is currently being facilitated by the SLC Resilience Team. From a cyber perspective, these service level plans need to consider which Services cannot be 'paused', and, for these, what back-up processes can be initiated quickly to continue service provision. Specific risks should be highlighted in Resource risk registers recognising the significance of the risk of lost access to network files/systems on core areas of service provision in the event of an attack.
- 6.18 This report is currently being finalised and audit output will be reported to the Committee in 2023/2024.
- 6.19 Aside from emerging risks, the 2022/2023 Audit Plan also included time to review governance, risk management and detailed short and medium term planning around **sustainability**. Previous annual reports have recognised both the progress and challenges of delivering the sustainability agenda. We also looked at the longer term route map to achieve net zero targets. Supporting this are decision making processes and tools along with collaboration and community empowerment that will need to be harnessed to delivery long term goals. The overall picture is one of clear aspirations and commitment, but residual risks scores reflect the challenges and remain very high corporately (and increasing in some Resource risk registers) even despite the level of mitigations that are being put in place. Actions are high level and are across the full span of the sustainability agenda. Over time, how to fund will remain one of the most significant risks. A 5-year action plan is now in place to support the strategy with SLC producing annual plans to support delivery. All actions should be tracked.
- 6.20 Key assurances are around a clear assessment of the challenges that are reflected in risk registers. Plans, both short and long term, set targets that will assist in meeting the overall objective that should be translated within local Service Plans. There are areas where work is still required such as the measuring of indirect emissions and addressing the practical and logistical challenges that will hinder delivery. Working in partnership will be key to address issues around fully funding the agenda through to completion. Underlying all of this will be the need to embed cultural change that puts sustainability and carbon/waste reduction at the forefront of all decision making.

- 6.21 From an Internal Audit perspective, there is a commitment to continue our overview of the risks, mitigation and progress in delivering the sustainability agenda.
- 6.22 The Council's top risk register review in 2022 included a new risk in relation to **Community Wealth Building** (CWB) specifically in relation to the Strategy not being delivered. Recognising that CWB would signal a fundamental shift in the council's approach, a risk register was developed and approved by the CWB Commission on 27 October 2021. Risks were recorded against each of the five pillars noted within the strategy. Internal Audit obtained a copy of the CWB risk register and matched this to the Council Wide Risk register. Following a review of the CWB Risk Control Plan the relevant areas, risks and controls were noted as being assigned to key officers who had responsibility to deliver actions across each of the 5 strategy areas. Evidence was obtained that these control actions are being progressed.
- 6.23 Other routine tasks continued throughout the year, such as a review of **Resource Fraud Risk Registers** with Internal Audit satisfied that there was evidence of in-year evaluation and update by all Resources.

#### **Area of Assurance – Internal Control**

- 6.24 Robust internal controls are important, irrespective of the activity or process. Their effective implementation supports delivery of vital Council services to people and businesses in South Lanarkshire. The main areas of assurance around the Council's **internal control** arrangements are detailed in paragraphs 6.25 to 6.46.
- 6.25 Around 25% of the function's resources in 2022/2023 have been utilised to support the **implementation of Oracle Fusion**, a cloud based human resources and financial management system. Over the lifetime of the project, Internal Audit will seek to provide assurance around:-
- ◆ business process readiness and solution design
  - ◆ program management and governance
  - ◆ data conversion and governance
  - ◆ organisation change enablement
  - ◆ the testing strategy
  - ◆ reporting and analytics
  - ◆ security and internal controls
  - ◆ IT and business operational readiness
- 6.26 In 2022/2023, Internal Audit have focused on the first 2 areas (within Phase 1) with further input to reporting and internal control considerations. In 2023/2024 this has moved to data migration and validation, organisational readiness and a programme of testing of key processes.
- 6.27 In terms of initial **readiness and solution design**, Internal Audit sought evidence of an implementation plan, definition of roles and responsibilities and a process to allow early identification of issues to mitigate the risk of an extended period of system design changes which would then impact on the ability of the project to deliver the anticipated efficiencies and transformational change.
- 6.28 A standard implementation model is being utilised (ADOPT Advisory; Design; Orchestrate; Prepare; Transition). Initial design concepts were developed by senior SLC staff at the outset of the project within the standard Oracle Fusion build framework. Fusion functionality was demonstrated at High Level Advisory sessions to the Functional teams for HR, Finance and Procurement. Process maps were



developed and then use for Conference Room Pilots (CRP). Issues identified at CRP sessions were incorporated into GAID (Assumptions, Issues and Dependencies) logs and discussed at daily and weekly functional meetings.

- 6.29 As the design evolved, Configuration Workbooks have been prepared, setting out the parameters for the build. A scope of work document was drawn up at the start of the project setting out a series of milestones that would release stage payments.
- 6.30 During the design phase, CRPs have led to the creation of Solution Design Documents (SDD), which outlined the various process, flow charts and system descriptions. Key User Training (KUT) sessions have been completed for some functions alongside KUT manuals. At date of writing this report, all but one SDD had been signed off and just over 40% of KUT manuals were complete. All KUT sessions were complete albeit some may require to be repeated. Work in all of these areas is profiled to end early June.
- 6.31 Any delays in the various stages of project implementation ultimately impact on the go live date. The PRB continue to have oversight of all elements.
- 6.32 Effective **project management** also requires roles and responsibilities to be defined within an overall program **governance** structure to allow effective and timely decision-making. Ownership and accountability for all key components of the project is needed to identify and resolve critical risks across all functional areas.
- 6.33 The process for design leadership and governance is well established. This has been challenging given the high turnover of staff with the Business Partner and a level of turnover of key personnel within South Lanarkshire Council. Internal Audit is represented on the Steering Committee and the Project Review Board and has attended these meetings alongside all key stakeholders and partners.
- 6.34 There are regular meetings of both the Board and Steering Group, with agendas, presentations and actions being minuted. These meetings are attended by the Business Partner with a detailed progress update being presented at each meeting by all functional leads. Detailed plans and revisions have been developed to respond to known challenges and risks to the planned go live date and the project will require close management of the significant volume of tasks and the associated timeline through to this date.
- 6.35 Phase 2, which includes additional Human Resources modules has a later go live date. Phase 2 now has its own plan with separate meetings to progress through to implementation.
- 6.36 Internal Audit has sought to ensure that processes incorporate **key internal controls** and that off-system or manual workarounds are minimised. The higher degree of automation will bring benefits but key internal controls must be embedded. Internal Audit is currently reviewing the availability of specific reports, to obtain assurance that, in the first instance access to reports are appropriately restricted to those with a business need.
- 6.37 Despite having a focus in 2022/2023 on project governance, risk and internal controls, Internal Audit continues to also assist through the provision of core data, process overviews and input to design solutions. Challenges around resourcing a project of this magnitude exist within Internal Audit and are similarly reflected in Council Services leading on implementation. The project is currently within a critical phase and Internal

Audit will continue to re-assess resources to ensure that they effectively contribute through to go live.

- 6.38 Preparatory work for a review of the **Equity Strategy** and for **Additional Support Needs** transport was included in the 2022/2023 Audit Plan. A questionnaire was sent to a sample of schools to assess the high-level governance arrangements in place around Pupil Equity Funding (PEF). Positive feedback from this questionnaire suggests that there is comprehensive guidance and regular reporting and engagement with schools over the allocation and spend of PEF monies. Schools indicated that a documented audit trail of spend is being maintained. Follow up testing within schools will now be undertaken in 2023/2024.
- 6.39 In a similar manner, research around ASN transport was undertaken in 2023/2024. The was to assess progress with previous actions and collate background data to inform audit testing in 2023/2024. This overview indicates that systems are in place to source, administer and manage the delivery of ASN transport and that there had been progress in addressing previously identified areas of action. Follow up testing will now be undertaken in 2023/2024.
- 6.40 A review of the **procedures for dispensing medication** with a Social Work facility was undertaken in 2022/2023. Internal Audit completed some 'walk through' testing and, from a small sample reviewed, were satisfied that all actions had been implemented with the exception of one where work was still ongoing. It is important that the level of checking and standard of recording is continued to ensure good governance and to allow any future discrepancies to be fully investigated.
- 6.41 A continuing overview of **Self Directed Support** (SDS) arrangements in the year has concluded that detailed procedures and supporting documentation are in place that are based on Scottish Government Legislation and COSLA guidance. These are available to all employees. Management information was considered to be informative and useful albeit not in a consistent format across all Services. It was confirmed that one of the two actions from the previous SDS audit were complete with the outstanding action being impacted by the commitments of the training and development team involved in implementing the new Social Work system.
- 6.42 **Advice and guidance** has been provided in the year, including around the extended use of Purchase Cards to ensure that key internal controls are in place. Routine audit testing around Petty Cash and Purchase Cards are pending final review and will now be concluded early in 2023/2024.
- 6.43 Routine control work continued in the year through **CCM analysis** that was used to inform 'intelligent' audit sampling and to provide detailed data to External Audit for the purposes of the Council's financial year-end audit.
- 6.44 Investigative work was a relatively small element of the 2022/2023 Audit Plan but there has been an increase in the number of whistle-blowing concerns compared to recent pandemic years. The nature of these concerns are wide ranging and each of these were investigated in line with established fraud procedures and reflective of the Council's zero tolerance approach to fraud. One of these assignments remain open

as at 31 March 2023 with work ongoing to conclude. A detailed report on fraud statistics will be presented separately to the Committee.

6.45 Internal Audit has also monitored **fraud alerts** through internal and external sources and disseminated information as appropriate. In 2022/2023 these have continued to relate to ad hoc issues and have been shared with Council Resources as appropriate.

6.46 In 2022/2023, data was uploaded for the next **National Fraud Initiative (NFI) exercise** with matches returned in 2023/2024 for investigation. A detailed report on matches and a proposed approach to investigating will be presented separately to the Committee.

## **7. Summary of overall assurance and audit opinion**

7.1 Adequate arrangements exist within SLC to escalate any concerns the Audit and Compliance Manager may have in relation to the level of risk accepted by management or SLC.

7.2 Internal control has remained, primarily, a management responsibility to ensure that the Council conducts its business in a manner that has due regard to the principles of good governance. The presence of an internal audit function does not negate the importance of effective internal controls. Internal Audit cannot be expected to give total assurance that control weaknesses or irregularities do not exist. The audit opinion is based upon the audit work undertaken during the year and knowledge of the Council's wider governance, risk management and control arrangements.

7.3 Many significant controls are imbedded within systems and these have been tested throughout the year by a programme of internal and external audit testing. Key controls such as adherence to proper processes and procedures, application of management checks and robust monitoring are generally vested in people and, therefore, remain an area of higher inherent risk. These processes continue to be subject to change and all reasonable steps have been taken to gather sufficient evidence to express an audit opinion for this year.

7.4 **In 2022/2023, the Internal Audit opinion is that, overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2023.**

7.5 The Committee is asked to note the above findings and approve their inclusion in the Council's Annual Governance Statement. A signed Annual Internal Statement of Assurance is included at Appendix 2 based on the view of the Council's own internal audit function.

## **8. Employee implications**

8.1 The Internal Audit service in 2022/2023 was delivered by a team of ten. Of the team of ten, all are fully or partly qualified through either the Chartered Institute of Internal Auditors or one of the Consultative Committee of Accountancy Bodies.

8.2 Informal feedback received in relation to audit assignments is used to highlight areas for training and development. These are progressed on an individual basis as part of the performance development review process. Best practice information is shared and learning points discussed throughout the year.

## **9. Financial implications**

- 9.1 Audit and Compliance Services, during 2022/2023, marginally overspent against their allocated budget.

## **10. Future years**

- 10.1 The 2022/2023 Internal Audit Plan was the first audit plan since 2019/2020 where the proposed plan of work did not anticipate the delivery of COVID 19 tasks. These tasks, however, remained with residual reporting requirements to HMRC of grants disbursed in previous tax years.
- 10.2 Significant pressures remain as public services re-set with processes continuing to evolve. This momentum will continue with the implementation of Oracle Fusion. Investing time to fully develop data analytical tools has proved important but must be considered alongside the improved functionality of new systems. This will require the upskilling of the wider Internal Audit team and for approaches to evolve to remain relevant and deliver value-added output.

## **11. Climate Change, Sustainability and Environmental Implications**

- 11.1 There are no implications for climate change, sustainability or the environment in terms of the information contained within this report.

## **12. Other implications**

- 12.1 Each audit assignment seeks to identify efficiencies and report as part of the audit opinion where appropriate. In practice this often translates suggesting a more efficient way in which to deliver services. Opportunities to identify 'cash' savings are becoming less frequent in an environment of growing financial constraints. From Resources perspective, much of the 'value added' element of an internal audit service is linked to the function's ability to provide advice and guidance. In addition, there has been a growing focus on the content of action plans to ensure that these effect required improvements. This is particularly important in areas where issues are more significant.
- 12.2 Responding to Services' requests for assistance and participation in internal working groups is accommodated within the Plan and through contingency time. This aligns to the PSIAS requirement to deliver an effective internal audit service.
- 12.3 There are no sustainability issues in terms of the information contained in this report.

## **13. Equality impact assessments and consultation arrangements**

- 13.1 There is no requirement to carry out an impact assessment in terms of the information contained within this report.
- 13.2 Resource Heads of Service are consulted in advance of every planned audit assignment and following completion of fieldwork. Resources and elected members are also consulted during preparation of the annual audit plan.

**Yvonne Douglas**  
**Audit and Compliance Manager**

12 June 2023

**Link(s) to Council Values/Priorities/Outcomes**

- ◆ Accountable, effective, efficient and transparent

**Previous References**

- ◆ Risk and Audit Scrutiny Committee, 2022/2023 Internal Audit Plan - 26 January 2022
- ◆ Risk and Audit Scrutiny Committee, 2022/2023 Internal Audit Plan - 27 September 2022

**List of Background Papers**

- ◆ 2022/2023 progress reports to the Risk and Audit Scrutiny Committee
- ◆ Figtree statistical and assurance and time recording extracts
- ◆ Public Sector Internal Audit Standards (revised)
- ◆ Fraud statistics and NFI updates

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Yvonne Douglas, Audit and Compliance Manager

Ext:- 2618 (Tel: 01698 452618)

E-mail:- [yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk)

## Internal Audit section performance during 2022/2023

## Appendix 1

<b>Performance Indicator 2022/2023</b>	<b>Target</b>
Delivery of planned audit days	100%
Completion of plan to draft report stage	100%
Completed assignments delivered within budget	80%
Draft reports issued within 42 days of fieldwork completed	80%
Productive time	80%

<b>2022/2023</b>	<b>2021/2022</b>	<b>2020/2021</b>
<b>102%</b>	104%	96%
<b>94%</b>	92%	88%
<b>79%</b>	87%	75%
<b>100%</b>	100%	94%
<b>80%</b>	82%	84%

## **Appendix 2**

### **To the members of South Lanarkshire Council, the Chief Executive and Executive Directors**

As Audit and Compliance Manager of South Lanarkshire Council, I am pleased to present my annual statement and report on the adequacy and effectiveness of the governance, risk management and internal control systems of the Council for the year ended 31 March 2023.

### **Respective responsibilities of management and internal auditors in relation to governance, risk management and internal control**

It is the responsibility of the Council's senior management to establish appropriate and sound systems of governance, risk management and internal control and to monitor the continuing effectiveness of these systems.

It is the responsibility of the Audit and Compliance Manager to provide an independent opinion on the adequacy and effectiveness of the governance, risk management and internal control systems of the Council. The Audit and Compliance Manager cannot be expected to give total assurance that control weaknesses or irregularities do not exist but can form an opinion based on work undertaken during the year and knowledge of control systems.

### **The Council's framework of governance, risk management and internal controls**

South Lanarkshire Council has a responsibility to ensure its business is conducted in accordance with legislation and proper standards and adheres to and works within a framework of internal values and external principles and standards.

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and how it accounts to communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, only provides reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks that would prevent the achievement of South Lanarkshire Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

### **The work of Internal Audit**

Internal Audit is an independent and objective assurance function established by the Council to review its governance, risk management and internal control arrangements. It objectively examines, evaluates and reports on the adequacy of these arrangements as a contribution to general governance arrangements and more specifically the proper, economic, efficient and effective use of resources.

The Internal Audit Service operated in accordance with the Public Sector Internal Audit Standards (PSAIS) (revised 2017) throughout 2022/2023. An external assessment of the extent of compliance is in progress as part of the Quality Assurance and Improvement Programme. This assessment has not identified any significant areas of non-compliance and the section is anticipated to continue to generally conform with the requirements set out in PSIAS.

The section undertakes an annual programme of work approved by the Risk and Audit Scrutiny Committee. All plans are based on a formal risk evaluation process, which reflects agreed and emerging risks and changes within the Council and is subject to periodic review throughout the year.

All internal audit reports identifying risks, areas for improvement and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken to implement audit recommendations.

Internal Audit ensure that management has understood agreed actions or assumed the risk of not taking action. A programme of informal and formal follow-up audit assignments provides assurance around the complete and timeous implementation of audit recommendations. Significant matters arising from internal audit work are reported to the Executive Director Finance and Corporate Resources and the Council's Risk and Audit Scrutiny Committee.

### **Basis of opinion**

My evaluation of the control environment relates only to South Lanarkshire Council and is informed by a number of sources including internal audit work undertaken during 2022/2023.

### **Limitation of scope**

No individual audit assignments were specifically limited in scope at the outset but scopes have been amended to reflect the output from the initial risk and control analysis undertaken at the start of each assignment and the resources available.

### **Opinion**

It is my opinion, based on the above, that overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2023.

### **Signature:-**

Yvonne Douglas BA CA

26 May 2023



# Report

4

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>27 June 2023</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Annual Governance Statement for 2022/2023 and Significant Governance Areas Quarter 4 Progress Report</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide the proposed Annual Governance Statement for 2022/2023, for inclusion in the Council's 2022/2023 Annual Accounts, following consideration and approval by the Risk and Audit Scrutiny Committee

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendations:-

- (1) that the Annual Governance Statement attached at Appendix 2, due to be included in the Council's 2022/2023 Annual Report and Statement of Accounts, be approved; and
- (2) that progress against the significant governance areas identified within the Annual Governance Statement 2021/2022 attached at Appendix 3 be noted.

## 3. Background

3.1. Each year the council undertakes a comprehensive review of the governance arrangements that are required to support the council's financial and operational controls. The annual review of governance arrangements informs the Governance Statement which is included within the council's Annual Accounts.

3.2. Good Governance is underpinned by the principles contained in the Delivering Good Governance in Local Government and guidance for Scottish Local Authorities which were published in December 2016. The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) established the framework. The council's governance assurance framework is detailed at Appendix 1.

3.3. To achieve good governance, the council should be able to demonstrate that its governance structures comply with the principles contained in the CIPFA/SOLACE framework (referred to as 'the framework' from here on) and should, therefore, develop and maintain a Local Code of Governance and governance arrangements reflecting these principles. The council's Local Code of Corporate Governance is reviewed and re-published annually. Compliance with the Code is reviewed as part of the Annual Review of Governance arrangements and informs the Annual Governance Statement.

3.4. The Good Governance Group undertakes an annual review of the council's governance arrangements through a programme of peer reviews and evaluations to

share learning, best practice and ensure consistency in approach (where relevant) across Resources. At the end of the review period, an evaluation of the governance process is completed, and arrangements revised (where relevant) in preparation for the next review.

- 3.5. Based on good practice highlighted by CIPFA in relation to the publication of Annual Governance Statements, a [Good Governance](#) page which provides links to relevant reports and documents is available on the council's website.
- 3.6. The purpose of this report is to provide the Committee with the Annual Governance Statement which is due to be included within the council's 2022/2023 Annual Report and Statement of Accounts and an update on progress against the actions highlighted as significant governance areas in the 2021/2022 Annual Governance Statement.

#### **4. Annual Governance Statement (AGS) 2022/2023**

- 4.1. The Annual Governance Statement for 2022/2023 is attached at Appendix 2. Information on the COVID-19 pandemic governance arrangements remain within Section 5 of the statement for this year but will be reviewed for future years. This details the impact on the council's governance arrangements and gives examples of the new ways of working which have been embedded to assist service delivery as council services recover from the pandemic. It also reflects advice previously given by CIPFA which is set out at 4.2 below.
- 4.2. The CIPFA guidance which was provided via a webinar that took place in February 2021 set out the impacts on governance arrangements to consider when drafting the 2020/2021 statement, the following continued to have relevance in the drafting of the 2022/2023 statement:-
- ◆ the impact of the COVID-19 Pandemic, specifically, adaptations to reflect new ways of working and emergency arrangements; changes to 'business as usual' activities; and longer-term changes to priorities, programmes, strategies, and plans; areas for improvement and recovery
  - ◆ the CIPFA Financial Management Code, specifically an overall conclusion on the extent of compliance with the Code; and outstanding matters or areas for improvement set out in the Governance Statement Action Plan (Section 7)
- 4.3. The internal assurance opinions which are also set out in Section 6 of the Governance Statement are as follows:-
- ◆ It is the opinion of the Council's Audit and Compliance Manager that, overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2023.
  - ◆ It is the opinion of the Council's Risk Management Service that a good level of assurance can be placed on the Council's strategic risk control environment and a good level of assurance can be placed on the council's operational risk control environment.
- 4.4. Section 7 of the AGS highlights "Significant Governance Areas" which were identified through the Horizon Scanning process and the Director's Statements of Assurance and the key actions that are being taken to address these during 2023/2024. The Committee is asked to consider the areas detailed in the summary below.

Comments have been added to show where this is new or has been carried forward from the previous statement:-

<b>Significant Governance Areas identified in 2022/2023</b>	<b>Comments</b>
<b>Cyber resilience</b> Compliance with legislative and regulatory policy	Carried forward from 2021/2022
<b>Financial Challenges</b> Reduction in council funding, resulting in difficulties maintaining front line services	Carried forward from 2021/2022
<b>Integrated Joint Board – Health and Social Care</b> The need for the council to deliver the objectives set out in the Integrated Joint Board (IJB) Strategic Commissioning Plan 2022-25	Carried forward from 2021/2022
<b>Review of Community Planning</b> Provide support to complete the review of Community Planning arrangements	Carried forward from 2021/2022
<b>Community Wealth Building</b> Deliver the Action Plan and Year 2 Annual Report	Carried forward from 2021/2022
<b>Sustainable Development and Climate Change</b> Deliver the Sustainable Development and Climate Change Strategy	Carried forward from 2021/2022
<b>Sustainable Development and Climate Change</b> Develop a Local Heat and Energy Efficiency Strategy	<b>New</b>
<b>Economic Recovery and Renewal</b> Deliver the Economic, 'Response, Recovery and Renewal' Strategy	Carried forward from 2021/2022
<b>South Lanarkshire Leisure and Culture (SLLC)</b> Develop the Commissioning Plan between the Council and SLLC Support the Strategic Asset Review of SLLC occupied properties	<b>New</b>
<b>Recruitment and Retention Challenges</b>	Carried forward from 2021/2022

- 4.5. The Committee is asked to note that the content of the Annual Governance Statement is subject to scrutiny by the External Auditor and, therefore, may change after approval by the CMT and the Risk and Audit Scrutiny Committee. However, the final Governance Statement will be re-submitted for approval with the final Annual Accounts.

## **5. Significant Governance Areas**

- 5.1. Progress on the significant governance areas highlighted within the Annual Governance Statement 2021/2022 is attached at Appendix 3.

## **6. Next Steps**

- 6.1. The Governance Team will review and update the Council's Local Code of Corporate Governance with the changes highlighted from the annual review of governance arrangements and report this to the CMT and the Risk and Audit Scrutiny Committee.
- 6.3. The Good Governance Group will evaluate the governance review process and refine this in preparation for the 2023/2024 annual review of governance arrangements.

## **7. Employee Implications**

- 7.1. Officers will continue to attend the Good Governance Group and will commit time to review and monitor governance and assurance arrangements.
- 7.2. Officers will be assigned to lead on areas identified as improvement areas.

## **8. Financial Implications**

- 8.1. There are no financial implications directly associated with this report.

## **9. Climate Change, Sustainability and Environmental Implications**

- 9.1. There are no significant implications for climate change or sustainability in terms of the information contained in this report.

## **10. Other Implications**

- 10.1. The AGS will be subject to review by Audit Scotland as part of their consideration of the council's Annual Report.
- 10.2. There are no significant issues in terms of risk associated with this report.

## **11. Equality Impact Assessment and Consultation Arrangements**

- 11.1. All Resources, through senior officers, participate in the progress, monitoring and review of governance arrangements and the preparation of the Annual Governance Statement.
- 11.2. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function, or strategy and, therefore, no impact assessment is required.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

9 June 2023

## **Link(s) to Council Values/Priorities/Outcomes**

### Values

- ◆ Focused on people and their needs
- ◆ Working with and respecting others
- ◆ Accountable, effective, efficient and transparent
- ◆ Ambitious, self-aware and improving
- ◆ Fair, open and sustainable
- ◆ Excellent employer

### Priorities

- ◆ We will work to put people first and reduce inequality
- ◆ We will work towards a sustainable future in sustainable places
- ◆ We will work to recover, progress and improve

### Outcomes

- ◆ Our children and young people thrive
- ◆ Good quality, suitable and sustainable places to live
- ◆ Thriving business, fair jobs and vibrant town centres
- ◆ Caring, connected, sustainable communities

- ◆ People live the healthiest lives possible
- ◆ Inspiring learners, transforming learning, strengthening partnerships

### **Previous References**

- ◆ Risk and Audit Scrutiny Committee - Annual Governance Statement 2021/2022 and Quarter 4 Progress Report – 22 June 2022
- ◆ Risk and Audit Scrutiny Committee - Annual Review of the Local Code of Corporate Governance – 7 March 2023

### **List of Background Papers**

- ◆ None

### **Contacts for Further Information**

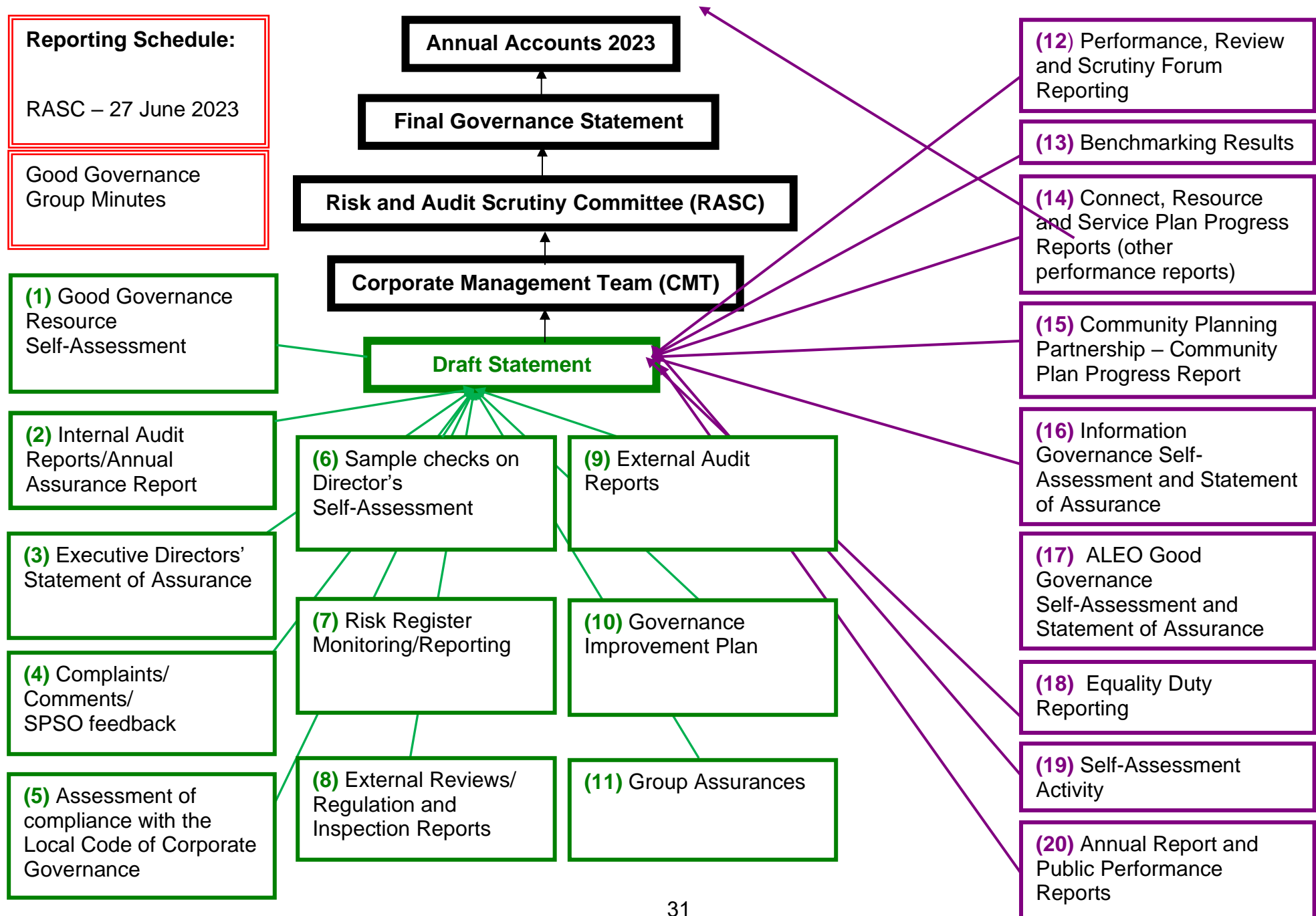
If you would like further information, please contact:-

Geraldine McCann, Head of Administration and Legal Services

Ext: 4516 (Tel: 01698 454516)

Email:- [geraldine.mccann@southlanarkshire.gov.uk](mailto:geraldine.mccann@southlanarkshire.gov.uk)









## South Lanarkshire Council

### Annual Governance Statement 2022/2023

4

#### 1. Scope of responsibility

The residents of South Lanarkshire expect the council to conduct its business in a lawful and transparent way. In particular, the council has a duty to safeguard public money and account for it; and to continuously review and improve how its functions are discharged, focussing on the priorities of economy, efficiency, and effectiveness.

The council is responsible for putting in place proper arrangements for the governance of its activities, facilitating the effective exercise of its functions including clear arrangements for the management of risk.

A [Local Code of Corporate Governance](#) (referred to as the “Code” from here on) has been approved and adopted. The Code is reviewed and updated annually and is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) framework entitled ‘Delivering Good Governance in Local Government’.

This statement explains how the council has complied with the Code during 2022/2023 and meets legislative requirements to include the Annual Governance Statement within the Annual Accounts. It also sets out the significant changes to the council’s governance arrangements as a result of the global health pandemic (referred to as the “Pandemic” from here on).

#### 2. The purpose of the council

The [Council Plan 2022-27](#) sets out the council’s vision, values and objectives and what difference this will make to the residents and communities of South Lanarkshire. The Council Plan which was informed by the views of South Lanarkshire residents and information from many other sources including local community plans, face to face discussions, online feedback, feedback from Community Groups, Community events and surveys was approved by Council in June 2022.

The council is also a statutory Community Planning Partner and the [Community Plan 2022-32](#) provides a common vision for the South Lanarkshire Community Planning Partnership and sets out how the partners aim to achieve that vision.

The council has set the framework for strong corporate governance by having a clear vision and values which are outlined below: -

**Our vision** is to improve the lives and prospects of everyone in South Lanarkshire.

**Our priorities are:**

- People – we will work to put people first and reduce inequality.
- Progress - we will work to recover, progress and improve.
- Planet – we will work towards a sustainable future in sustainable places.

**Our outcomes will be:**

- Communities and environment - Caring, connected, sustainable communities.

- Education and learning - Inspiring learners, transforming learning, strengthening partnerships.
- Health and wellbeing - People live the healthiest lives possible.
- Children and young people - Our children and young people thrive.
- Housing and land - Good quality, suitable and sustainable places to live.
- Our economy - Thriving business, fair jobs and vibrant town centres.

#### **Our values are:**

- Focused on people and their needs
- Working with and respecting others
- Accountable, effective, efficient and transparent
- Ambitious, self-aware and improving
- Fair, open and sustainable
- Excellent employer

### **3. The purpose of the council's governance framework**

The governance framework comprises of the culture, values, systems, and processes by which the council is directed and controlled. It describes the way the council is accountable to communities. It enables the council to monitor the achievement of its strategic objectives and consider whether these objectives have led to the delivery of appropriate and cost-effective services.

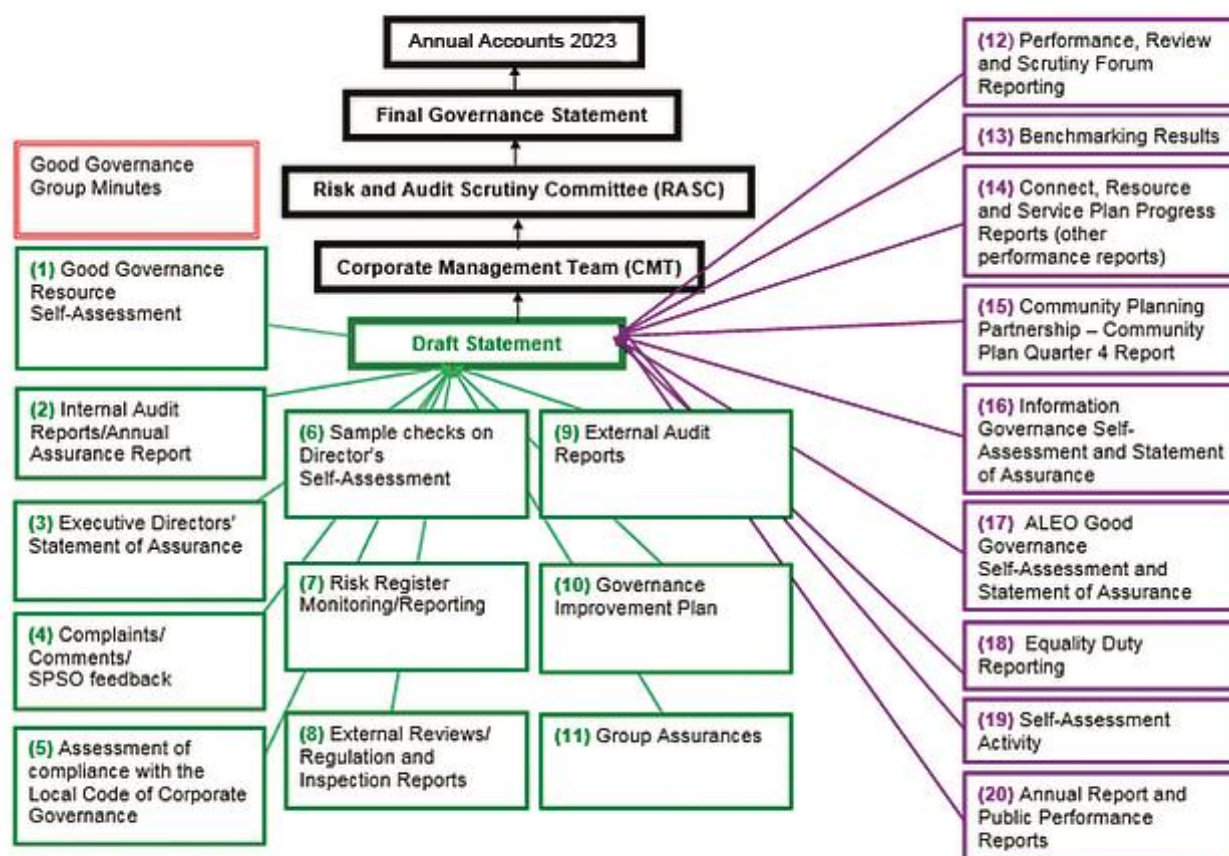
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's aims and objectives by evaluating the likelihood and potential impact of those risks being realised. This enables the council to manage risk efficiently, effectively, and economically.

The governance framework has been in place at South Lanarkshire Council for the year ended 31 March 2023 and up to the date of approval of the Annual Report and Accounts.

### **4. How the council monitors and evaluates the effectiveness of its governance arrangements?**

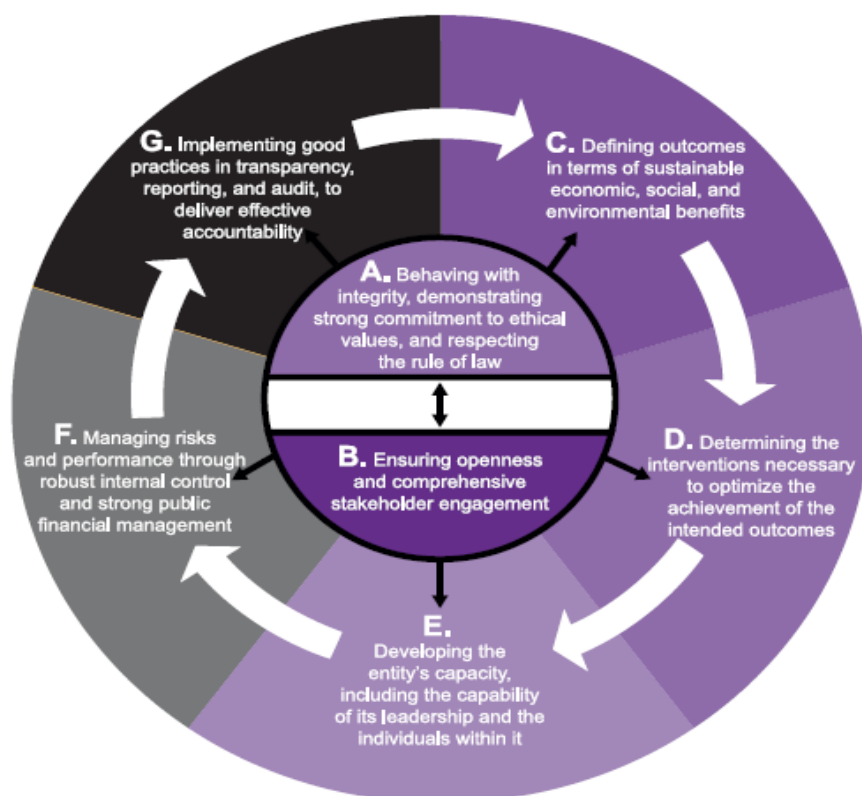
The council annually reviews the effectiveness of its governance arrangements. The key sources of assurance that inform this review and underpin the statements made within this document are shown in the diagram below.

## 2022-23 Annual Governance Statement Assurance Framework



### 5. Key elements of the council's governance assurance framework

The council aims to achieve good standards of governance by adhering to the seven national principles below, which form the basis of the council's Code. These principles are used each year to evaluate governance arrangements and identify areas for improvement.



The following table demonstrates how the council has complied with these principles and provides assurance as to how they are met. Significant elements of the systems and processes that comprise the council's governance arrangements and important changes/ developments are described. Links to the key council documents referred to below can be found in Section 2 of the Code. The impact of the Pandemic has been included and additional commentary can be found at the end of this section. Commentary on the council's level of compliance with the CIPFA Financial Management Code can also be found at the end of this section.

<b>Principle A:</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
<b>Links to Council's values:</b>
<ul style="list-style-type: none"> <li>Accountable, effective, efficient, and transparent; Working with and respecting others</li> </ul>
<b>How we do this:</b>
<ul style="list-style-type: none"> <li>The Council's values and objectives provide clear direction to councillors and employees and are embedded in all policies and processes.</li> <li>Standards of conduct and integrity were promoted through the national Code of Conduct for Councillors and by the Standards and Procedures Advisory Forum. This is supplemented by role profiles which have a core accountability to maintain the highest standards of conduct.</li> <li>The employee Code of Conduct outlines standards of conduct and integrity. All breaches including reported cases of suspected unethical behaviour and non-compliance with the law/policy were investigated through the employee disciplinary process and the recommended actions taken.</li> <li>Professional Codes of Conduct ensured that ethical standards were maintained, and all breaches were investigated by the governing body.</li> </ul>

- To support integrity in decision making, the Council has a number of Committee procedural documents including decision making protocols known as the Scheme of Delegation, terms of reference documents, standing orders on procedures and contracts and financial regulations.
- To ensure openness and transparency agendas and Committee reports are published to the council website at least five working days ahead of the scheduled meeting dates and any minutes of decisions taken by the Chief Executive during any period when committee meetings are suspended are publicised on the Council website. Committee meetings are live streamed to the Council's YouTube channel.
- To ensure openness and transparency in decision making processes, all declarations of interest made by councillors at meetings were recorded and made available online.
- There are a range of policies such as the Counter Fraud, Bribery and Corruption Policy Statement and Strategy, Fraud Response Plan, Whistleblowing for Third Parties and Confidential Reporting procedures. These continue to be updated to reflect best practice and support a culture of ethical behaviour amongst employees and councillors.
- Health and Safety compliance during 2022/2023 was assessed as being within the top rating band of "good".
- Legal Services maintained an overview of legislation and regulations and worked with services to ensure compliance.

#### **Principle B: Ensuring openness and comprehensive stakeholder engagement**

##### **Links to Council's values:**

Accountable, effective, efficient, and transparent; Fair, open, and sustainable; Focused on people and their needs; Working with and respecting others

##### **How we do this:**

- To ensure transparency and openness in decision making processes, all agendas, reports, and decisions were published on the Council's website and printed copies were available for public inspection for all Committee and Forum meetings (except the Standards and Procedures Advisory Forum). From April 2021 all Committee meetings were live streamed to the Council's YouTube channel [http://bit.ly/SL\\_Committees](http://bit.ly/SL_Committees). From August 2021 all Forum meetings have been live streamed.
- The [Committee Management Information System](#) allows members of the public to register and be notified when Committee and forum papers are published. The system also facilitates the creation of [online petitions](#) to increase the potential reach of signatories.
- The work of the Council and key information from our partners is communicated regularly using a range of communication channels. The [South Lanarkshire View](#) pages on the Council website provide a dedicated source of local information and news for communities. A variety of social media channels are used to communicate updates and share information.
- A suite of dedicated Pandemic pages providing advice, help and public health information were created and maintained on the council website.
- A 'Let's Talk South Lanarkshire' campaign has been established and was used to engage local people in an initial discussion about their experiences of the pandemic and continues to be used for ongoing dialogue with communities on both the Council and community planning priorities.
- The Council's Community Engagement Team continue their work to increase stakeholder engagement and involvement in decision making processes through the continued development of new Community Planning Partnership Neighbourhood Plans which are aimed at improving outcomes and reducing inequalities.
- The Community Planning Partnership published its first [Community Participation and Engagement Strategy 2020 to 2025](#) which is also available online in [BSL](#) and the Council has produced an online course for employees to complement this.
- A partnership Participation and Engagement Group has been established to ensure that there is a consistent and co-ordinated approach to engaging with communities.



- The Council carried out circa 50 surveys and engagement activities with residents, employees, and partners, and through the council's Citizens Panel to inform policy and service delivery. Further information on our surveys is published on the [Council's website](#).
- To ensure inclusivity and help shape service delivery, the Council co-ordinates regular engagement with targeted groups of people such as young people, older people, people with disabilities, unpaid carers, black and ethnic minorities, etc. Groups considered items such as the budget consultation, rent setting and performance reporting.
- The [Participation Requests](#) and [Community Asset Transfer](#) processes support communities to engage with the Council to improve local outcomes.
- The Council's performance [Spotlights](#) summarise what the council has achieved and the [Public Performance Reports](#) provide a comprehensive overview of service performance. These, along with the council's [Benchmarking report](#) demonstrate the council's commitment to continuous improvement and achieving Best Value; summarise the progress that the council has made in meeting its priorities and how it is performing locally and nationally.
- The Council's Digital Inclusion Strategy 2020 to 2023 sets out the actions that the Council is taking to assist those people who are unable to get online to access services digitally. The Council also leads on a partnership Digital Inclusion Group.
- A comprehensive range of information on how the Council operates is available on the website. The [Freedom of Information Publication Scheme](#) ensures that key information about how the council works is accessible to the public.

**Principle C:** Defining outcomes in terms of sustainable, economic, social, and environmental benefits

**Links to Council's values:**

Accountable, effective, efficient, and transparent; Fair, open, and sustainable; Focused on people and their needs

**How we do this:**

- The Council adapted approaches in response to the Pandemic to ensure processes continued to be effective, efficient, and transparent.
- The Council has a Capital Strategy that has a long-term outlook on future capital investment (up to 2027/2028). This document is underpinned by a suite of Asset Management Plans which are aligned with the council's objectives and focus on creating an efficient, fit-for-purpose and sustainable core estate that delivers best value in terms of investment, running costs and environmental impact.
- The Council Plan 2022 to 2027 and Community Plan 2022 to 2032 have clearly defined economic, social, and environmental outcomes to be delivered during the period.
- A Community Wealth Building Strategy setting out the Council's ambitions in relation to spending, workforce, land and property, finance and building the generative economy was approved in March 2021. A Community Wealth Building Commission was established to oversee the implementation of the Strategy. A Community Wealth Building Progress Group has been set up to ensure that timescales within the action plan are met.
- Annual Resource Plans which deliver the objectives of the Council Plan were reviewed and updated. These plans outline the outcomes and actions to be achieved within the year and reference linkages with other key strategic plans of the Council and partnership plans.
- The [Sustainable Development and Climate Change Strategy 2022-27](#) was approved by the Council in June 2022 and which sets out the Council's strategic vision, themes and priorities in terms of the Council, environment and communities for sustainable development and climate change during the period was developed using the principles of the United Nation's Sustainable Development Goals and to reduce the council's contribution to global warming.
- The Council's [Climate Change and Sustainability Committee](#) oversees the delivery of the Sustainable Development and Climate Change Strategy 2022-2027, the council's transition to carbon neutrality and climate resilience.

- The Council's new [Procurement Strategy 2023-28](#) which will be complemented by an annual action plan, sets out how value for money, national and local priorities will be delivered. It also demonstrates how the council will deliver the wider social, economic, and environmental aims of procurement as required by the sustainable procurement duty.
- Sustainability principles are embedded in procurement processes and in recognition of the importance of our suppliers in achieving the Council's aim to become more sustainable.
- Strategic Environmental Assessments (SEAs) were completed for all relevant council led policies, plans and strategies developed during 2022/2023.
- The [South Lanarkshire Local Development Plan 2](#) was adopted by the Council on 9 April 2021. The spatial strategy of the plan is to encourage sustainable economic growth and regeneration, a move towards a low carbon economy, protect the natural and historic environment and mitigate against the impacts of climate change.
- A summary of the findings resulting from [Equality Impact Assessments](#) of the council's key decisions on service users, communities and businesses have been published on the Council's website.
- Strategic decisions of the Council have been subject to a Fairer Scotland Impact Assessment which considers how inequalities of outcome can be reduced.

**Principle D:** Determining the interventions necessary to optimise the achievement of the intended outcomes

**Links to Council's values:**

Accountable, effective, efficient, and transparent; Ambitious, self-aware, and improving;  
Focused on people and their needs; Working with and respecting others

**How we do this:**

- Key services were adapted, and delivery was maintained throughout the Pandemic in line with Public Health guidance and Government guidance and legislation.
- There is a standard approach to identifying savings across the Council. The Council's efficiency programme is overseen by the Senior Management Team. Frameworks are in place for holding discussions with key stakeholders. Savings achievements are monitored monthly and reported to the Senior Management Team quarterly.
- The Financial Strategy which is aligned with the Council's objectives was updated during the year to reflect the latest internal and external influences. This plan sets out the assumptions in terms of commitments, grant funding and efficiency requirement and demonstrates sound financial management and the ability to address projected funding gaps.
- The annual budget setting consultations took place with members of the public, groups and the Council's partners in order to inform the budget process. The annual budget is open to scrutiny and amendment by councillors until the approval of the final budget.
- The Council's Performance Management Framework has ensured that progress against intended outcomes has been regularly reported to Management Teams; Committees; and the Performance and Review Scrutiny Forum. Decisions and actions to address performance issues have been taken and monitored to ensure that they have been effective.
- The Council has complied with its statutory and regulatory reporting requirements during the year.
- The Public Bodies (Joint Working Act) sets out those Adult Care Services that are delegated to the Integration Joint Board (IJB) as set out in the South Lanarkshire Integration Scheme. These services continue to be operationally delivered by the council in line with the strategic direction set out in the Strategic Commissioning Plan and annual IJB Directions.
- The Council considers the specification and achievement of community benefits, which focus on the health, economic, social, and environmental wellbeing of the South Lanarkshire area, when awarding contracts.
- To improve efficiency and effectiveness, the Council is the lead authority for a range of collaborative projects and services delivered through the Clyde Valley Learning and Development Group.

**Principle E:** Developing the entity's capacity, including the capability of its leadership and the individuals within it

**Links to Council's values:**

Accountable, effective, efficient, and transparent; Ambitious, self-aware, and improving; Excellent employer; Focused on people and their needs; Working with and respecting others

**How we do this:**

- A Leadership Challenge Programme which is linked to succession planning has been developed and rolled out during 2022-23.
- Learning and Development programmes were revised and employees at all levels can now access optional accredited management qualifications.
- Training requirements were identified and online learning and development opportunities including webinars and e-briefings were developed and offered to all councillors.
- Feedback from the survey on working from home/hybrid working, will be used to inform future agile working arrangements.
- A range of policies and activities are in place to support the Health and Wellbeing of employees including physical and mental health and these have been regularly communicated. Online wellbeing events were held in response to the new ways of working.
- The Council recognises that skilled and motivated employees are a key asset. All employees have an annual performance appraisal which links to the Council values and a Personal Development Plan. The council offers a range of training interventions to support employee development.
- The Council has a comprehensive and coordinated approach to workforce planning which also supports succession planning. Each Resource reviews their workforce plan and related action plan to better understand workforce capacity issues, further challenges, and opportunities to ensure that resources are in the right place, at the right time and people have the right skills. The Council-wide Workforce plan has been revised to consider the workforce requirements as a result of the pandemic response.
- Senior Managers have overseen the annual scrutiny of the Council's assets through the review of a suite of Asset Management Plans. Service Asset Management Plans have been developed in line with CIPFA guidance and these feed into the Corporate Asset Management Plan which outlines priorities and provides an overview of how the Council has performed in this area.
- The Council's Scheme of Delegation, Financial Regulations, Standing Orders on Contracts and Terms of Reference ensured that Committees, officers, and statutory officers were clear on the decisions that could be made within their area of authority. This is supplemented by councillor's role profiles which outline the key purpose, specific and core accountabilities for each role.
- The Council continues to work with a range of public sector, business, and academic partners to improve outcomes for those living and working in South Lanarkshire. Strategic Partnerships include the Community Planning Partnership and the Glasgow City Region City Deal.
- Local Government Benchmarking Framework(LGBF) results continue to be reported to the Performance Review and Scrutiny Forum, containing all LGBF indicators. As other reporting arrangements mature, the scale of this report may be reduced and the strategic suite of indicators aligned to Council Plan outcomes will feature in a new appendix to the Council Plan Q4 report, giving an opportunity to assess the Council's performance over time and comparative performance in the context of the Council Plan priorities.
- Further LGBF indicators will feature in the Council's public performance reporting, both in the Annual Performance Spotlights and in the PPR pages on the website. These are topic-based and place the LGBF information in a richer context than is possible in the annual LGBF report. The results are analysed and an action plan developed which will be monitored by the Senior Management Team.



<ul style="list-style-type: none"> <li>• The Council takes a risk-based approach to self-assessment which is used to review and redesign services with a focus on fundamental change. Progress and the impact of improvement activity was reported to the Senior Management Team and the Performance and Review Scrutiny Forum.</li> <li>• The Council has a robust complaints process which is underpinned by national complaints handling standards. Complaints performance was regularly reported to Senior Management and Committee and <a href="#">learning from complaints</a> which is integral to this process is also published on the Council's website. Complaint handling procedures have been updated in line with national changes and communicated to all employees.</li> </ul>
<b>Principle F:</b> Managing risks and performance through robust internal control and strong public financial management
<b>Links to Council's values:</b> Accountable, effective, efficient, and transparent; Ambitious, self-aware, and improving
<b>How we do this:</b>
<ul style="list-style-type: none"> <li>• The Council, in partnership with Trade Unions, ensured that safe systems of work were in place through a robust risk assessment process, changes to working methods and supply of personal protective equipment.</li> <li>• The Council has put in place comprehensive arrangements for identifying, evaluating, and controlling significant risks which threaten the council's ability to meet its objectives to deliver services to the public. There is also a robust process in place for compliance monitoring of the Council's Risk Management Strategy, Resource Risk Registers and Control Plans.</li> <li>• The annual end of year compliance statement evidenced that all Resources were compliant with Risk Management Strategic requirements.</li> <li>• The Council's risk scoring matrix was revised as an outcome of the 2021/2022 annual review of risks.</li> <li>• The Council's Internal Audit Service which complies with Public Sector Internal Audit Standards completed a revised annual programme of risk-based audits with an objective of providing an opinion on the adequacy and effectiveness of the Council's risk management, governance, and internal control arrangements. Where improvements were required, action plans were developed and monitored and where necessary follow-up audit work completed.</li> <li>• In response to changes in working practices and the introduction of new systems, for example to process pandemic grants, Internal Audit has advised on key internal controls that should be maintained through the identification of alternative controls and has been involved in the development of new systems.</li> <li>• The Information Governance Board is satisfied that Resources have followed the Information Governance operational arrangements to promote effective arrangements for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</li> <li>• Information security incidents have continued to be monitored and considered for notification to the Information Commissioner's Office. Throughout the period, the Council's Data Protection Officer provided advice and assistance to Resources in relation to meeting their obligations under UK General Data Protection Regulations (GDPR).</li> <li>• The system of internal financial control is based upon the Financial Regulations which set out the rules to ensure robust internal control over the council's finances. Control is maintained through regular management information, management supervision and a structure of delegation and accountability.</li> <li>• The cost of the pandemic on the council's budgets has been closely monitored and regular reports have been presented to the Senior Management Team and Committee.</li> <li>• External Audit of the Council's accounts is robust and a "clean audit certificate" was issued for 2021/2022.</li> <li>• Through a well-established Performance Management Framework, the council has clearly defined processes in place for the identification, monitoring, and reporting of its objectives to ensure continued effectiveness and the achievement of Best Value. Progress is</li> </ul>

monitored and reported regularly to both managers and councillors. This includes areas of under-performance and the related improvement actions.

- Trustees of the South Lanarkshire Charitable and Educational Trusts received independent legal training setting out their duties and responsibilities in ensuring that the trusts operate in a manner designed to benefit communities.
- The Executive Director of Finance and Corporate Resources is a member of the Council's Senior Management Team and as such, is integral in all major decisions taken by the Council, and in material matters which are submitted to councillors for decision. This involvement fulfils the expectation of CIPFA in terms of the role of the Chief Financial Officer.
- The Council previously completed a self-assessment using the principles of the CIPFA Financial Management Code identifying 3 areas to be progressed. Since then, the 2020/21 annual budget consultation approach and a standard options appraisal process continue to be embedded across the Council, while our existing financial management controls and measures continue to provide comfort on the Council's financial management and resilience. This includes the preparation of a medium term strategy presented to members regularly as part of the annual budget process, providing members with the information required to assist budget planning

**Principle G:** Fair, Open and Sustainable; Implementing good practices in transparency, reporting, and audit to deliver effective accountability

**Links to Council's values:**

Accountable, effective, efficient, and transparent; Ambitious, self-aware, and improving; Working with and respecting others

**How we do this:**

- The Good Governance Group has completed the annual review of governance arrangements at resource level and in line with the CIPFA/SOLACE Delivering Good Governance Framework. Governance improvement actions have also been identified and are included in Resource/Service Action Plans. Progress against actions including those highlighted as significant governance areas for action will be reported to the Senior Management Team and Committee.
- In the 2021/2022 annual audit report, the external auditor reported that the council had in place appropriate arrangements to support good governance and accountability and they were of the view that governance arrangements remained effective in 2021/22.
- All Directors completed their annual Statement of Assurance and relevant assurances have been provided.
- The Council prepares and publishes an Annual Governance Statement which is aligned with national guidance and reflects on the adequacy and effectiveness of the Council's governance arrangements. This is independently considered by External Audit and published with the Annual Accounts and separately on a dedicated [governance web page](#).
- The annual review of governance arrangements for the Council's at Arm's Length External Organisation (ALEO) and key external service providers has not highlighted any compliance issues.
- The annual review of the Local Code of Corporate Governance was completed, and the revised Code was approved by Committee and re-published on the Council's website.
- all agendas, reports and decisions continue to be published (except those exempt under the Local Government (Scotland) Act 1973) on the council's website. All Committee and Forum meetings are livestreamed to the Council's YouTube page [http://bit.ly/SL\\_Committees](http://bit.ly/SL_Committees).
- The Risk and Audit Scrutiny Committee considered the adequacy and effectiveness of the Council's governance arrangements and internal control environment and approved the Annual Governance Statement and Accounts.
- Internal audit activity has continued to be reported to the Senior Management Team and to the Risk and Audit Scrutiny Committee.
- Internal Audit changed how their findings are presented to the Risk and Audit Scrutiny Committee to improve scrutiny.

- Outcomes from external audit and inspection activity was reported to the appropriate Committee and action plans were developed for implementation where required.

## **COVID-19 Pandemic Governance Arrangements**

The 2019/2020 Governance Statement set out the initial impacts of the Pandemic on the council's governance arrangements. During 2020/2021, the council, its partners and local community organisations continued to strengthen the partnership approach in response to the Pandemic. In 2022/2023 the council continues to manage any remaining impacts of the Pandemic through robust resilience arrangements and controls.

As the council moved through the different phases of response and recovery, changes to governance arrangements were made to comply with national guidance and legislation. In some cases new ways of working put in place to continue to maintain the delivery of essential business of the council during the Pandemic have been embedded and continued. Priority services were maintained throughout the Pandemic and many new services/processes established. Schools, nurseries, etc. adapted in accordance with national decisions and guidance.

Costs associated with the Pandemic were met from funding provided by the Scottish Government and the council continued to monitor the financial impact of the Pandemic into 2022/2023 and beyond. This included working with South Lanarkshire Leisure and Culture on the impact of the Pandemic on their business and their recovery.

The council and the Community Planning Partnership reviewed their priorities which were informed by ongoing dialogue with local communities, organisations, and businesses.

Recovery was a significant area of work for the council and its partners and was highlighted as such in Section 7 of the 2021-2022 Annual Governance Statement.

## **CIPFA Financial Management Code**

The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code authorities will be able to demonstrate their financial sustainability. The following information sets out the council's level of compliance with the CODE.

The council has reviewed the principles of the FM Code as part of its internal governance process. The Council previously completed a self-assessment using the principles of the CIPFA Financial Management Code identifying 3 areas to be progressed. Since then, the 2020/21 annual budget consultation approach and a standard options appraisal process continue to be embedded across the Council, while our existing financial management controls and measures continue to provide comfort on the Council's financial management and resilience. This includes the preparation of a medium-term strategy presented to members regularly as part of the annual budget process, providing members with the information required to assist budget planning

## **6. Review of Effectiveness**

The review of governance arrangements for 2022/2023 has also considered the following assurance outcomes: -

## Group Assurances

In respect of the Joint Boards, Charities and Companies that fall within the council's group boundary, the review of their internal financial control systems is informed by: -

- Annual Governance Statements included in the respective financial statements of the Joint Boards.
- Assurances from company directors and/or other senior company officials; and
- The work of the relevant body's respective external auditors (and where relevant internal auditors) and other interim reports.

The Executive Director of Finance and Corporate Resources, the council's Chief Financial Officer, has considered the effectiveness of the group's internal financial control system for the year ended 31 March 2023. It is the Executive Director of Finance and Corporate Resources' opinion that reasonable assurance can be placed on its effectiveness.

## Internal Assurance

It is the opinion of the council's Risk Management Service that a reasonable level of assurance can be placed on the council's strategic risk control environment and a reasonable level of assurance can be placed on the council's operational risk control environment.

It is the opinion of the council's Audit and Compliance Manager that, overall, reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management and control arrangements for the year ending 31 March 2023.

## 7. Significant Governance Areas

The 2021/2022 Annual Governance Statement identified 11 significant governance areas that the council were working to address. Progress updates can be found on the council's website; see the Significant Governance Areas Update Q4 2021/2022. Six of these areas remain as significant areas of action for the council moving forward into 2022/2023 and will continue to be monitored as such.

Through the 2022/2023 annual governance review, the following areas which outline the actions being taken to address them have been identified as significant areas of work for the council during 2022/2023:-

No.	Areas identified in 2022/2023	Actions	Lead Officer
1	<b>Cyber Resilience</b>  Compliance with legislative and regulatory policy	A programme of actions to maintain cyber security and resilience in 2023/2024 will include: <ul style="list-style-type: none"><li>• Refresh/retiral of legacy systems, network equipment and end user devices (mobile phones, PCs)</li><li>• Programme of security patching of all systems</li><li>• Compliance with PSN and Cyber Essentials schemes</li><li>• Incident response</li><li>• Officer training and awareness (e.g., phishing)</li></ul>	Executive Director of Finance and Corporate Resources

No.	Areas identified in 2022/2023	Actions	Lead Officer
		<ul style="list-style-type: none"> <li>Data security reviews as part of new system installation and security monitoring</li> </ul>	
2	<b>Financial Challenges</b>  Exceptional increase in costs, reduction in council funding, resulting in difficulties maintaining front line services	<p>The Council faces a challenging situation in the medium to long-term because of reduced funding in real terms, rising costs and an increase in demand. In addition there are exceptional increases in costs being experienced resulting in significant budget gaps that will require to be managed.</p> <p>The Council has developed a long-term strategy which identifies budget pressures, future risks and uncertainties, and projects budget gaps to 2028/2029.</p> <p>The Budget Strategy for 2024/2025 will be updated and presented to councillors in 2023.</p>	Chief Executive  Director of Finance and Corporate Resources
3	<b>Integrated Joint Board – Health and Social Care</b>  The need for the Council to deliver the objectives set out in the Integrated Joint Board (IJB) Strategic Commissioning Plan 2022-25	<p>The current strategic direction set out and approved by the IJB is detailed within the Strategic Commissioning Plan. The council and NHS Board are required to deploy their resources in line with this strategic direction.</p> <p>The IJB issues Directions that set out the key actions to be delivered by the council during the year 2023/2024 and these Directions were agreed by the IJB at its special budget meeting in March 2023. The council will provide progress updates against Directions for which it is the lead organisation.</p>	Director, Health and Social Care, South Lanarkshire Health, and Social Care Partnership
4	<b>Review of Community Planning</b>  Provide support to the review of Community Planning arrangements	<p>Complete the review of community Planning which focussed on several key areas including structures, governance, and accountability arrangements. The council will provide resources to support the completion of the Review and work with partners to progress changes,</p>	Director of Finance and Corporate Resources

No.	Areas identified in 2022/2023	Actions	Lead Officer
5	<b>Community Wealth Building</b>  Deliver the Community Wealth Building Strategy	<p>The Community Wealth Building Strategy which was approved in March 2021 will bring fundamental changes to how the Council delivers its services and works with its partners and communities. In August 2021 the Community Wealth Building Commission approved an action plan containing a range of actions to progress the aspirations of the Strategy over a 3-to-5-year timeframe. A risk register has been developed and approved. Risk monitoring arrangements are in place</p> <p>An annual report highlighting progress over the first year of the Strategy was presented to the Commission on 28 June 2022 for approval.</p> <p>A further Annual Report on the year 2 Year 2 Actions identified in the approved Action Plan will be progressed in 2023/2024.</p>	Director of Finance and Corporate Resources
6	<b>Sustainable Development and Climate Change</b>	<p>A new Strategy for 2022-2027 was developed and presented to Council in June 2022 for approval together with the Council Plan and Community Plan. An Action Plan was developed for the first year of the Strategy .The Action Plan will be reviewed annually with progress updates being reported to the Climate Change and Sustainability Committee on a 6 monthly basis.</p>	Director of Community and Enterprise Resources
9	<b>Economic Strategy</b>	<p>The new draft Economic Strategy 2022-2027 has been developed and approved by Council on 15<sup>th</sup> June 2022 as part of a suite of documents accompanying the draft Council Plan and Community Plan. The vision within the Strategy is “to make South Lanarkshire a flourishing, green, dynamic and equitable place for communities, visitors, businesses and investors”. The Strategy is framed around the 3 themes of sustainable, inclusive, economic development- People, Place and Business.</p> <p>Progress on the delivery of the Action Plan will be measured 6-monthly with the</p>	Director of Community and Enterprise Resources



No.	Areas identified in 2022/2023	Actions	Lead Officer
		<p>results being reported annually to the relevant committees.</p> <p>The council will continue to lead on local economic recovery for South Lanarkshire businesses through promotion of local economic support networks and contribution to the pan-Lanarkshire Economic Forum.</p>	
10	<b>South Lanarkshire Leisure and Culture</b>	<ul style="list-style-type: none"> <li>• Develop the Commissioning Plan between the Council and SLLC</li> <li>• Support the Strategic Asset Review of SLLC occupied properties</li> </ul>	Director of Community and Enterprise Resources
11	<b>Recruitment and Retention Challenges</b>	<p>The labour market has tightened and employees have more mobility through agile working which is not necessarily tied to a geographical location. In addition some older workers have reassessed priorities and taken up an option for partial or full retiral earlier than they would have done previously.</p> <p>As a result there are a number of skills in short supply nationally and this is putting pressure on local government services. Examples of this include HGV drivers, procurement and Social Care. The impact on Senior Manager recruitment and retention is also clear and turnover at this level is closely monitored</p> <p>South Lanarkshire Council has experienced these issues and is taking the following actions:-</p> <ul style="list-style-type: none"> <li>• Workforce Plans were refreshed to reflect the changed environment by 30 June 2022. The updated plans were reported to the relevant Resource Committees in September and October 2022.</li> <li>• A grow your own approach is being used in key areas (recruited graduates in Procurement)</li> <li>• Increasing social media recruitment and use of job fairs</li> <li>• Employability routes are being defined for skills shortage areas (e.g. Social care)</li> </ul>	Chief Executive and all Directors

No.	Areas identified in 2022/2023	Actions	Lead Officer
		<ul style="list-style-type: none"> <li>Enhanced employee support arrangements are in place but also being reviewed for development</li> </ul>	

## 8. Summary

The annual review of governance arrangements across the council and overall compliance with the council's Code demonstrate sufficient evidence that the Code's principles of Delivering Good Governance in Local Government operated effectively, and that the council complies with its Code.

During 2023/2024, steps will be taken to address the significant governance areas highlighted in this statement to further strengthen the council's governance arrangements and evidence our commitment to continuous improvement.

**Joe Fagan**

**Leader of the Council**

**Signature:**

**Date:**

**Cleland Sneddon**

**Chief Executive**

**Signature:**

**Date:**



## Annual Governance Statement 2021/2022 – Significant Governance Areas

## Quarter 4 update – September/October 2022 to March 2023

Areas identified in 2021/2022	Actions	Quarter 4 Progress
<p><b>1. COVID-19 pandemic</b></p> <p>The council will continue to respond to matters arising from the COVID-19 pandemic</p>	<p>The council will continue to monitor national guidance; maintain ongoing resilience arrangements; and implement further measures as and when required in response to the Pandemic.</p> <p>Corporate and Resource risk registers will continue to be monitored and updated to reflect national and local developments.</p>	<p>Schools and educational establishments made good progress through the recovery and renewal phase.</p> <p>The pandemic and mitigations were included in the Council Risk Register and individual Resource risk registers and Resource Plans as appropriate.</p> <p>The council continued to build on the partnership arrangements it had in place with NHSL Public Health to plan and mitigate against public health matters. Social Work and social care critical functions framework remains in place.</p> <p>Pressures with particular recognition to the potential impacts of COVID-19, influenza, cost of living issues and other concurrent risks remain, and winter planning arrangements put in place have continued. There are also unprecedented pre-existing system wide pressures as a result of the ongoing challenge of recovering from and working with the ongoing impact of the COVID-19 pandemic.</p> <p>Multi-agency approach taken across NHS Lanarkshire, the two Health and Social Care Partnerships (HSCP)/Integrated Joint Boards (IJBs), North and South Lanarkshire Councils together with the respective supports.</p> <p>Social Work Resource risk register monitored and reviewed by Senior Management Team and reported to</p>

Areas identified in 2021/2022	Actions	Quarter 4 Progress
		every Social Work Committee. Risk is prioritised on those associated with public protection to ensure children and vulnerable adults continue to be supported.
<b>2. COVID-19 Pandemic recovery</b>  Recovery actions	As conditions continue to improve, the council will deliver the right services in the right way, for the benefit of our residents and communities.	As conditions improved all Resources have resumed services which were stood down or delivered in a different way. Demand continues to be very high for Social Work Resources and clearing the backlog of demand resulting from the pandemic remains a priority, particularly within Justice services, where access to sufficient accommodation to see face to face appointments remains challenging. Recovery progress will continue to be monitored. Should conditions change the social work and social care critical framework will be utilised.
<b>3. Cyber Resilience</b>  Compliance with legislative and regulatory policy	A programme of actions to maintain cyber security and resilience in 2022/2023 will include: <ul style="list-style-type: none"> <li>• Refresh/retiral of legacy systems, network equipment and end user devices (mobile phones, PCs)</li> <li>• Programme of security patching of all systems</li> <li>• Compliance with PSN and Cyber Essentials schemes</li> <li>• Incident response</li> <li>• Officer training and awareness (e.g., phishing)</li> <li>• Data security reviews as part of new system installation</li> <li>Security monitoring</li> </ul>	Education Resources has operating procedures which provide guidance to on cyber bullying and information security which are monitored on annual basis. Security is a key feature of the managed ICT service contract for schools and establishments, which includes a refresh programme.  All actions have been progressed. The Council achieved PSN certification for 2023. This recognises both the current cyber security status, and SLC's ongoing programme of system upgrades to maintain this.

Areas identified in 2021/2022	Actions	Quarter 4 Progress
<p><b>4. Financial Challenges</b></p> <p>Exceptional increase in costs, reduction in council funding, resulting in difficulties maintaining front line services.</p>	<p>The Council faces a challenging situation in the medium to long-term because of reduced funding in real terms, rising costs and an increase in demand. In addition there are exceptional increases in costs being experienced resulting in significant budget gaps that will require to be managed.</p> <p>The Council has developed a long-term strategy which identifies budget pressures, future risks and uncertainties, and projects budget gaps to 2028/2029.</p> <p>The Budget Strategy for 2023/2024 will be updated and presented to councillors during 2022.</p>	<p>All Resources identified the main challenges, risks and new developments which would have a significant impact on the delivery of services.</p> <p>The impact of the financial challenges features in the Council wide risk register and also individual Resource Risk Registers and in all Resource Plans.</p> <p>The council identified and implemented a range of new and existing supports to help households manage scarce resources and services explored all avenues to support the most vulnerable in the financial year 2022/2023.</p> <p>The budget strategy for 2023/2024 was updated and presented to councillors to inform the budget setting process for 2023/2024.</p>

Areas identified in 2021/2022	Actions	Quarter 4 Progress
<p><b>5. Integrated Joint Board – Health and Social Care</b></p> <p>The need for the council to deliver the objectives set out in the Integrated Joint Board (IJB) Strategic Commissioning Plan 2022 to 2025</p>	<p>The current strategic direction set out and approved by the IJB is detailed within the Strategic Commissioning Plan. The council and NHS Board are required to deploy their resources in line with this strategic direction.</p> <p>The IJB issues Directions that set out the key actions to be delivered by the council during the year 2022/2023 and these Directions were agreed by the IJB at its special budget meeting in March 2022.</p> <p>The council will provide progress updates against Directions for which it is the lead organisation.</p>	<p>The Annual Performance Report (APR) 2021/2022 for the South Lanarkshire Integration Joint Board (IJB) was approved on 13 December 2022.</p> <p>The APR aimed to ensure that performance was open and accountable, whilst providing an overall assessment of performance in relation to planning and carrying out integration functions.</p> <p>As recommended by the Scottish Government, the report included:</p> <ul style="list-style-type: none"> <li>◆ a summary of progress against the 9 National Health outcomes using, as a minimum, the 23 core national performance indicators</li> <li>◆ financial performance and Best Value</li> </ul> <p>Work will now commence on the 2022/2023 Annual Performance Review.</p> <p>The IJB's external auditor, Audit Scotland, was required to supply an audit certificate outlining the findings of the audit process undertaken in relation to the IJB's Annual Accounts 2021/2022.</p> <p>Newly formed Locality Implementation Groups have developed locality plans and profiles which underpin the Strategic Commissioning Plan. The plans, which were approved in March 2023, will focus on the delivery of the following priorities: Early Intervention, prevention and reducing inequalities; Mental health and addictions; Improving unscheduled care and optimising intermediate care; and Supporting carers.</p>
<p><b>6. Review of Community Planning</b></p>	<p>During 2019, the Community Planning Partnership Board undertook a self-assessment of the current Community</p>	<p>Interim structures are in place and the new Community Plan was presented to the CPP Board for approval on 22 June 2022 together with a progress update on structure</p>

Areas identified in 2021/2022	Actions	Quarter 4 Progress
<p>Provide support to the review of Community Planning arrangements</p> <p><b>6. Review of Community Planning cont'd.</b></p>	<p>Planning arrangements. Improvement actions were later supplemented by the recommendations from the Council's Best Value Assurance Review and a group was set up to take these forwards.</p> <p>The review focuses on several key areas including structures, governance, and accountability arrangements. The council will provide resources to support the implementation of the agreed actions.</p> <p>The proposal was approved by the Community Planning Partnership Board at their meeting in September 2020. This highlighted a two-phase approach to implementation, with interim actions to be delivered during the 2021/2022 year leading to final improvements, particularly around structures, during 2022/2023 in order to ensure that the partnership is fit for purpose to deliver the outcomes within the new Community Plan, which will be created using a co-production model during 2021/2022.</p>	<p>changes. Further progress updates were made to the CPP Board on 14 September 2022 detailing the changes required to governance structures in order to deliver the plan. Work continues with the partners to progress changes.</p>
<p><b>7. Community Wealth Building</b></p> <p>Deliver the Community Wealth Building Strategy</p>	<p>The Community Wealth Building Strategy which was approved in March 2021 will bring fundamental changes to how the Council delivers its services and works with its partners and communities. In August 2021 the Community Wealth Building Commission approved an action plan containing a range of actions to progress the aspirations of the Strategy over a 3-to-5-year timeframe. A risk</p>	<p>An annual report highlighting progress over the first year of the Strategy was presented to the Commission on 28 June 2022 for approval.</p> <p>Year 2 Actions identified in the approved Action will be progressed in 2022/2023</p>

Areas identified in 2021/2022	Actions	Quarter 4 Progress
	register has been developed and approved. Risk monitoring arrangements are in place	
<b>8. Sustainable Development and Climate Change</b>	The Council acknowledges the serious and immediate threat of climate change and is committed to accelerating the pace of action in response to the climate emergency and in Scotland's transition to a net-zero and climate resilient society and economy. A review of the council's Sustainable Development and Climate Change Strategy (2017 to 2022) has commenced and is scheduled to conclude during 2022; and a new Strategy for 2022 to 2027 was developed and presented to Council in June 2022 for approval together with the Council Plan and Community Plan. An Action Plan is being developed covering the 5-year period of the Strategy. The Action Plan will be reviewed annually with progress updates being reported to the Climate Change and Sustainability Committee on a 6 monthly basis.	A one year interim Sustainable Development and Climate Change Strategy Action Plan is being implemented for 2022/2023, and progress on it, together with a full action plan covering the five year period of the Sustainable Development and Climate Change Strategy (2022 to 2027) was presented to the Climate Change and Sustainability Committee in February 2023 for approval.
<b>9. Economic Strategy</b>	The new draft Economic Strategy 2022 to 2027 has been developed and approved by Council on 15 June 2022 as part of a suite of documents accompanying the draft Council Plan and Community Plan. The vision within the Strategy is "to make South Lanarkshire a flourishing, green, dynamic and equitable place for communities, visitors, businesses and investors". The Strategy is framed around the 3 themes of sustainable, inclusive, economic development- People, Place and Business.  Further online consultation on the Strategy	The final community consultation exercise on the draft Economic Strategy (2022 to 2027), was completed on 26 September 2022. Results were collated and the final strategy was presented to Community and Enterprise Resources Committee in December 2022.

Areas identified in 2021/2022	Actions	Quarter 4 Progress
<b>Economic Strategy Cont'd.</b>	<p>took place during July and August. Progress on the delivery of the Action Plan will be measured 6-monthly with the results being reported annually to the relevant committees.</p> <p>The council will continue to lead on local economic recovery for South Lanarkshire businesses through promotion of local economic support networks and contribution to the pan-Lanarkshire Economic Forum.</p>	
<b>10. Implement the outcomes following the Cross-Party Working Group Review of South Lanarkshire Leisure and Culture (SLLC)</b>	<p>Outcomes of the Review will continue to be implemented over the course of the 2022/2023 and include:-</p> <ul style="list-style-type: none"> <li>• Presentation of the modernised constitution for the new SCIO model approved by the SLLC Board in February 2022 to the Council for approval in 2022</li> </ul> <p>A review of various Service Level Agreements that exist for the provision of shared services will be undertaken with the aim of strengthening the SLC/SLLC partnership); and Continue to engage with community groups on community asset transfer of SLLC assets.</p>	<p>Council approval of the new governance arrangements between SLC and SLLC completed in June 2022, with approval also received from SLLC Board. The official conversion of SLLC from a Trust to a Scottish Charitable Incorporated Organisation (SCIO) was completed on 3 April 2023.</p> <p>A revised pricing policy was agreed by the SLLC Board and implemented from 1 April.</p> <p>The review of Service Level Agreements between SLC and SLLC is ongoing.</p> <p>The Council and SLLC continue to engage with community groups on the community asset transfer of SLLC assets. This is facilitated through the Council's community asset transfer working group and supported by the Community Engagement Team. A number of transfer requests are being considered at the moment with decisions based on the community benefit to be gained.</p>

Areas identified in 2021/2022	Actions	Quarter 4 Progress
<b>11. Recruitment and Retention Challenges</b>	<p>COVID-19 and Brexit have had a substantial impact on recruitment and retention as the labour market has tightened and employees have more mobility through agile working which is not necessarily tied to a geographical location. In addition some older workers have reassessed priorities and taken up an option for partial or full retiral earlier than they would have done previously.</p> <p>As a result there are a number of skills in short supply nationally and this is putting pressure on local government services. Examples of this include HGV drivers, procurement and Social Care. The impact on Senior Manager recruitment and retention is also clear and turnover at this level is closely monitored</p> <p>South Lanarkshire Council has experienced these issues and has taken appropriate actions to address.</p>	<ul style="list-style-type: none"> <li>• Workforce Plans were refreshed to reflect the changed environment by 30 June 2022.</li> <li>• The updated plans were reported to the relevant Resource Committees in September and October 2022.</li> <li>• A grow your own approach is being used in key areas (recruited graduates in Procurement and Finance)</li> <li>• Increasing social media recruitment and use of job fairs</li> <li>• Employability routes have been defined for skills shortage areas (e.g. Social care)</li> <li>• Enhanced employee support arrangements are in place and have been reviewed for development of existing employees</li> </ul>



# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>27 June 2023</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Unaudited Annual Accounts 2022/2023</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:

- ♦ advise members of the requirement to consider the unaudited Annual Accounts of the Council and related Charitable Trusts

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):

- (1) that the unaudited Annual Accounts of the Council and related Charitable Trusts to be submitted to Audit Scotland by the deadline of 30 June, be noted.

## 3. Background

3.1. The Local Authority Accounts (Scotland) Regulations 2014 require the unaudited Accounts to be submitted to the External Auditor no later than 30 June. The Regulations also require elected members to consider the unaudited accounts at a meeting to be held no later than 31 August.

3.2. The Council's Terms of Reference deems that the Risk and Audit Scrutiny Committee will formally consider the unaudited Accounts prior to submitting them to the External Auditor and making them available for public inspection.

3.3. This report provides the Council's unaudited Accounts 2023 for Members' consideration, (Section 4), as well as the related Charitable Accounts (Section 7).

## 4. Unaudited Accounts – South Lanarkshire Council

4.1. The Council's unaudited Accounts for 2022/2023 are a statutory document which detail key information on the Council's expenditure and income for the financial year ended 31 March each year. The Annual Accounts show a number of statements including a Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves, Cash Flow and supplementary notes. They will also include the Annual Statement of Governance which is presented separately to this Committee.

4.2. The Council's unaudited Accounts 2023 are included as Appendix 1 to this report for consideration.

4.3. These unaudited Accounts will be available for public inspection between 30 June 2023 and 21 July 2023, as prescribed by the Local Authority Accounts (Scotland) Regulations 2014. They will be available on the Council's website and can also be provided to any member of the public upon request. Arrangements will be made to provide any information requested as part of this public consultation. The unaudited

Accounts will be on the Council's website from 30 June 2023 until the date the audited Accounts are published.

- 4.4. Following the audit of the Accounts across the summer months, the audited Annual Accounts will be brought back to this Committee. The scheduled date for the Committee to approve the audited Accounts is 26 September 2023.
- 4.5. A copy of the unaudited Accounts will be circulated to all elected members for information following submission of the Accounts to the External Auditor on 30 June 2023.
- 4.6. **Restatement of Monitoring Figures Reported:** The CIPFA Code of Accounting Practice (the Code) introduced an Expenditure and Funding Analysis which must be prepared as part of the main Accounts. The purpose of the statement is to reconcile the monitoring position reported to the Council's Executive Committee, to the figures reported in the Comprehensive Income and Expenditure Statement, which are presented on an accounting basis.
- 4.7. A monitoring report on the year-end position of the Council's Revenue Budget was presented to the Executive Committee on 21 June 2023. The Executive Committee position showed an additional year-end Revenue Budget surplus of £3.966 million. Committee approved that this surplus would be transferred to reserves to assist in managing budget pressures. This report also sought approval to transfer funds to reserves to meet future budget pressures and commitments. These transfers were also approved. The information contained in the unaudited Accounts takes into account the year-end position reported in the Executive Committee report.
- 4.8. The position shown in Appendix 2 to this report reflects all of the transfers to reserves approved by the Executive Committee (21 June 2023), resulting in an overall breakeven position for the year.
- 4.9. Appendix 2 provides a reconciliation of this final breakeven position, as reported to the Council's Executive Committee (21 June 2023), to the figures included in the Council's Accounts 2023 (in the Expenditure and Funding Analysis Statement and the Comprehensive Income and Expenditure Account) and include the application of accounting entries in line with the CIPFA Code of Practice.

## **5. Home Carers Job Evaluation**

- 5.1. As of the 12 June, the position in relation to the back pay on Home Carers Job Evaluation is now known. A basis has been established for back-dating to October 2020. The value of the back pay will take some time to calculate, however, these costs will require to be included in the financial position for 2022/2023.
- 5.2. As the outcome of the review was only known as this report and the Unaudited Accounts were being finalised, it has not been possible to update the figures to reflect the outcome highlighted above, however, a Contingent Liability has been included in the Unaudited Accounts. The position will be updated for the Audited version of the Accounts.

## **6. Group Accounts**

- 6.1. At the time of writing this report, the Group Accounts 2023 were being finalised. They will be issued to members of the Committee before the date of the meeting.

## **7. Unaudited Accounts – Charitable Trusts**

- 7.1. In addition to the unaudited Accounts for the Council, this Committee is also required to consider the accounts of the 3 related Charitable Trusts: South Lanarkshire Council Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust. These accounts are attached in Appendix 3 for consideration and will be e-mailed to all elected members following submission to External Audit on 30 June 2023. They will also be available on the Council's website on 30 June 2023 for public inspection.
- 7.2. These audited Accounts will also be brought back for approval and signature in Autumn 2023 along with the External Audit Members' report.

## **8. Employee Implications**

- 8.1. There are no direct employee implications from this report.

## **9. Financial Implications**

- 9.1. There are no direct financial implications arising from this report.

## **10. Climate Change, Sustainability and Environmental Implications**

- 10.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

## **11. Other Implications**

- 11.1. The main risk associated with the Council and Charitable Annual Accounts is a qualified audit report. The risk has been assessed as low due to the detailed preparation in relation to the year-end process, technical training undertaken by key finance staff and the roll out of this to Resource finance staff as appropriate. Finance and Resources work together to achieve key deadlines and actions set from timetables.
- 11.2. There are no implications for sustainability in terms of the information contained in this report.

## **12. Equality Impact Assessment and Consultation Arrangements**

- 12.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 12.2. There is also no requirement to undertake any consultation in terms of the information contained in this report.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

19 June 2023

## **Link(s) to Council Values/Priorities/Outcomes**

- ◆ Accountable, effective, efficient and transparent

## **Previous References**

- ◆ None

**List of Background Papers**

- ◆ South Lanarkshire Council Annual Accounts 2022/2023
- ◆ Charitable Trusts' Annual Accounts 2022/2023
- ◆ Financial Ledger 2022/2023 and associated working papers

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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South Lanarkshire Council

# Annual Accounts

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# 2023

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## Joint Introduction by Chief Executive and Council Leader

Thank you for taking the time to read the annual accounts for South Lanarkshire Council for the financial year 2022-2023.

We publish our accounts every year to clearly demonstrate how we use the public money with which we are entrusted to efficiently deliver the best possible services. The accounts also show how we meet our legal obligation to balance our budget.

As such, they reinforce our commitment not only to best value but also to public accountability, especially at a time when the public sector, and local authorities in particular, are facing very real financial and other challenges.

Three years after the start of the Covid-19 pandemic the council, like the country, still has a long way to go on the road to recovery. There continues to be a significant impact on some services, and there are also ongoing costs related to the pandemic and our recovery. With specific Covid-19 funding now at an end, this is a contributory factor to our wider financial issues.

We have faced financial challenges for many years, with substantial shortfalls between what we need to deliver our services and our income, more than three-quarters of which is funding from the Scottish Government. These issues were compounded through 2022-23 by the cost-of-living crisis and double-digit rises in inflation, while our real terms funding has reduced.

Just like companies and householders, the council faced large increases in costs, for example for energy to heat our care homes and food for our school meals. In addition, we have had to contend with large rises in costs for construction and across a wide range of contracts.

These pressures are not forecast to ease in the short to medium-term, and indeed South Lanarkshire Council's funding gap over the next two financial years, up to the Spring of 2025, is estimated at £55 million. This follows five years in which a total of £155 million has had to be found in savings to balance the budget.

Of course, despite such pressures it is our statutory duty to report a balanced budget, and the council's 2022-23 revenue budget of £835.14 million and our associate spending plans were agreed at a meeting of the full Council on 23 February 2022.

Education remains our largest area of spend, with our young people continuing to be taught in our fantastic estate of new and refurbished nurseries, primaries and secondary schools. The second biggest area of spend is Social Work, with the remainder of our budget funding Community and Enterprise, Housing and Technical, and Finance and Corporate Resources.

The full Council also approved two major capital programmes to invest a further £82.284m in General Services and another £52.230m in our housing programme. Despite the financial challenges being faced, the 2022-23 budget also identified a number of one-off investments.

These included early intervention to promote the wellbeing of vulnerable children and young people, a programme of pavement improvements, and a campaign to tackle the scourge of fly-tipping. Some of this funding was also redirected to support residents and communities cope with the cost-of-living crisis, including our Warm Welcome scheme that provided places for people to go during the colder months.

Our ability to respond effectively to these issues is possible because of the council's sound financial planning. The other absolute essential element to this is the invaluable effort we see on a daily basis from the council's fantastic workers as they deliver all of our services.

We are very proud of, and greatly value, our staff. This was reinforced by the New Deal for Employees, which made them the first in Scotland to have the "right to disconnect" outside of their working hours. An additional wellbeing day's leave was also provided in 2022, and conditions were enhanced around paternity leave and to support those who experience loss during pregnancy or who are undergoing fertility treatment.

Although these annual accounts cover 2022-23, it is worth noting that even in the current difficult economic conditions, new investments continue in 2023-24. These include additional resources to combat fly-tipping and graffiti, more investment in safe routes in communities, including drainage and streetlighting, and to extend £130 clothing grants to cover eligible 3 and 4-year-olds in early learning establishments.

Our full Council also agreed to kickstart a planned £13m Leisure and Culture Transformation Fund that will modernise local facilities, optimise their use and contribute towards the council's climate change responsibilities. Additional funding has also been made available to our partners South Lanarkshire Leisure and Culture, as it deals with its own budget pressures and transitions its business model.

We have been able to do this while retaining South Lanarkshire's position of having the lowest council taxes in mainland Scotland. As ever, we must thank our residents for understanding the challenges we continue to face, and for working with us to make sure South Lanarkshire remains a great place to live, learn, visit, and to do business.

On that theme, we can report that there is a steady flow of people who want to live in South Lanarkshire and benefit from its excellent schools, our good roads and wider connectivity advantages – and, most of all, to be part of the thriving communities in our rural and urban areas.

The council will continue to support our area's growth by delivering excellent services and through what investment we can afford, including our Community Growth Areas. We are proud to do this because, as we like to say, "WE are South Lanarkshire."

# South Lanarkshire Council – Management Commentary

## Background

The Management Commentary will provide the reader with key messages in relation to the council's year-end financial position and also its performance for the year 2022/2023. As well as providing a summary of 2022/2023, this commentary also looks forward and provides a summary of the council's future financial plans and the challenges, risks and uncertainties it faces, while trying to maintain service delivery and meet the needs of the people of South Lanarkshire. This includes reference to the climate change agenda. Before this, the commentary will provide a brief introduction to the council area and its functions as well as its key ambitions and achievements.

## Introduction to South Lanarkshire Council

### The Area

The South Lanarkshire area is both urban and rural and covers 686 square miles from the Cathkin Braes to the Pentlands and down through the Southern Uplands. The council faces the dual challenge of catering for the busy towns in the north west (East Kilbride, Hamilton, Cambuslang and Rutherglen), while meeting the needs of residents in Lanark and the rural Clydesdale area.

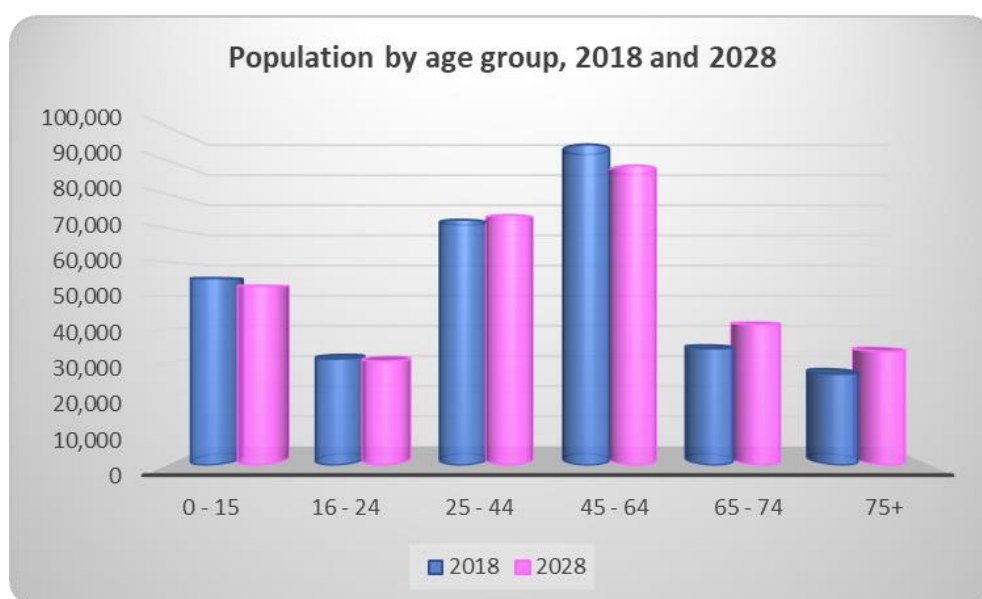
### The Council Structure

The council provides a range of essential public services across the area through its five Resources, facilitated by the commitment, dedication and ability of our 16,122 employees.

The council's five Resources, their functions and number of employees is detailed below:

Council Resource	Functions	Employees
Community and Enterprise Resources	Facilities, Waste and Grounds, Leisure and Culture Services, Planning and Regulatory Services, Enterprise and Sustainable Development, Roads Transportation and Fleet	3,413
Education Resources	Early Years, Schools, Quality and Improvement	7,459
Finance and Corporate Resources	Finance, Information Technology, Personnel, Administration, Legal and Licensing, Communications and Strategy	955
Housing and Technical Resources	Housing and Property Services	1,436
Social Work Resources	Adults and Older People, Children and Families, Criminal Justice	2,859

The Council's 5 Resources serve around 320,000 people. This population is expected to both grow and age with projections suggesting that this population will rise c325,000 in 2028, an increase of 2% since 2018. This compares with a projected increase of 1.8% for Scotland as a whole. The projected 2028 figures show the largest decrease of 4.1% in the 0-15 age group and the largest increase of 25% in the 75+ age group. A further 0.8% increase is projected for the years 2028 to 2038.



Source: National Records of Scotland

The Council's overall population growth is around a tenth faster than is projected in Scotland as a whole and its share of Scotland's population rises from 5.87% in 2018 to 5.88% in 2038. South Lanarkshire is expected to have the 5th highest population out of the 32 council areas in Scotland in 2028.

These changes in population in terms of both number and age profile, influence how the council and its partners shape future service design and delivery and feed into the Council Plan.



## City Region City Deal

The council is part of the Glasgow City Region City Deal partnership. The council's capital programme, referred to later in this commentary, includes significant infrastructure projects which will bring economic benefit to the council area. These projects include the previously completed Cathkin Relief Road and the recently completed dualling of Greenhills Road in East Kilbride. It also includes numerous Community Growth Area (CGA) projects across the 4 CGAs: Hamilton, East Kilbride, Larkhall and Newton including some large-scale build projects such as a new Primary School and Nursery provision in Jackton.

## The Council Plan

The Council Plan, Connect is the key strategic document that shapes the work of the council. It sets out the key actions to be delivered over five years, around a long-term vision supported by core values and priorities that influence how the council works. These in turn stretch out into all annual Resource Plans through what is known as the "golden thread", and on further to Service Plans, and through personal development plans, on to the individual members of staff who are responsible for service delivery.

A new Council Plan for the period 2022-27 was approved by the council on 15 June 2022.

In line with the BVAR recommendations and to further align the work of the council and the partnership, the new Plan sets out a common vision – to improve the lives and prospects of everyone in South Lanarkshire – and a common set of outcomes, developed through an extensive and multi-layered engagement and consultation process.

The new Council Plan and Community Plan were built using engagement to place residents' views and aspirations front and centre. At the close of the engagement period in August 2021, more than 3,300 responses had been received, representing the largest consultation exercise ever carried out by the council.

Three cross-cutting themes emerged from the community responses and feedback, and these became the priorities for the new Plan. These were: **People** (in particular, the impact of poverty and inequalities), **Progress** (in particular, recovery from the pandemic) and **Planet** (in particular, sustainable development).

Further analysis of what our residents and communities had told us they want, resulted in six outcomes being identified for the Council Plan and the Community Plan:

### Communities and Environment

Caring, connected, sustainable communities

### Education and Learning

Inspiring learners, transforming learning, strengthening partnerships

### Health and Wellbeing

People live the healthiest lives possible

### Children and Young People

Our children and young people thrive

### Housing and Land

Good quality, suitable and sustainable places to live

### Our Economy

Thriving business, fair jobs and vibrant town centres

## Council Performance

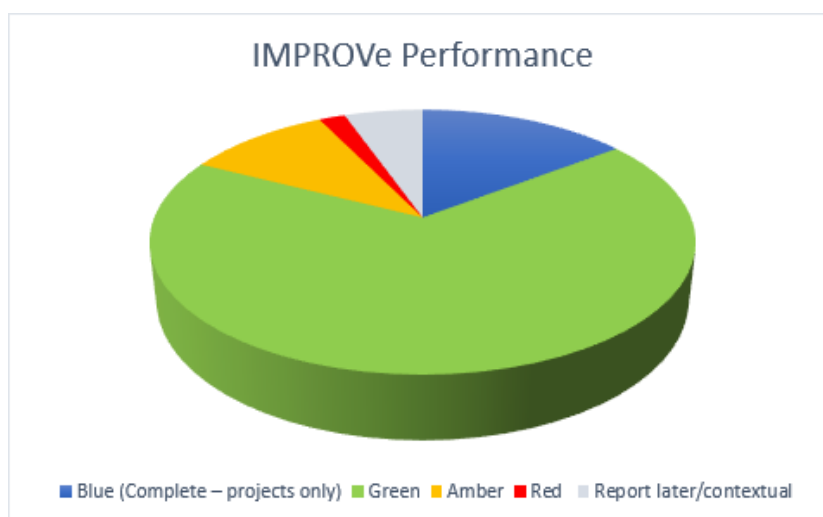
The council rates its performance using a number of measures. These are aligned to the priorities and outcomes set out in the Council Plan. A total of 234 measures were identified within Resource Plans for 2022/2023. Of those 66 (28%) are linked to the achievement of the Connect Outcomes detailed in the Council Plan. The measures are detailed within the individual Resource Plans and bi-annual progress reports, and can be found on the Performance pages of the council's website.

In addition, the Connect 2022-27 Quarter 4 Progress Report 2022/2023 will be reported to the Performance and Review Scrutiny Forum on 8 August 2023.

The performance figures for the first 2 quarters of 2022-23 are shown below.

Status of performance measures	Number of performance measures
Blue (Complete – projects only)	2
Green	46
Amber	6
Red	1
Report later/contextual	11

## Status of council performance measures



The 'red' status measure relates to the percentage of total household waste that is recycled. The target of 50% was not achieved (actual to Q2 40.3%) due to higher residual waste tonnages collected at the kerbside due to Covid-19 and homeworking, high residual waste content in bulk uplifts (black bag waste accepted), and more non-recyclable waste being disposed of in Household Waste Recycling Centres.

Despite the return of services through the council's Recovery Plan there is a Covid legacy in terms of a residual impact on some services and a significant build-up of demand, as a result of which there remains an inevitable impact on performance in some areas. This accounts for most of the 6 'amber' status measures.

The council continues to remain an active participant in the **Local Government Benchmarking Framework (LGBF)**. As well as allowing the council to self-assess its performance across years, the main benefit of the LGBF is the ability to compare performance with peers against an agreed suite of performance indicators, which will assist in achieving best practice and efficiencies.

The latest results available (2021/2022, as at 31 January 2023) show that across the 99 indicators in that year's suite, the council's performance improved against 35 (35%) indicators, remained the same against 3 (3%) indicators, and declined for 39 (40%) indicators. There are 22 (22%) indicators for which there are no results or trend information available for 2021/2022.

### Council performance against 99 indicators (latest available information – 2021/2022)

<b>KEY:</b>		<b>Number (%) of indicators</b>		
<b>South Lanarkshire performance</b>		<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
↑	improving performance in SLC	35 (39%)	36 (38%)	35 (35%)
↓	declining performance in SLC	45 (49%)	36 (38%)	39 (40%)
↔	No change in performance in SLC	1 (1%)	2 (2%)	3 (3%)
---	Results/trends not available	10 (11%)	21 (22%)	22 (22%)
<b>Comparison with Scottish average</b>				
✓	SLC results better than Scottish average	42 (46%)	37 (39%)	41 (42%)
X	SLC results worse than Scottish average	39 (43%)	37 (39%)	34 (34%)
↔	SLC results same as Scottish average	0 (0%)	0 (0%)	2 (2%)
--	Results not available	10 (11%)	21 (22%)	22 (22%)

2019-20 Results at May 2021 refresh

2020-21 Results at May 2022 refresh

2021-22 Results at 31 January 2023

In terms of South Lanarkshire's figures relative to the Scottish results, our performance was better than the Scottish average for 41 indicators (42%) and worse for 34 indicators (34%).

# Key achievements in 2022/2023

Some of the council's key achievements for 2022/2023 are listed below:



Roads, Transportation and Fleet won **'Most Effective in Road Safety, Traffic Management and Enforcement'** at the Scottish Transport Awards.

Five-year **Litter Strategy for South Lanarkshire** was approved by the Climate Change and Sustainability Committee.



Justice Services participated in an Adult Support and Protection **World Café Event** with a variety of care homes.



**Sustainable Development and Climate Change Strategy** was approved by the Climate Change and Sustainability Committee, following extensive public engagement building on success of previous strategy.



Scottish Education Awards 2022: **The Making a Difference (Primary) Award** was won by **Netherburn Primary School**.



Scotland's Enterprising Schools Awards 2022: **The Most Enterprising School Awards** was won by **Strathaven Academy**.



**770 people** attended two family orientated events at Lanark Loch and Overtoun Park, Rutherglen to mark this year's **International Literacy Day**.



Adult literacy team provided a range of **literacy-based learning activities** to support adult's and children's learning.



The **annual progress report**, in terms of **air quality**, has been submitted to the Scottish Government.



Care Facilities Modernisation Programme: new care campus in Blantyre, **19 technology enabled properties** are now occupied.



# Key achievements in 2022/2023

Some of the council's key achievements for 2022/2023 are listed below:

## The **power of positive relationships conference**

in September provided schools with a range of supports that are available to them in terms of Mental Health guidance.



## **Corporate Parenting:**

A dedicated young person's service has been established for young people in conflict with the law who are **aged 12-18 years**.



South Lanarkshire Council Education Resources won the Community Learning and Development Award for the **Mobilize Music Project**.



Larkhall Academy and St Andrew's and St Bride's High School achieved the General Teaching for Scotland,

**Excellence in Professional Learning Award and Quality Mark status.**



'**Lanarkshire Women in Business**' event was held in June 2022.



## **Blantyre Town Centre Strategy and Action Plan**

was approved at Community and Enterprise Resources Committee.



## **Financial Performance**

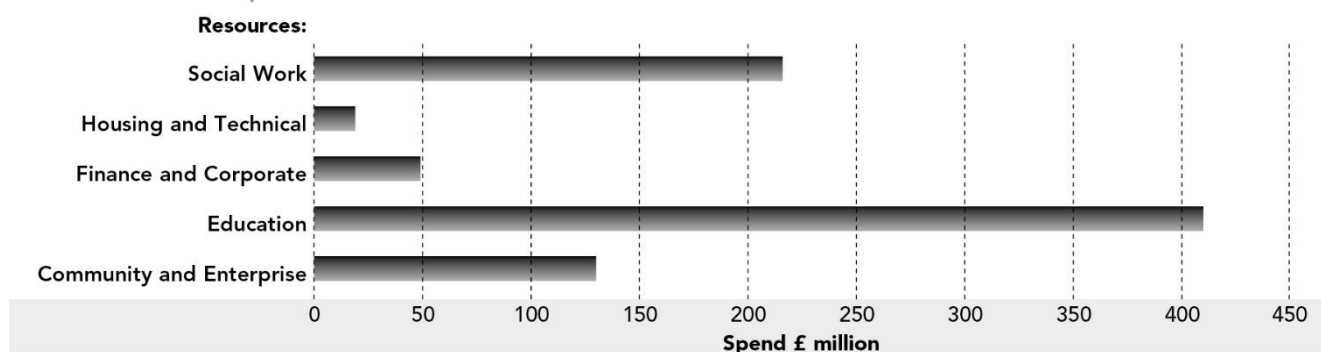
### **General Fund Position at end 2022/2023**

The council's General Fund budget for 2022/2023 was approved by the Council on 23 February 2022. This is the operational budget of the Council. At the end of 2022/2023, the Council's budget was showing an underspend position of £51.300 million. After making a number of agreed Transfers to Reserves totalling £51.300 million, the final position was a breakeven position. The full position for the council's Resources is detailed in the Revenue Budget Outturn 2022/2023 reported to the Executive Committee on 21 June 2023. This position takes account of the achievement of £1.985 million of the £2.235 million of approved savings for the year, with the remainder being pursued into 2023/2024.

The split of the spend across the individual Resources is shown below. This reflects the council's spend based on its operational structure (including transfers to reserves), with the biggest Resource being Education Resources. The budget is monitored internally on the basis of the five Resources. Council spend across its five Resources (£m) is noted in the diagram and table overleaf.



## Council spend across its five resources (£m)



Council Resource	Spend (After Transfers to Reserves) £m
Community and Enterprise Resources	129.410
Education Resources	410.918
Finance and Corporate Resources	49.019
Housing and Technical Resources	19.033
Social Work Resources	216.093

This spend against budget is shown in the South Lanarkshire Performance Section of the table below, which shows the Resources' final outturn position before any transfers were made to reserves for specific funding or commitments. The main variances are explained as:

- **Community and Enterprise Resources:** an underspend of £1.555 million offset by monies carried forward into 2023/2024 for committed spend, includes additional income from waste and planning and building standards.
- **Education Resources:** an underspend of £1.311 million was due to the timing of spend on multi-year programmes such as Early Learning and Childcare and Pupil Equity Fund. These monies will be carried into 2023/2024.
- **Finance and Corporate Resources:** an underspend of £0.978 million was due to the timing of receipt of external funding, which will be carried forward for use in 2023/2024.
- **Housing and Technical Resources:** a minor overspend of £0.005 million.
- **Social Work Resources:** an underspend of £5.635 million mainly reflecting an underspend in Adults and Older People. Social Work is also experiencing an overspend on Children and Families due to residential placement pressures.
- **Loan Charges:** an underspend of £4.721 million reflecting lower than anticipated interest costs as a result of taking a lower amount of long-term borrowing than previously anticipated during 2022/2023.
- **Council Tax/Council Tax Reduction Scheme** (over-recovery £4.793 million) mainly the impact of additional houses added in-year as well as higher than anticipated level of income from previous years arrears collection and additional income from empty properties.

The **Comprehensive Income and Expenditure Statement** of the Accounts (page 49) sets out the council's year-end position on expenditure and income, in accordance with accounting requirements. This is different to the way that the council reports its financial monitoring internally as we are required to make a number of accounting adjustments. The **Expenditure and Funding Analysis (EFA)** on page 48 provides a link between the council's internal financial monitoring reports, and the figures in the Comprehensive Income and Expenditure Statement.

Table 1 shows the reader of the Accounts how to go from the internal Monitoring Report, through to the first column of the EFA (page 48) and then on to the Comprehensive Income and Expenditure Statement (page 49).

	SLC Annual Budget	SLC Actual Outturn	SLC Outturn Variance	<b>Building the EFA</b> Actual Outturn	<b>Building the EFA</b> Move / Remove items not included in Cost of Services	<b>Building the EFA</b> Net Expenditure Chargeable to the General Fund and HRA Services
	(Col 1)	(Col 2)	(Col 3)	(Col 2 Data)		
	£m	£m	£m	£m	£m	£m
Community and Enterprise	129.435	127.880	1.555	127.880		127.880
Education	410.918	409.607	1.311	409.607	-	409.607
Finance and Corporate	49.019	48.041	0.978	48.041		48.041
HRA	-	-	-	-	3.990	3.990
Housing and Technical	18.953	18.958	(0.005)	18.958	-	18.958
Social Work	216.093	210.458	5.635	210.458	-	210.458
Joint Boards	2.152	2.152	-	2.152	-	2.152
Corporate Items	-	(0.469)	-	(0.469)		(0.469)
<b>Net Cost of Services</b>	<b>826.570</b>	<b>816.627</b>	<b>9.474</b>	<b>816.627</b>	<b>3.990</b>	<b>820.617</b>
Other Income and Expenditure	(826.570)	(867.927)	41.826	(867.927)	71.755	(795.172)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>-</b>	<b>(51.300)</b>	<b>51.300</b>	<b>(51.300)</b>	<b>75.745</b>	<b>25.445</b>

The council's final reported outturn position for the year is a breakeven position (surplus of £51.300 million, if you exclude the transfers to reserves at the end of the year – see col 2 above). However, as previously noted, this is not how the surplus is displayed in the various statements in the accounts due to accounting requirements to both exclude and include certain items for both the EFA and CIES, with the final entries being included as part of the Movement in Reserves Statement.

The final column in the table shows a surplus of £25.445 million which corresponds to the figures in the first column on the Expenditure and Funding Analysis on page 48. To this, accounting regulations require us to add in other entries for items including pensions, holiday pay, capital financed from revenue and loans fund principal payments (column 2 on EFA page 48) to arrive at a deficit on the provision of services of £51.300 million. To this, we need to take into account accounting requirements to reverse some entries to the balance sheet and also transfers from reserves which were required to fund projects during the year and transfers to reserves at the end of the year which are required to fund commitments in future years. After taking into account all of these items, the final outturn position for the council was a breakeven position, as reported to the Executive Committee.

### Social Care (Home Care) Job Evaluation

The outcome of a recent Job Evaluation exercise for Home Carers will result in significant recurring costs for the Care at Home service that is delegated to the IJB in 2023/2024 and beyond. The annual costs of grade changes will be approximately £7m.

The Financial Regulations of the IJB state that if an overspend is forecast on either Parties in scope budget, the Chief Officer and the Integration Joint Board's Chief Financial Officer will aim to agree a recovery plan with the relevant Party to balance the overspending budget and to determine the actions required to be taken by the IJB to deliver the recovery plan.

In addition to the recurring costs, at a meeting of South Lanarkshire Council on 24 May 2023 it was asked that a review took place in relation to the implementation date of the outcome. Whilst the outcome of the Job Evaluation stated that grades were to change from 1 April 2023, there was the possibility that this review would change that outcome and back dated pay would require to be paid out. These costs would be in relation to Home Carers and therefore the costs are part of the services delegated to the IJB.

As of the 12 June the outcome of the review is now known. A basis has been established for back-dating to October 2020. The value of the back pay will take some time to calculate, however these costs will require to be included in the financial position for 2022/2023. As the outcome of the review was only known as these Annual Accounts were being finalised, it has not been possible to update the figures to reflect the outcome in relation to the above, and a Contingent Liability is included in these Accounts to acknowledge the position (page 91). The quantification of the full costs of the backdated pay has commenced and the result will be included in the audited version of the Annual Accounts.

### Accounting for Service Concessions

The Scottish Government's 2022 Resource Spending Review contained details of a Service Concession Arrangement (SCA) flexibility that related to the Council's PPP schools. The flexibility permits councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made, resulting in a one-off credit to the General Fund (shown in the Movement in Reserves Statement) and ongoing annual savings for a period of time. In the remaining years following the end of the SCAs, the rescheduled debt repayments continue until the debt liability has been extinguished.

The annual unitary charge will continue to be paid to the contractor over the contract period. The guidance applies to principal and not to interest, service charge costs or grant. These will continue to be accounted for over the contract period.

The Council has applied the permitted change in the calculation of the statutory charge in 2022/2023 and the adopted approach has been applied across the Schools PPP and the Glasgow Southern Orbital financial arrangement. This has resulted in a credit of £64 million in 2022/2023, which can be used to support future budget pressures.

The **Movement in Reserves Statement** on page 51 reconciles the financial position shown in the Comprehensive Income and Expenditure Statement (page 49) to the movement on the council's Reserves (pages 65 to 69).

During the year, the council drew money down from reserves, to meet current commitments or for agreed use in the 2022/2023 budget strategy, including Pupil Equity Fund for schools, Information Technology and funding for multi-year projects. In addition, the council made contributions to reserves for a variety of projects including Pupil Equity funding and Early Years expansion to meet future commitments. Money was also set aside for future budget strategies.

The balance on the council's total General Fund Reserve is £160.783 million and includes commitments for future projects as well as elements earmarked for use in future budget strategies. The General Fund Reserve is one of the statutory reserves that the council is permitted to hold and is included in the total usable reserves on the Balance Sheet totalling £187.441 million. A summary of the councils' total usable reserves is shown in the table below, with full details of all the council's usable reserves, including transfers to / from each of these reserves in 2022/2023 are detailed in Note 12.

	£000	£000
<b>Total Usable Reserves</b>		<b>187,441</b>
Less:		
General Fund (committed inc. budget strategies)	147,740	
Repairs and Renewals (inc. Winter Maintenance)	7,610	
Capital Funds (inc. Capital Receipts Reserve)	4,776	
Insurance Fund	1,411	
Housing Revenue Account	12,861	
<b>Total Committed Usable Reserves</b>		<b>174,398</b>
<b>Uncommitted General Fund</b>		<b>13,043</b>

Note 12 shows that the council's General Fund reserve comprises an earmarked element (£144.985 million) and an unearmarked balance of £15.798 million, with £2.755 million of this being approved for future budget strategies leaving £13.043 million uncommitted.

The council's Reserves policy identifies that there is no prescribed minimum level of reserves which should be held by a council. The level of Uncommitted General Fund of £13.043 million currently reflects a suitable cushion to contribute towards any unanticipated pressures that the council may face.

### Housing Revenue Account

As well as running a General Fund account to deliver services, the council also manages a stock of housing. The annual expenditure on the council houses (£116.578 million in 2022/2023) and the total income received (£112.586m in 2022/23), are held as a ring-fenced Housing Revenue Account (HRA). Any surplus funds are held in a Reserve on the council's balance sheet and can be used in future years. The details are shown on pages 109-110.

At the end of financial year 2022/2023, there was an overspend of £3.990 million on the Housing Revenue Account. This was funded from the Housing Revenue Account Reserve. The Reserve was also increased by £0.540 million for income received through Council Tax from owners of second homes. These monies are ring-fenced for social housing. These transfers mean a decrease of £3.990 million in the Housing Revenue Reserve, taking its total to £12.431 million at the end of 2022/2023.

These monies will be carried forward to future years to fund the ongoing impact of welfare reform, the development costs related to the new housing management I.T. system and the continuation of the housing investment programme, as well as maintaining a reasonable level of reserves.

The council has a medium to long term financial business plan for the HRA. This ensures the affordability of the council's approved Strategic Housing Investment Programme (SHIP), a key part of the Local Housing Strategy (LHS) process. The strategic outcomes identified in the LHS, guide investment priorities outlined within the SHIP, including the increase in supply of affordable housing in areas of housing pressure, as well as coping with the needs of an ageing population.

### The Balance Sheet

Taking the year's activity into account, the council's balance sheet (page 50) shows the position as at 31 March 2023 and brings together the council's year end balances including the assets owned, the monies owed to and by the council and the reserves available to the council for use in future years.

The position at the end of March 2023 as well as the previous year for information, is shown below.



The main change year on year is the increase in Long Term Fixed Assets (Property and Pension Asset) which reflects the Council's spend on its property assets, an increase in the value of its council housing stock and a new Pension Asset following actuarial review of the Fund. The long-term liabilities decreased mainly due to a reduction in the pension liability which was offset by an increase in long term borrowing reflecting the implementation of the accounting treatment of Service Concession arrangements (PPP and similar contracts).

This is the first time that the Council is showing a net Pension Asset. This is made up of a Pension Liability which is more than covered by a significant Pension Asset.

The Pension Liability is indicative of a broad position, however the reader should be aware that the council is meeting its pension costs on an annual basis. This Liability is more than offset by a significant Pension Asset which while presented on the Council's Balance Sheet, is not readily available for the Council's use.

Assets of the Strathclyde Pension Fund are ordinarily included in the Balance Sheet at their fair value (current bid prices as required under IAS19), principally the bid price for quoted securities, estimated fair value for unquoted securities and market price for property. However, while the accounting requirements of IAS19 have been applied in the current year, the significant nature of the Asset has been reviewed, and in line with IFRIC14, the asset has been de-recognised to equate to the level of the asset ceiling, provided by the Fund's actuary. This reflects the net present value of future service costs less the net present value of future obligations over the future working lifetime as at 31 March 2023. Further information is provided in Note 30 (pages 85-90).

The council's assets and liabilities are funded by an equivalent level of Reserves. These Reserves comprise Unusable Reserves of £2,400.1 million (maintained for accounting purposes only) and Usable Reserves of £187.4 million which as the name suggests, are those which the council can use to support service delivery through its Revenue and Capital budgets. The detail of these Reserves is noted in the Movement in Reserves Statement on page 51 with more detail provided in Note 12 (page 65) and the Accounting Policies (pages 100 to 108).

It is expected that future revenue income, alongside the council's budgeting and planning processes, will ensure management of future liabilities. It is therefore considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### Capital Programme

The council operates two distinct capital programmes: the General Services Capital Programme and the Housing Capital Programme.

The spend across Resources and Housing is shown in the graphic (and the table) below.





Council Resource	Spend £m
Community and Enterprise Resources	36.324
Education Resources	15.342
Finance and Corporate Resources	4.977
Housing and Technical Resources	4.883
Social Work Resources	4.210
Housing Capital Programme	60.695

The **General Services Capital Programme** spend was £65.736 million in 2022/2023, equating to approximately 69% of the original capital budget approved at the start of the financial year.

The underspend reflects a variation from the expected timing of spend across a number of projects within multi-year programmes. The main projects contributing to the underspend include the Place Based Investment Projects, Roads Investment Programme, Roads Participatory Budgeting, Clyde Bridge, Cycling Walking and Safer Routes, EK Civic Relocation/Near to Home, Roads City Deal, Education ASN / Mainstream Adaptation and Prioritised Urgent Investment.

Significant project spend during the year has been incurred on a number of build projects including:

- Jackton Primary School,
- Roads Carriageway Investment Programme,
- Newton Farm Primary School Extension,
- Oracle Fusion Project and Schools ICT and
- Blantyre Life.

*The extended Newton Farm Primary School and the new Blantyre Life are shown in the images below.*



The **General Services Programme** has been funded from a combination of grants from various funding bodies (including Scottish Government), partner organisations (£43.871 million), borrowing (£19.042 million) and developers' contributions (£0.059 million).

The **Housing Capital Programme** spent £60.695 million in 2022/2023, 91% of its revised budget target. This underspend is due to a number of factors, mainly, property services operatives being diverted to tackle the impact of bad weather in December which resulted in flooding damage to a number of Council properties and delays in relation to the expected milestone payments for the Kirk Street, Strathaven new build project.

The focus of Housing Capital Programme expenditure on council housing stock was on the provision of additional housing and improvement and environmental works. The Housing Programme is ring-fenced and funded by the Housing Revenue Account, Government Grant, Borrowing and house/land sales.

*The newly completed housing in Larkhall is shown in the image overleaf.*



The Capital Budget Monitoring Final Outturn – 2022/2023 for both Programmes was reported to the Executive Committee on 21 June 2023.

The council is able to regulate its own capital spending limits within a Prudential Framework recommended by CIPFA and endorsed by the Scottish Government. As such, the repayment of borrowing, which falls as a future commitment against the council's Revenue Budget, must be affordable. The repayments form part of the approved revenue budget, and the spend and debt repayments remain within the Prudential Framework limits approved by the council. The ratio of financing costs to the council's Net Revenue Stream for 2022/2023 (Government Grant plus Council Tax Income) is 4.47%

### Key Financial Ratios

In order to monitor financial performance and to supplement the figures contained within the Annual Accounts, the council prepares a number of financial ratios as a result of best practice guidance contained within the Prudential Code for Capital Finance in Local Authorities. These relate to the borrowing the council undertakes.

The following table provides information on these indicators:

Financial Indicator and Commentary	2022/2023 Forecast £m	2022/2023 Outcome £m
<b>Debt/Long-term Borrowing</b>		
Capital Financing Requirement (CFR) for the current year.	1,404	1,382
External Debt Levels for the current year. (Excluding Accrued Interest)	1,215	1,215
Gross Borrowing (External Debt Levels excluding PPP Finance Lease Liability)	1,036	1,036
Ratio of Financing Costs to Net Revenue Stream (as a %) which indicates how much of the council's net revenue budget is used for servicing debt:		
• General Services	4.96%	4.47%
• Housing Revenue Account	17.16%	13.98%

The Capital Financing Requirement (CFR) shows how much the council needs to borrow in order to fund its capital expenditure. The actual CFR for the year is £22 million less than forecast due to a reduction in borrowing required to fund the 2022/2023 capital programmes. This reflects the timing of spend across both capital programmes (General Services and HRA).

The ratio of financing costs to net revenue stream for General Services shows what percentage of our income from Council Tax and Government Grant is used to pay for the costs of borrowing. For the Housing Revenue Account, the ratio shows how house rents have been used to pay for the cost of borrowing.

For General Services the ratio is less than forecast. This is due to lower borrowing costs and the Net Revenue Stream being higher than forecast.

For the Housing Revenue Account, the ratio is also lower than forecast due to actual borrowing costs being lower than forecast and a slight increase in income.

### Financial Planning

The current economic situation and the residual demands in the wake of the Coronavirus Pandemic means that the council continues to operate in a climate of financial pressure. Increasing cost burdens due to pay awards and above average contract inflation are reducing the spending power of grant settlements.

Financial Planning is a key tool in managing these pressures and the council has a number of key documents which assist in this, and includes a Long Term Revenue Budget Strategy and a Long Term Capital Strategy. A Revenue Budget Strategy is prepared every year along with an annual report on the Prudential Indicators, the Treasury Management Strategy and the Annual Investment Strategy. This suite of reports lays out the position for the council across the coming years and identifies the key areas of financial risk and pressure. The Revenue Budget Strategy for 2024/2025 was reported to the Executive Committee on 21 June 2023.

## Financial Outlook including Risks and Uncertainties

### Outlook

The council approved its 2023/2024 revenue budget of £910 million in February 2023.

The council's Budget Strategy beyond 2023/2024 indicates an expectation of financial pressure arising from a number of areas including grant reductions, pay awards and inflation. The overall result of these pressures is a significant budget shortfall for the coming years, and a continued need to make savings.

Specifically for financial year 2024/2025, the Revenue Budget Strategy was presented to Council on 21 June 2023. This Strategy was based on the best information available. It assumed a flat cash position in relation to Government Grant funding (based on the Scottish Government's Spending Review 2022) as well as a number of expenditure assumptions for items such as pay awards, demand / growth, and inflationary increases in PPP contractual payments and utility costs. It also included the reinstatement of spend as a result of previous decisions taken and with that and the benefit of corporate solutions totalling £30.895 million, the savings requirement for 2023/2024 is £29.207 million.

Moving forward, the position for the years beyond 2024/2025 was last presented to Council in February 2023. These estimations are being refreshed as part of the ongoing exercise on the 2024/2025 Budget Strategy, and members will be updated later in the financial year. The current savings required across the coming years is summarised below:

	2025/2026	2026/2027	2027/2028
	£m	£m	£m
Total	39.6	20.3	11.1

### Risks and Uncertainties

In addition to the impact and uncertainty brought about by the global coronavirus pandemic, there are a number of other risks and uncertainties faced by the council.

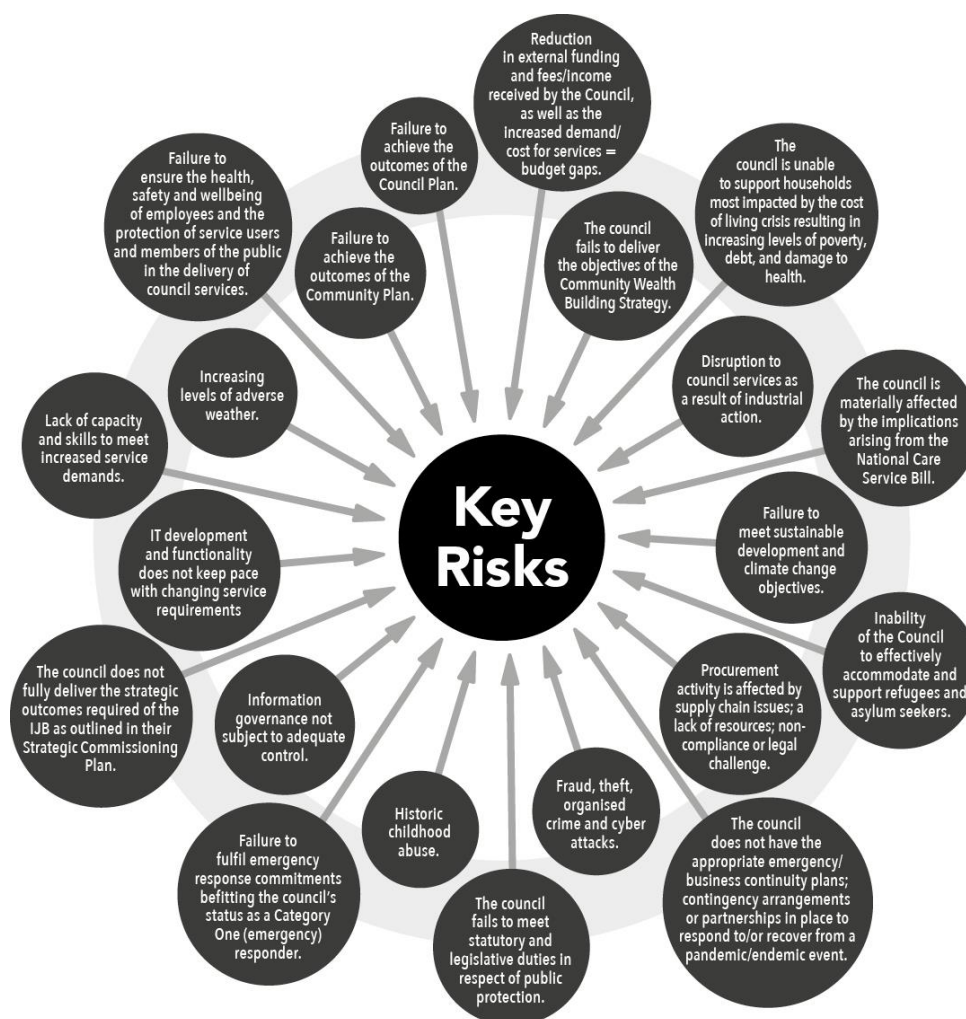
In looking at these areas of risk and uncertainty, it is important to note the council's governance arrangements. These are detailed in the Annual Governance Statement which sets out the proper arrangements for the governance of the council's activities, facilitating the effective exercise of its functions and including clear arrangements for the management of risk. The Annual Governance Statement can be found on page 19.

The council maintains a Risk Register which is updated on a regular basis by senior management and is presented to elected members. The latest reported version of the Risk Register was the Review of the council's Top Risks/Year End Risk Management Report reported to committee in October 2022. The risk register is one of the key sources of assurance that inform the council's annual review of its governance arrangements.

The council's Top Risks (Very High level) are detailed below.

- 1. Reduction in external funding and fees/income received by the Council, as well as the increased demand for services including the residual impact of the pandemic, and the increased cost of services due to rising inflation and the cost-of-living crisis, results in increasing budget gaps.**  
This is a key risk due to the potential impact it can have on the council's financial position. The impact is mitigated by a sound financial planning process and good financial controls.
- 2. The Council is unable to support households most impacted by the cost-of-living crisis resulting in increasing levels of poverty, debt, and damage to health.** The focus of this new risk is on the support that the council can provide to households, but it is important to note, with the gravity of the issue, the council's support role is only a small part of the mitigation, with the Government and Energy Companies playing a lead role.
- 3. The Council fails to deliver the objectives of the Community Wealth Building Strategy.** This is a key risk due to the potential impact on the council not being able to develop resilient, inclusive local economies. The impact is mitigated by a number of control measures linked to the 5 community wealth building pillars.
- 4. The Council is materially affected by the implications arising from the National Care Service Bill.** The National Care Services (Scotland) Bill that was presented to Parliament on 20 June 2022, with the Scottish Government now committed to establishing a National Care Service by the end of the current parliamentary term in 2026. The council will continue to monitor developments in this area and develop appropriate control measures where required, once more detailed proposals from the Scottish Government are known.
- 5. Disruption to Council services as a result of industrial action.** Pay claims are made that are in line with rising inflation/against the backdrop of a cost-of-living crisis and Local Government financial constraints. Whilst pay awards for 2022 have been agreed, there may be potential for further industrial action when the 2023 pay awards are being negotiated. Control measures are in place to manage disruption that arises.
- 6. Failure to meet sustainable development and climate change objectives.** The council has a legislative requirement to reduce carbon emissions, adapt to a changing climate and act sustainably to meet public sector climate change duties. Sustainable development and climate change is embedded within the Council Plan, Connect, as well as relevant plans, policies and strategies. Progress in this area is reported to the Climate Change and Sustainability Committee. These key risks as well as the remainder of

the council's high-level risks are shown in the graphic and list below:



- Reduction in external funding and fees/income received by the Council, as well as the increased demand for services including the residual impact of the pandemic, and the increased cost of services due to rising inflation and the cost-of-living crisis, results in increasing budget gaps.
- The council is unable to support households most impacted by the cost-of-living crisis resulting in increasing levels of poverty, debt, and damage to health.
- The council fails to deliver the objectives of the Community Wealth Building Strategy.
- The council is materially affected by the implications arising from the National Care Service Bill.
- Disruption to council services as a result of industrial action.
- Failure to meet sustainable development and climate change objectives.
- Inability of the Council to effectively accommodate and support households who arrive in South Lanarkshire as part of refugee resettlement and the asylum seeker dispersal programmes.
- The council does not have the appropriate emergency / business continuity plans; contingency arrangements or partnerships in place to respond to/or recover from a pandemic/endemic event.
- Procurement activity is affected by supply chain issues; a lack of resources; non-compliance or legal challenge.
- The council fails meet statutory and legislative duties in respect of public protection.
- Fraud, theft, organised crime and cyber attacks.
- Failure to fulfil emergency response commitments befitting the council's status as a Category One (emergency) responder.
- Historic childhood abuse.
- Information governance not subject to adequate control.
- The council does not fully deliver the strategic outcomes required of the IJB as outlined in their Strategic Commissioning Plan
- IT development and functionality does not keep pace with changing service requirements.



- Lack of capacity and skills to meet increased service demands.
- Increasing levels of adverse weather.
- Failure to ensure the health, safety and wellbeing of employees and the protection of service users and members of the public in the delivery of council services.
- Failure to achieve the outcomes of the Community Plan.
- Failure to achieve the outcomes of the Council Plan.

Taken together, these risks and external influences represent a fast-changing environment, bringing opportunities as well as challenges, and driving the requirement for the council and its services to be open to new ways of working, to innovation and continuous improvement.

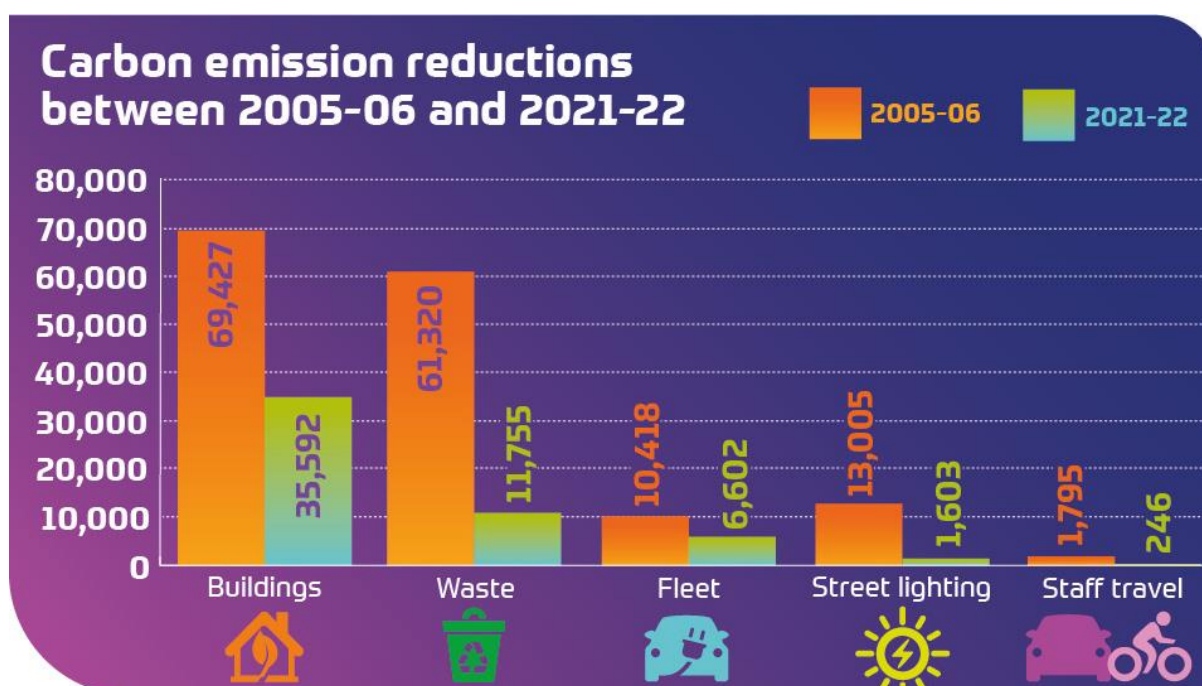
## Sustainable Development and Climate Change

Sustainable development and climate change action is governed through the council's Climate Change and Sustainability Committee which has decision making powers to help to accelerate the pace and scale of action needed in response to the climate emergency and meet challenging climate change national targets.

Our commitment to sustainable development begins with integrating climate considerations into our policies, plans, and decision-making processes. Sustainable development and Climate Change is embedded within the Council Plan, Community Plan as well as other relevant plans, policies and strategies. The council's Sustainable Development and Climate Change Strategy (SDCCS) 2017-2022 set out our overall approach to sustainable development and challenges and opportunities of climate change.

The Climate Change (Scotland) Act 2009 has set a 2045 target for net-zero emission of all greenhouse gases, and new interim targets of 75% reduction in emissions by 2030, and 90% reduction in emissions by 2040, relative to 1990 levels. As a public sector body, we have a legislative requirement to contribute to these targets and are required to set and report on our own carbon reduction targets. We are committed to measuring, monitoring, and reporting our greenhouse gas emissions, as well as the progress we make in achieving our carbon reduction targets. The most recent carbon footprint, for 2021-22 shows that reductions of 65% have been achieved since the baseline year of 2005-06.

In addition to mitigating our own impact, we understand the importance of adaptation to climate change. Failure to meet sustainable development and climate change objectives was identified as one of the council's top risks - these risks relate to economic, social and cultural influencers.



## Supplementary Information Common Good and Trust Funds

The council operates Common Good and Trust Fund accounts which record the financial transactions in relation to funds the council administers. These do not represent charges or income to Council Tax payers. These are shown in pages 99-100 of the Accounts.

## Our Group

The council has adopted the recommendations of the Accounting Code of Practice in the United Kingdom 2022/2023 and has produced a full set of Group Accounts. These accounts incorporate any material balances from identified associates of the Council, and include a Group Movement in Reserves Statement, a Group Balance Sheet, a Group Expenditure Funding Analysis Statement, a Group Income and Expenditure Statement and a Group Cash Flow.

By including the Group entities along with the council's own Accounts, the effect on the Group Balance Sheet is an increase in both

Reserves and Net Assets of £162.982 million. This represents the council's share of the net assets in these entities. The Group Accounts, including details of associates are included in pages 113-125. There has been no change to the Group membership since 2021/2022.

**More Information**

Further information about South Lanarkshire Council can be obtained on the Council's website [www.southlanarkshire.gov.uk](http://www.southlanarkshire.gov.uk). Alternatively, contact Finance and Corporate Resources, Floor 4, Almada Street, Hamilton ML3 0AB

**Paul Manning**  
**Executive Director, Finance and Corporate Resources**

**Cleland Sneddon**  
**Chief Executive**

**Councillor Joe Fagan**  
**Leader of the Council**

## 1. Scope of responsibility

The residents of South Lanarkshire expect the council to conduct its business in a lawful and transparent way. In particular, the council has a duty to safeguard public money and account for it; and to continuously review and improve how its functions are discharged, focussing on the priorities of economy, efficiency, and effectiveness.

The council is responsible for putting in place proper arrangements for the governance of its activities, facilitating the effective exercise of its functions including clear arrangements for the management of risk.

A [Local Code of Corporate Governance](#) (referred to as the “Code” from here on) has been approved and adopted. The Code is reviewed and updated annually and is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) framework entitled ‘Delivering Good Governance in Local Government’.

This statement explains how the council has complied with the Code during 2022/2023 and meets legislative requirements to include the Annual Governance Statement within the Annual Accounts. It also sets out the significant changes to the council's governance arrangements as a result of the global health pandemic (referred to as the “Pandemic” from here on).

## 2. The purpose of the council

The [Council Plan 2022-27](#) sets out the council's vision, values and objectives and what difference this will make to the residents and communities of South Lanarkshire. The Council Plan which was informed by the views of South Lanarkshire residents and information from many other sources including local community plans, face to face discussions, online feedback, feedback from Community Groups, Community events and surveys was approved by Council in June 2022.

The council is also a statutory Community Planning Partner and the [Community Plan 2022-32](#) provides a common vision for the South Lanarkshire Community Planning Partnership and sets out how the partners aim to achieve that vision.

The council has set the framework for strong corporate governance by having a clear vision and values which are outlined below: -

**Our vision** is to improve the lives and prospects of everyone in South Lanarkshire.

**Our priorities are:**

- People – we will work to put people first and reduce inequality.
- Progress - we will work to recover, progress and improve.
- Planet – we will work towards a sustainable future in sustainable places.

**Our outcomes will be:**

- Communities and environment - Caring, connected, sustainable communities.
- Education and learning - Inspiring learners, transforming learning, strengthening partnerships.
- Health and wellbeing - People live the healthiest lives possible.
- Children and young people - Our children and young people thrive.
- Housing and land - Good quality, suitable and sustainable places to live.
- Our economy - Thriving business, fair jobs and vibrant town centres.

**Our values are:**

- Focused on people and their needs
- Working with and respecting others
- Accountable, effective, efficient and transparent
- Ambitious, self-aware and improving
- Fair, open and sustainable
- Excellent employer

### 3. The purpose of the council's governance framework

The governance framework comprises of the culture, values, systems, and processes by which the council is directed and controlled. It describes the way the council is accountable to communities. It enables the council to monitor the achievement of its strategic objectives and consider whether these objectives have led to the delivery of appropriate and cost-effective services.

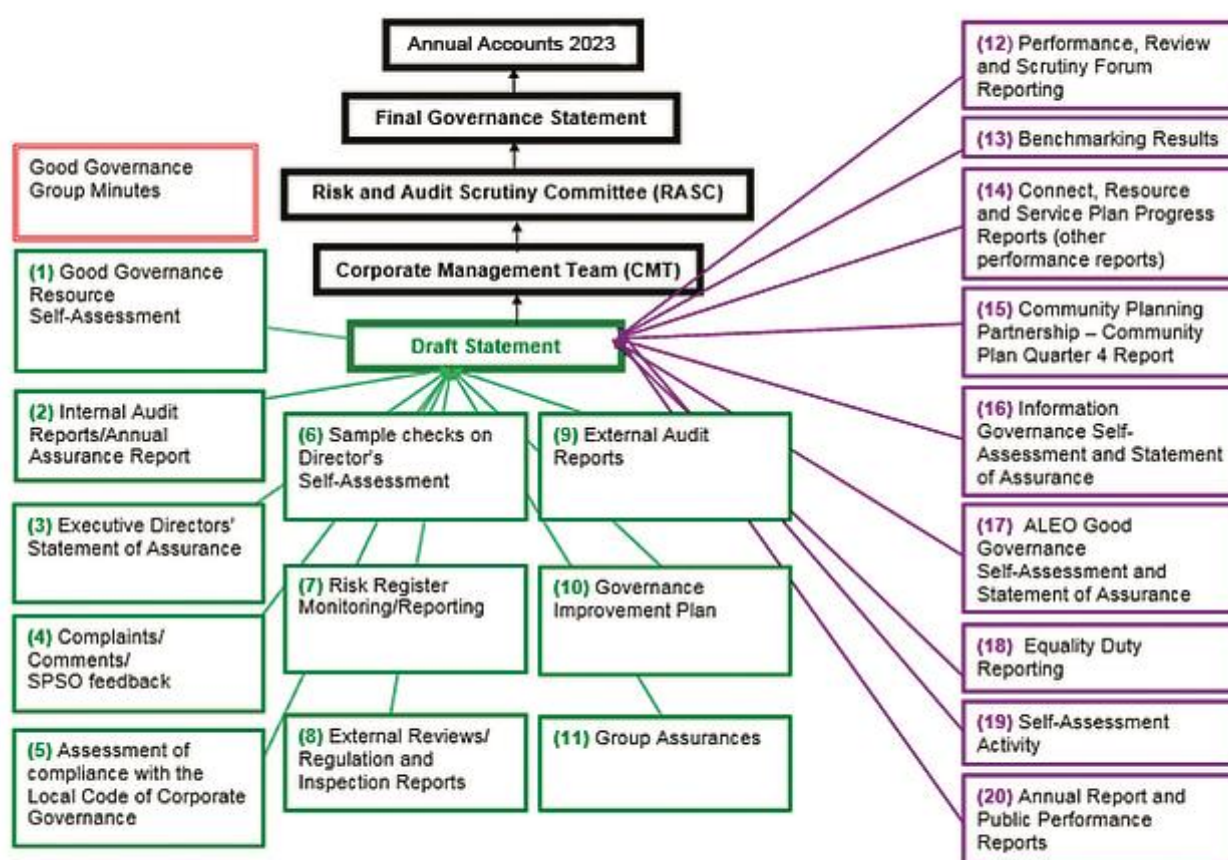
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's aims and objectives by evaluating the likelihood and potential impact of those risks being realised. This enables the council to manage risk efficiently, effectively, and economically.

The governance framework has been in place at South Lanarkshire Council for the year ended 31 March 2023 and up to the date of approval of the Annual Report and Accounts.

### 4. How the council monitors and evaluates the effectiveness of its governance arrangements?

The council annually reviews the effectiveness of its governance arrangements. The key sources of assurance that inform this review and underpin the statements made within this document are shown in the diagram below.

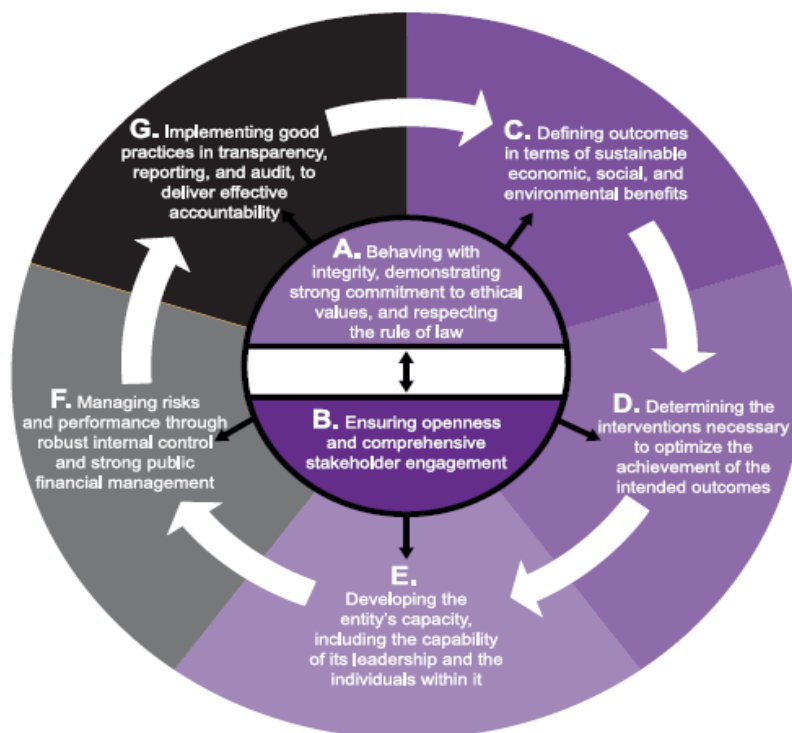
**2022-23 Annual Governance Statement Assurance Framework**



### 5. Key elements of the council's governance assurance framework

The council aims to achieve good standards of governance by adhering to the seven national principles below, which form the basis of the council's Code. These principles are used each year to evaluate governance arrangements and identify areas for improvement.





The following table demonstrates how the council has complied with these principles and provides assurance as to how they are met. Significant elements of the systems and processes that comprise the council's governance arrangements and important changes/developments are described. Links to the key council documents referred to below can be found in Section 2 of the Code. The impact of the Pandemic has been included and additional commentary can be found at the end of this section. Commentary on the council's level of compliance with the CIPFA Financial Management Code can also be found at the end of this section.

<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>
<b>Links to Council's values:</b> <ul style="list-style-type: none"> <li>Accountable, effective, efficient, and transparent; Working with and respecting others</li> </ul>
<b>How we do this:</b> <ul style="list-style-type: none"> <li>The Council's values and objectives provide clear direction to councillors and employees and are embedded in all policies and processes.</li> <li>Standards of conduct and integrity were promoted through the national Code of Conduct for Councillors and by the Standards and Procedures Advisory Forum. This is supplemented by role profiles which have a core accountability to maintain the highest standards of conduct.</li> <li>The employee Code of Conduct outlines standards of conduct and integrity. All breaches including reported cases of suspected unethical behaviour and non-compliance with the law/policy were investigated through the employee disciplinary process and the recommended actions taken.</li> <li>Professional Codes of Conduct ensured that ethical standards were maintained, and all breaches were investigated by the governing body.</li> <li>To support integrity in decision making, the Council has a number of Committee procedural documents including decision making protocols known as the Scheme of Delegation, terms of reference documents, standing orders on procedures and contracts and financial regulations.</li> <li>To ensure openness and transparency agendas and Committee reports are published to the council website at least five working days ahead of the scheduled meeting dates and any minutes of decisions taken by the Chief Executive during any period when committee meetings are suspended are publicised on the Council website. Committee meetings are live streamed to the Council's YouTube channel.</li> <li>To ensure openness and transparency in decision making processes, all declarations of interest made by councillors at meetings were recorded and made available online.</li> <li>There are a range of policies such as the Counter Fraud, Bribery and Corruption Policy Statement and Strategy, Fraud Response Plan, Whistleblowing for Third Parties and Confidential Reporting procedures. These continue to be updated to reflect best practice and support a culture of ethical behaviour amongst employees and councillors.</li> <li>Health and Safety compliance during 2022/2023 was assessed as being within the top rating band of "good".</li> <li>Legal Services maintained an overview of legislation and regulations and worked with services to ensure compliance.</li> </ul>

<b>Principle B: Ensuring openness and comprehensive stakeholder engagement</b>
<b>Links to Council's values:</b> Accountable, effective, efficient, and transparent; Fair, open, and sustainable; Focused on people and their needs; Working with and respecting others
<b>How we do this:</b> <ul style="list-style-type: none"> <li>To ensure transparency and openness in decision making processes, all agendas, reports, and decisions were published on the Council's website and printed copies were available for public inspection for all Committee and Forum meetings (except the Standards and Procedures Advisory Forum). From April 2021 all Committee meetings were live streamed to the Council's YouTube channel <a href="http://bit.ly/SL_Committees">http://bit.ly/SL_Committees</a>. From August 2021 all Forum meetings have been live streamed.</li> <li>The <a href="#">Committee Management Information System</a> allows members of the public to register and be notified when Committee and forum papers are published. The system also facilitates the creation of <a href="#">online petitions</a> to increase the potential reach of signatories.</li> <li>The work of the Council and key information from our partners is communicated regularly using a range of communication channels. The <a href="#">South Lanarkshire View</a> pages on the Council website provide a dedicated source of local information and news for communities. A variety of social media channels are used to communicate updates and share information.</li> <li>A suite of dedicated Pandemic pages providing advice, help and public health information were created and maintained on the council website.</li> <li>A 'Let's Talk South Lanarkshire' campaign has been established and was used to engage local people in an initial discussion about their experiences of the pandemic and continues to be used for ongoing dialogue with communities on both the Council and community planning priorities.</li> <li>The Council's Community Engagement Team continue their work to increase stakeholder engagement and involvement in decision making processes through the continued development of new Community Planning Partnership Neighbourhood Plans which are aimed at improving outcomes and reducing inequalities.</li> <li>The Community Planning Partnership published its first <a href="#">Community Participation and Engagement Strategy 2020 to 2025</a> which is also available online in <a href="#">BSL</a> and the Council has produced an online course for employees to complement this.</li> <li>A partnership Participation and Engagement Group has been established to ensure that there is a consistent and co-ordinated approach to engaging with communities.</li> <li>The Council carried out circa 50 surveys and engagement activities with residents, employees, and partners, and through the council's Citizens Panel to inform policy and service delivery. Further information on our surveys is published on the <a href="#">Council's website</a>.</li> <li>To ensure inclusivity and help shape service delivery, the Council co-ordinates regular engagement with targeted groups of people such as young people, older people, people with disabilities, unpaid carers, black and ethnic minorities, etc. Groups considered items such as the budget consultation, rent setting and performance reporting.</li> <li>The <a href="#">Participation Requests</a> and <a href="#">Community Asset Transfer</a> processes support communities to engage with the Council to improve local outcomes.</li> <li>The Council's performance <a href="#">Spotlights</a> summarise what the council has achieved and the <a href="#">Public Performance Reports</a> provide a comprehensive overview of service performance. These, along with the council's <a href="#">Benchmarking report</a> demonstrate the council's commitment to continuous improvement and achieving Best Value; summarise the progress that the council has made in meeting its priorities and how it is performing locally and nationally.</li> <li>The Council's Digital Inclusion Strategy 2020 to 2023 sets out the actions that the Council is taking to assist those people who are unable to get online to access services digitally. The Council also leads on a partnership Digital Inclusion Group.</li> <li>A comprehensive range of information on how the Council operates is available on the website. The <a href="#">Freedom of Information Publication Scheme</a> ensures that key information about how the council works is accessible to the public.</li> </ul>
<b>Principle C: Defining outcomes in terms of sustainable, economic, social, and environmental benefits</b>
<b>Links to Council's values:</b> Accountable, effective, efficient, and transparent; Fair, open, and sustainable; Focused on people and their needs
<b>How we do this:</b> <ul style="list-style-type: none"> <li>The Council adapted approaches in response to the Pandemic to ensure processes continued to be effective, efficient, and transparent.</li> <li>The Council has a Capital Strategy that has a long-term outlook on future capital investment (up to 2027/2028). This document is underpinned by a suite of Asset Management Plans which are aligned with the council's objectives and focus on creating an efficient, fit-for-purpose and sustainable core estate that delivers best value in terms of investment, running costs and environmental impact.</li> <li>The Council Plan 2022 to 2027 and Community Plan 2022 to 2032 have clearly defined economic, social, and environmental outcomes to be delivered during the period.</li> <li>A Community Wealth Building Strategy setting out the Council's ambitions in relation to spending, workforce, land and property, finance and building the generative economy was approved in March 2021. A Community Wealth Building Commission was established to oversee the implementation of the Strategy. A Community Wealth Building Progress Group has been set up to ensure that timescales within the action plan are met.</li> <li>Annual Resource Plans which deliver the objectives of the Council Plan were reviewed and updated. These plans outline the outcomes and actions to be achieved within the year and reference linkages with other key strategic plans of the Council and partnership plans.</li> <li>The <a href="#">Sustainable Development and Climate Change Strategy 2022-27</a> was approved by the Council in June 2022 and which sets out the Council's strategic vision, themes and priorities in terms of the Council, environment and communities for sustainable development and climate change during the period was developed using the principles of the United Nation's Sustainable Development Goals and to reduce the council's contribution to global warming.</li> <li>The Council's <a href="#">Climate Change and Sustainability Committee</a> oversees the delivery of the Sustainable Development and Climate Change Strategy 2022-2027, the council's transition to carbon neutrality and climate resilience.</li> </ul>

<ul style="list-style-type: none"> <li>The Council's new <a href="#">Procurement Strategy 2023-28</a> which will be complemented by an annual action plan, sets out how value for money, national and local priorities will be delivered. It also demonstrates how the council will deliver the wider social, economic, and environmental aims of procurement as required by the sustainable procurement duty.</li> <li>Sustainability principles are embedded in procurement processes and in recognition of the importance of our suppliers in achieving the Council's aim to become more sustainable.</li> <li>Strategic Environmental Assessments (SEAs) were completed for all relevant council led policies, plans and strategies developed during 2022/2023.</li> <li>The <a href="#">South Lanarkshire Local Development Plan 2</a> was adopted by the Council on 9 April 2021. The spatial strategy of the plan is to encourage sustainable economic growth and regeneration, a move towards a low carbon economy, protect the natural and historic environment and mitigate against the impacts of climate change.</li> <li>A summary of the findings resulting from <a href="#">Equality Impact Assessments</a> of the council's key decisions on service users, communities and businesses have been published on the Council's website.</li> <li>Strategic decisions of the Council have been subject to a Fairer Scotland Impact Assessment which considers how inequalities of outcome can be reduced.</li> </ul>
<b>Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b>
<b>Links to Council's values:</b> Accountable, effective, efficient, and transparent; Ambitious, self-aware, and improving; Focused on people and their needs; Working with and respecting others
<b>How we do this:</b>
<ul style="list-style-type: none"> <li>Key services were adapted, and delivery was maintained throughout the Pandemic in line with Public Health guidance and Government guidance and legislation.</li> <li>There is a standard approach to identifying savings across the Council. The Council's efficiency programme is overseen by the Senior Management Team. Frameworks are in place for holding discussions with key stakeholders. Savings achievements are monitored monthly and reported to the Senior Management Team quarterly.</li> <li>The Financial Strategy which is aligned with the Council's objectives was updated during the year to reflect the latest internal and external influences. This plan sets out the assumptions in terms of commitments, grant funding and efficiency requirement and demonstrates sound financial management and the ability to address projected funding gaps.</li> <li>The annual budget setting consultations took place with members of the public, groups and the Council's partners in order to inform the budget process. The annual budget is open to scrutiny and amendment by councillors until the approval of the final budget.</li> <li>The Council's Performance Management Framework has ensured that progress against intended outcomes has been regularly reported to Management Teams; Committees; and the Performance and Review Scrutiny Forum. Decisions and actions to address performance issues have been taken and monitored to ensure that they have been effective.</li> <li>The Council has complied with its statutory and regulatory reporting requirements during the year.</li> <li>The Public Bodies (Joint Working Act) sets out those Adult Care Services that are delegated to the Integration Joint Board (IJB) as set out in the South Lanarkshire Integration Scheme. These services continue to be operationally delivered by the council in line with the strategic direction set out in the Strategic Commissioning Plan and annual IJB Directions.</li> <li>The Council considers the specification and achievement of community benefits, which focus on the health, economic, social, and environmental wellbeing of the South Lanarkshire area, when awarding contracts.</li> <li>To improve efficiency and effectiveness, the Council is the lead authority for a range of collaborative projects and services delivered through the Clyde Valley Learning and Development Group.</li> </ul>
<b>Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>
<b>Links to Council's values:</b> Accountable, effective, efficient, and transparent; Ambitious, self-aware, and improving; Excellent employer; Focused on people and their needs; Working with and respecting others
<b>How we do this:</b>
<ul style="list-style-type: none"> <li>A Leadership Challenge Programme which is linked to succession planning has been developed and rolled out during 2022-23.</li> <li>Learning and Development programmes were revised and employees at all levels can now access optional accredited management qualifications.</li> <li>Training requirements were identified and online learning and development opportunities including webinars and e-briefings were developed and offered to all councillors.</li> <li>Feedback from the survey on working from home/hybrid working, will be used to inform future agile working arrangements.</li> <li>A range of policies and activities are in place to support the Health and Wellbeing of employees including physical and mental health and these have been regularly communicated. Online wellbeing events were held in response to the new ways of working.</li> <li>The Council recognises that skilled and motivated employees are a key asset. All employees have an annual performance appraisal which links to the Council values and a Personal Development Plan. The council offers a range of training interventions to support employee development.</li> <li>The Council has a comprehensive and coordinated approach to workforce planning which also supports succession planning. Each Resource reviews their workforce plan and related action plan to better understand workforce capacity issues, further challenges, and opportunities to ensure that resources are in the right place, at the right time and people have the right skills. The Council-wide Workforce plan has been revised to consider the workforce requirements as a result of the pandemic response.</li> <li>Senior Managers have overseen the annual scrutiny of the Council's assets through the review of a suite of Asset Management Plans. Service Asset Management Plans have been developed in line with CIPFA guidance and these feed into the Corporate Asset Management Plan which outlines priorities and provides an overview of how the Council has performed in this area.</li> </ul>

- The Council's Scheme of Delegation, Financial Regulations, Standing Orders on Contracts and Terms of Reference ensured that Committees, officers, and statutory officers were clear on the decisions that could be made within their area of authority. This is supplemented by councillor's role profiles which outline the key purpose, specific and core accountabilities for each role.
- The Council continues to work with a range of public sector, business, and academic partners to improve outcomes for those living and working in South Lanarkshire. Strategic Partnerships include the Community Planning Partnership and the Glasgow City Region City Deal.
- Local Government Benchmarking Framework(LGBF) results continue to be reported to the Performance Review and Scrutiny Forum, containing all LGBF indicators. As other reporting arrangements mature, the scale of this report may be reduced and the strategic suite of indicators aligned to Council Plan outcomes will feature in a new appendix to the Council Plan Q4 report, giving an opportunity to assess the Council's performance over time and comparative performance in the context of the Council Plan priorities.
- Further LGBF indicators will feature in the Council's public performance reporting, both in the Annual Performance Spotlights and in the PPR pages on the website. These are topic-based and place the LGBF information in a richer context than is possible in the annual LGBF report. The results are analysed and an action plan developed which will be monitored by the Senior Management Team.
- The Council takes a risk-based approach to self-assessment which is used to review and redesign services with a focus on fundamental change. Progress and the impact of improvement activity was reported to the Senior Management Team and the Performance and Review Scrutiny Forum.
- The Council has a robust complaints process which is underpinned by national complaints handling standards. Complaints performance was regularly reported to Senior Management and Committee and [learning from complaints](#) which is integral to this process is also published on the Council's website. Complaint handling procedures have been updated in line with national changes and communicated to all employees.

**Principle F: Managing risks and performance through robust internal control and strong public financial management**

**Links to Council's values:**

Accountable, effective, efficient, and transparent; Ambitious, self-aware, and improving

**How we do this:**

- The Council, in partnership with Trade Unions, ensured that safe systems of work were in place through a robust risk assessment process, changes to working methods and supply of personal protective equipment.
- The Council has put in place comprehensive arrangements for identifying, evaluating, and controlling significant risks which threaten the council's ability to meet its objectives to deliver services to the public. There is also a robust process in place for compliance monitoring of the Council's Risk Management Strategy, Resource Risk Registers and Control Plans.
- The annual end of year compliance statement evidenced that all Resources were compliant with Risk Management Strategic requirements.
- The Council's risk scoring matrix was revised as an outcome of the 2021/2022 annual review of risks.
- The Council's Internal Audit Service which complies with Public Sector Internal Audit Standards completed a revised annual programme of risk-based audits with an objective of providing an opinion on the adequacy and effectiveness of the Council's risk management, governance, and internal control arrangements. Where improvements were required, action plans were developed and monitored and where necessary follow-up audit work completed.
- In response to changes in working practices and the introduction of new systems, for example to process pandemic grants, Internal Audit has advised on key internal controls that should be maintained through the identification of alternative controls and has been involved in the development of new systems.
- The Information Governance Board is satisfied that Resources have followed the Information Governance operational arrangements to promote effective arrangements for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.
- Information security incidents have continued to be monitored and considered for notification to the Information Commissioner's Office. Throughout the period, the Council's Data Protection Officer provided advice and assistance to Resources in relation to meeting their obligations under UK General Data Protection Regulations (GDPR).
- The system of internal financial control is based upon the Financial Regulations which set out the rules to ensure robust internal control over the council's finances. Control is maintained through regular management information, management supervision and a structure of delegation and accountability.
- The cost of the pandemic on the council's budgets has been closely monitored and regular reports have been presented to the Senior Management Team and Committee.
- External Audit of the Council's accounts is robust and a "clean audit certificate" was issued for 2021/2022.
- Through a well-established Performance Management Framework, the council has clearly defined processes in place for the identification, monitoring, and reporting of its objectives to ensure continued effectiveness and the achievement of Best Value. Progress is monitored and reported regularly to both managers and councillors. This includes areas of under-performance and the related improvement actions.
- Trustees of the South Lanarkshire Charitable and Educational Trusts received independent legal training setting out their duties and responsibilities in ensuring that the trusts operate in a manner designed to benefit communities.
- The Executive Director of Finance and Corporate Resources is a member of the Council's Senior Management Team and as such, is integral in all major decisions taken by the Council, and in material matters which are submitted to councillors for decision. This involvement fulfils the expectation of CIPFA in terms of the role of the Chief Financial Officer.
- The Council previously completed a self-assessment using the principles of the CIPFA Financial Management Code identifying 3 areas to be progressed. Since then, the 2020/21 annual budget consultation approach and a standard options appraisal process continue to be embedded across the Council, while our existing financial management controls and measures continue to provide comfort on the Council's financial management and resilience. This includes the preparation of a medium term strategy presented to members regularly as part of the annual budget process, providing members with the information required to assist budget planning.

**Principle G: Fair, Open and Sustainable; Implementing good practices in transparency, reporting, and audit to deliver effective accountability**



<b>Links to Council's values:</b> Accountable, effective, efficient, and transparent; Ambitious, self-aware, and improving; Working with and respecting others
<b>How we do this:</b> <ul style="list-style-type: none"> <li>• The Good Governance Group has completed the annual review of governance arrangements at resource level and in line with the CIPFA/SOLACE Delivering Good Governance Framework. Governance improvement actions have also been identified and are included in Resource/Service Action Plans. Progress against actions including those highlighted as significant governance areas for action will be reported to the Senior Management Team and Committee.</li> <li>• In the 2021/2022 annual audit report, the external auditor reported that the council had in place appropriate arrangements to support good governance and accountability and they were of the view that governance arrangements remained effective in 2021/22.</li> <li>• All Directors completed their annual Statement of Assurance and relevant assurances have been provided.</li> <li>• The Council prepares and publishes an Annual Governance Statement which is aligned with national guidance and reflects on the adequacy and effectiveness of the Council's governance arrangements. This is independently considered by External Audit and published with the Annual Accounts and separately on a dedicated <a href="#">governance web page</a>.</li> <li>• The annual review of governance arrangements for the Council's at Arm's Length External Organisation (ALEO) and key external service providers has not highlighted any compliance issues.</li> <li>• The annual review of the Local Code of Corporate Governance was completed, and the revised Code was approved by Committee and re-published on the Council's website.</li> <li>• all agendas, reports and decisions continue to be published (except those exempt under the Local Government (Scotland) Act 1973) on the council's website. All Committee and Forum meetings are livestreamed to the Council's YouTube page <a href="http://bit.ly/SL_Committees">http://bit.ly/SL_Committees</a>.</li> <li>• The Risk and Audit Scrutiny Committee considered the adequacy and effectiveness of the Council's governance arrangements and internal control environment and approved the Annual Governance Statement and Accounts.</li> <li>• Internal audit activity has continued to be reported to the Senior Management Team and to the Risk and Audit Scrutiny Committee.</li> <li>• Internal Audit changed how their findings are presented to the Risk and Audit Scrutiny Committee to improve scrutiny.</li> <li>• Outcomes from external audit and inspection activity was reported to the appropriate Committee and action plans were developed for implementation where required.</li> </ul>

## COVID-19 Pandemic Governance Arrangements

The 2019/2020 Governance Statement set out the initial impacts of the Pandemic on the council's governance arrangements. During 2020/2021, the council, its partners and local community organisations continued to strengthen the partnership approach in response to the Pandemic. In 2022/2023 the council continues to manage any remaining impacts of the Pandemic through robust resilience arrangements and controls.

As the council moved through the different phases of response and recovery, changes to governance arrangements were made to comply with national guidance and legislation. In some cases new ways of working put in place to continue to maintain the delivery of essential business of the council during the Pandemic have been embedded and continued. Priority services were maintained throughout the Pandemic and many new services/processes established. Schools, nurseries, etc. adapted in accordance with national decisions and guidance.

Costs associated with the Pandemic were met from funding provided by the Scottish Government and the council continued to monitor the financial impact of the Pandemic into 2022/2023 and beyond. This included working with South Lanarkshire Leisure and Culture on the impact of the Pandemic on their business and their recovery.

The council and the Community Planning Partnership reviewed their priorities which were informed by ongoing dialogue with local communities, organisations, and businesses.

Recovery was a significant area of work for the council and its partners and was highlighted as such in Section 7 of the 2021-2022 Annual Governance Statement.

## CIPFA Financial Management Code

The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code authorities will be able to demonstrate their financial sustainability. The following information sets out the council's level of compliance with the CODE.

The council has reviewed the principles of the FM Code as part of its internal governance process. The Council previously completed a self-assessment using the principles of the CIPFA Financial Management Code identifying 3 areas to be progressed. Since then, the 2020/21 annual budget consultation approach and a standard options appraisal process continue to be embedded across the Council, while our existing financial management controls and measures continue to provide comfort on the Council's financial management and resilience. This includes the preparation of a medium-term strategy presented to members regularly as part of the annual budget process, providing members with the information required to assist budget planning.

## 6. Review of Effectiveness

The review of governance arrangements for 2022/2023 has also considered the following assurance outcomes: -

## Group Assurances

In respect of the Joint Boards, Charities and Companies that fall within the council's group boundary, the review of their internal financial control systems is informed by: -

- Annual Governance Statements included in the respective financial statements of the Joint Boards.
- Assurances from company directors and/or other senior company officials; and
- The work of the relevant body's respective external auditors (and where relevant internal auditors) and other interim reports.

The Executive Director of Finance and Corporate Resources, the council's Chief Financial Officer, has considered the effectiveness of the group's internal financial control system for the year ended 31 March 2023. It is the Executive Director of Finance and Corporate Resources' opinion that reasonable assurance can be placed on its effectiveness.

## Internal Assurance

It is the opinion of the council's Risk Management Service that a reasonable level of assurance can be placed on the council's strategic risk control environment and a reasonable level of assurance can be placed on the council's operational risk control environment.

It is the opinion of the council's Audit and Compliance Manager that, overall, reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management and control arrangements for the year ending 31 March 2023.

## 7. Significant Governance Areas

The 2021/2022 Annual Governance Statement identified 11 significant governance areas that the council were working to address. Progress updates can be found on the council's website; see the Significant Governance Areas Update Q4 2021/2022. Six of these areas remain as significant areas of action for the council moving forward into 2022/2023 and will continue to be monitored as such.

Through the 2022/2023 annual governance review, the following areas which outline the actions being taken to address them have been identified as significant areas of work for the council during 2022/2023:-

No.	Areas identified in 2022/2023	Actions	Lead Officer
1	<b>Cyber Resilience</b>  Compliance with legislative and regulatory policy	A programme of actions to maintain cyber security and resilience in 2023/2024 will include: <ul style="list-style-type: none"> <li>• Refresh/retiral of legacy systems, network equipment and end user devices (mobile phones, PCs)</li> <li>• Programme of security patching of all systems</li> <li>• Compliance with PSN and Cyber Essentials schemes</li> <li>• Incident response</li> <li>• Officer training and awareness (e.g., phishing)</li> <li>• Data security reviews as part of new system installation and security monitoring</li> </ul>	Executive Director of Finance and Corporate Resources
2	<b>Financial Challenges</b>  Exceptional increase in costs, reduction in council funding, resulting in difficulties maintaining front line services	The Council faces a challenging situation in the medium to long-term because of reduced funding in real terms, rising costs and an increase in demand. In addition there are exceptional increases in costs being experienced resulting in significant budget gaps that will require to be managed.  The Council has developed a long-term strategy which identifies budget pressures, future risks and uncertainties, and projects budget gaps to 2028/2029.  The Budget Strategy for 2024/2025 will be updated and presented to councillors tin 2023.	Chief Executive  Director of Finance and Corporate Resources
3	<b>Integrated Joint Board – Health and Social Care</b>  The need for the Council to deliver the objectives set out in the Integrated Joint Board (IJB) Strategic Commissioning Plan 2022-25	The current strategic direction set out and approved by the IJB is detailed within the Strategic Commissioning Plan. The council and NHS Board are required to deploy their resources in line with this strategic direction.  The IJB issues Directions that set out the key actions to be delivered by the council during the year 2023/2024 and these Directions were agreed by the IJB at it special budget meeting in March 2023. The council will provide progress updates against Directions for which it is the lead organisation.	Director, Health and Social Care, South Lanarkshire Health, and Social Care Partnership

No.	Areas identified in 2022/2023	Actions	Lead Officer
4	<b>Review of Community Planning</b> Provide support to the review of Community Planning arrangements	Complete the review of community Planning which focussed on several key areas including structures, governance, and accountability arrangements. The council will provide resources to support the completion of the Review and work with partners to progress changes,	Director of Finance and Corporate Resources
5	<b>Community Wealth Building</b> Deliver the Community Wealth Building Strategy	The Community Wealth Building Strategy which was approved in March 2021 will bring fundamental changes to how the Council delivers its services and works with its partners and communities. In August 2021 the Community Wealth Building Commission approved an action plan containing a range of actions to progress the aspirations of the Strategy over a 3-to-5-year timeframe. A risk register has been developed and approved. Risk monitoring arrangements are in place  An annual report highlighting progress over the first year of the Strategy was presented to the Commission on 28 June 2022 for approval.  A further Annual Report on the year 2 Year 2 Actions identified in the approved Action Plan will be progressed in 2023/2024.	Director of Finance and Corporate Resources
6	<b>Sustainable Development and Climate Change</b>	A new Strategy for 2022-2027 was developed and presented to Council in June 2022 for approval together with the Council Plan and Community Plan. An Action Plan was developed for the first year of the Strategy. The Action Plan will be reviewed annually with progress updates being reported to the Climate Change and Sustainability Committee on a 6 monthly basis.	Director of Community and Enterprise Resources
9	<b>Economic Strategy</b>	The new draft Economic Strategy 2022-2027 has been developed and approved by Council on 15 <sup>th</sup> June 2022 as part of a suite of documents accompanying the draft Council Plan and Community Plan. The vision within the Strategy is "to make South Lanarkshire a flourishing, green, dynamic and equitable place for communities, visitors, businesses and investors". The Strategy is framed around the 3 themes of sustainable, inclusive, economic development- People, Place and Business.  Progress on the delivery of the Action Plan will be measured 6-monthly with the results being reported annually to the relevant committees.  The council will continue to lead on local economic recovery for South Lanarkshire businesses through promotion of local economic support networks and contribution to the pan-Lanarkshire Economic Forum.	Director of Community and Enterprise Resources
10	<b>South Lanarkshire Leisure and Culture</b>	<ul style="list-style-type: none"> <li>Develop the Commissioning Plan between the Council and SLLC</li> <li>Support the Strategic Asset Review of SLLC occupied properties</li> </ul>	Director of Community and Enterprise Resources
11	<b>Recruitment and Retention Challenges</b>	The labour market has tightened and employees have more mobility through agile working which is not necessarily tied to a geographical location. In addition some older workers have reassessed priorities and taken up an option for partial or full retiral earlier than they would have done previously.  As a result there are a number of skills in short supply nationally and this is putting pressure on local government services. Examples of this include HGV drivers, procurement and Social Care. The impact on	Chief Executive and all Directors

No.	Areas identified in 2022/2023	Actions	Lead Officer
		<p>Senior Manager recruitment and retention is also clear and turnover at this level is closely monitored</p> <p>South Lanarkshire Council has experienced these issues and is taking the following actions:-</p> <ul style="list-style-type: none"> <li>• Workforce Plans were refreshed to reflect the changed environment by 30 June 2022. The updated plans were reported to the relevant Resource Committees in September and October 2022.</li> <li>• A grow your own approach is being used in key areas (recruited graduates in Procurement)</li> <li>• Increasing social media recruitment and use of job fairs</li> <li>• Employability routes are being defined for skills shortage areas (e.g. Social care)</li> <li>• Enhanced employee support arrangements are in place but also being reviewed for development</li> </ul>	

## 8. Summary

The annual review of governance arrangements across the council and overall compliance with the council's Code demonstrate sufficient evidence that the Code's principles of Delivering Good Governance in Local Government operated effectively, and that the council complies with its Code.

During 2023/2024, steps will be taken to address the significant governance areas highlighted in this statement to further strengthen the council's governance arrangements and evidence our commitment to continuous improvement.

**Joe Fagan**

**Leader of the Council**

**Signature:**

**Date:**

**Cleland Sneddon**

**Chief Executive**

**Signature:**

**Date:**



## Statement of Responsibilities

### The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). South Lanarkshire Council has designated the Executive director of Finance and Corporate Resources as the officer with these responsibilities.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 20174), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

**Councillor Joe Fagan**  
Leader of the Council

## Executive Director of Finance and Corporate Resources' responsibilities

The Executive Director of Finance and Corporate Resources is responsible for the preparation of the council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Executive Director of Finance and Corporate Resources has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with legislation.
- complied with the local authority Accounting Code (in so far as it is compatible with legislation)

The Executive Director of Finance and Corporate Resources has also:

- kept proper accounting records which were up- to-date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the council (and its group) at the reporting date and the transactions of the council (and its group) for the year ended 31 March 2023.

**Paul Manning**  
Executive Director  
(Finance and Corporate Resources)

South Lanarkshire Council  
Date: 27 June 2023

# Remuneration Report

## Remuneration Policy Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Officers of Scottish local authorities. Circular CO/150 sets the amount of salary for Chief Officers and the Chief Executive of South Lanarkshire Council for 2022/2023.

## Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended most recently by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2022 (SSI 2022/18). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (or Provost), Senior Councillors or Councillors. The Leader of the Council and the Civic head (or Provost) cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2022/2023 the salary for the Leader of the Council is £45,669. The Regulations permit the Council to remunerate one Civic Head or Provost. The regulations set out the maximum salary that may be paid to that Civic Head. The Council follows the regulations and pays a salary of £34,254 to the Provost.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £511,316 (excluding the Leader and Provost). The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors up to a maximum of 19 and their salary within these maximum limits.

In 2022/2023, the Council had 19 Senior Councillors and the salary paid to these councillors totalled £489,408. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme.

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to Councillors with the responsibility of a Convenor or a Vice-Convenor of a Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convenor or Vice-Convenor is a member. The Council is also required to pay any pension contributions arising from the Convenor or Vice-Convenor being a member of the Local Government Pension Scheme. The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convenor or Vice-Convenor of a Joint Board.

## Audit Arrangements

All information disclosed in the tables numbered 1 to 8 in this Remuneration Report will be audited by the Council's auditors, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Note 14 to the Accounts contains total payments made to all Councillors and will be audited as part of the audit of the Financial Statements and supplementary Notes to the Accounts.

**Table 1 – General Pay Band Disclosure for Senior Employees**

<b>Annual Remuneration</b>	<b>2022/23 Number of Employees</b>	<b>2021/22 Number of Employees</b>
50,000 - 54,999	365	364
55,000 - 59,999	254	189
60,000 - 64,999	152	136
65,000 - 69,000	99	52
70,000 - 74,999	23	23
75,000 - 79,999	20	6
80,000 - 84,999	4	1
85,000 - 89,999	3	4
90,000 - 94,999	4	6
95,000 - 99,999	6	11
100,000 - 104,999	13	5
105,000 - 109,999	1	3
110,000 - 114,999	2	1
115,000 - 139,999 (Note 1)	-	-
140,000 - 144,999	1	2
145,000 - 149,999	2	1
150,000 - 154,999	-	-
155,000 - 159,999	1	-
160,000 - 179,999 (Note 1)	-	-
180,000 - 184,999	-	1
185,000 - 189,999	1	-

Note 1: These are merged pay bands covering more than £5,000 due to the fact that no employees fell into these bands in either financial year.

## Disclosure of Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

**Table 2 – Exit Packages**

Exit package cost band (including special payments) £	Number of Compulsory Redundancies 2022/23	Number of Compulsory Redundancies 2021/22	Number of Other Departures Agreed 2022/23	Number of Other Departures Agreed 2021/22	Total Number of Exit Packages by cost Band 2022/23	Total Number of Exit Packages by cost Band 2021/22	Cash Value £ 2022/23	Notional CAY Value £ 2022/23	Total Cost Of Exit Packages In Each Band £ 2022/23	Cash Value £ 2021/22	Notional CAY Value £ 2021/22	Total Cost Of Exit Packages In Each Band £ 2021/22
0 - 20,000	-	-	-	-	-	-	-	-	-	-	-	-
20,001 - 40,000	-	-	-	-	-	-	-	-	-	-	-	-
40,001 - 60,000	-	-	-	-	-	-	-	-	-	-	-	-
60,001 - 80,000	-	-	-	-	-	-	-	-	-	-	-	-
80,001 - 100,000	-	-	-	-	-	-	-	-	-	-	-	-
100,001 - 150,000	-	-	-	-	-	-	-	-	-	-	-	-
>150,000	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Provision</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total incl Provisions</b>	-	-	-	-	-	-	-	-	-	-	-	-

There were no exit packages agreed by the Council in 2022/2023, therefore the total cost of exit packages shown for 2022/2023 totals is nil.

The table does not include any provisions as there are no known exit packages that relate to employees who will leave the Council in the coming year (2023/2024).

## Disclosure of Remuneration

The tables below provide details of the remuneration paid to the Council's Senior Employees and Senior Councillors and to the Chief Executive or most senior manager of subsidiary bodies (South Lanarkshire Leisure and Culture Ltd and Routes to Work South). Comparative figures for 2021/2022 have been shown if they were in post at that time. We have also disclosed the remuneration of Councillors who hold Convenor and Vice-Convenor roles with Joint Boards. The Council pays the Councillor on behalf of the Joint Board for their role and recovers these charges from the Joint Board. The annual return of Councillors' remuneration for 2022/2023 is available on the Council's website ([www.southlanarkshire.gov.uk](http://www.southlanarkshire.gov.uk)).

**Table 3 – Senior Officers**

Post	Salary / fees £	Taxable Expenses £	Compensation for Loss of Office £	Any Other Remuneration £	2022/23 Total £	2021/22 Total £
C Sneddon Chief Executive	187,395	-	-	-	187,395	184,698
P Manning Executive Director of Finance and Corporate Resources	159,142	-	-	-	159,142	149,435
D Booth Executive Director of Community and Enterprise Resources (From 28 February 2022)	143,924	-	-	-	143,924	12,604 (Full Year Equivalent 137,070)
D Lowe Executive Director of Housing and Technical Resources (To 30 September 2022)	74,263 (Full Year Equivalent 147,959)	-	-	-	74,263 (Full Year Equivalent 147,959)	140,913
A Finnan Acting Executive Director of Housing and Technical Resources (From 3 October 2022 to 20 November 2022)	19,300 (Full Year Equivalent 143,924)	-	-	-	19,300 (Full Year Equivalent 143,924)	n/a
S Gibson Executive Director of Housing and Technical Resources (From 21 November 2022)	52,386 (Full Year Equivalent 143,924)	-	-	-	52,386 (Full Year Equivalent 143,924)	n/a
T McDaid Executive Director of Education Resources	147,959	-	-	-	147,959	140,913
S Sengupta Executive Director of Health and Social Care (Note 1) (From 9 August 2021)	145,948	-	-	-	145,948	88,754 (Full Year Equivalent 137,226)
L Purdie Chief Social Work Officer	111,118	-	-	-	111,118	106,448
2021/22 senior officers where post holders are no longer in post	-	-	-	-	-	156,102
<b>Total</b>	<b>1,041,435</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,041,435</b>	<b>979,867</b>

The senior employees included in the table include any local authority employee:

- Who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons.
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

The total remuneration includes Returning Officer (RO) fees. An RO is the person responsible for administering a local government election. These duties are separate from any duties undertaken as a local government employee. The total RO fee for a local government election is based upon the number of Wards in respect of whose election an RO is responsible and the rate is agreed by COSLA and the arrangements set out in the COSLA Circular CO/145 of July 2008. The RO can appoint one or more persons to discharge any or all of the functions of the post but cannot delegate personal responsibility for delivering the election. Cleland Sneddon is the RO appointed by South Lanarkshire Council during the financial year 2022/2023 carried out his duties as RO for the May 2022 Local Government Elections.

Note 1 While the Executive Director of Health and Social Care is contractually employed by the Council, a proportion of their total remuneration is funded by the South Lanarkshire Health and Social Care Partnership in respect of their role as Chief Officer of the Partnership.

**Table 4 - Senior Employees of the Council's Subsidiary Bodies**

Name and Post	Salary/fees	Taxable Expenses £	Compensation for Loss of office £	Any other Remuneration £	2022/23 Total £	2021/22 Total £
K Morrison Secretary of South Lanarkshire Leisure and Culture Ltd (From 28 February 2022 to 20 March 2022)  General Manager of South Lanarkshire Leisure and Culture Ltd (From 21 March 2022)	100,844	-	-	-	100,844	6,731 (Full Year Equivalent 96,155)
S Barr Chief Executive of Routes to Work South	77,705	-	-	-	77,705	70,743
2021/22 senior employees where post holders are no longer in post	-	-	-	-	-	90,731
<b>Total</b>	<b>178,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178,549</b>	<b>168,205</b>

**Table 5 - Remuneration of Senior Councillors and Convenors and Vice-Convenors of Joint Boards**

The table below shows the full year remuneration for all senior councillors in 2022/2023. This includes senior councillors who started or ended their role during the year.

<b>Name and Post</b>	<b>Salary £</b>	<b>Taxable Expenses £</b>	<b>Compensation for Loss of Office £</b>	<b>Any Other Remuneration £</b>	<b>2022/23 Total £</b>	<b>2021/22 Total £</b>
A Allison Opposition Leader – Conservative (From 1 April 2022 to 5 May 2022)	2,484 (Full Year Equivalent 25,903)	-	-	-	2,484 (Full Year Equivalent 25,903)	24,623
Opposition Leader – Second Opposition (From 18 May 2022 to 31 March 2023)	22,568 (Full Year Equivalent 25,903)				21,503 (Full Year Equivalent 25,903)	
J Anderson Community and Enterprise Resources Committee Chair (From 1 April 2022 to 5 May 2022)	2,848 (Full Year Equivalent 29,705)	-	-	-	2,848 (Full Year Equivalent 29,705)	28,237
J Bradley Social Work Resources Committee Chair (From 1 April 2022 to 5 May 2022)	2,848 (Full Year Equivalent 29,705)	-	-	-	2,848 (Full Year Equivalent 29,705)	28,237
R Brown Community and Enterprise Resources Committee Chair (From 18 May 2022 to 31 March 2023)	25,092 (Full Year Equivalent 28,800)	-	-	-	25,092 (Full Year Equivalent 28,800)	n/a
A Buchanan East Kilbride Area Committee Chair (From 1 April 2022 to 5 May 2022)	2,241 (Full Year Equivalent 23,370)	-	-	-	2,241 (Full Year Equivalent 23,370)	22,215
East Kilbride Area Committee Chair (From 18 May 2022 to 31 March 2023)	20,361 (Full Year Equivalent 23,370)	-	-	-	20,362 (Full Year Equivalent 23,370)	

<b>Name and Post</b>	<b>Salary £</b>	<b>Taxable Expenses £</b>	<b>Compensation for Loss of Office £</b>	<b>Any Other Remuneration £</b>	<b>2022/23 Total £</b>	<b>2021/22 Total £</b>
A Carmichael Licensing Committee Chair (From 18 May 2022 to 31 March 2023)	20,361 (Full Year Equivalent 23,370)	-	-	-	20,361 (Full Year Equivalent 23,370)	n/a
M Chalmers Depute Leader of the Council (From 1 April 2022 to 5 May 2022)	2,848 (Full Year Equivalent 29,705)	-	-	-	2,848 (Full Year Equivalent 29,705)	28,237
Depute Opposition Leader (From 18 May 2022 to 31 March 2023)	22,568 (Full Year Equivalent 25,903)	-	-	-	22,568 (Full Year Equivalent 25,903)	
G Convery Depute Opposition Leader – Labour (From 1 April 2022 to 5 May 2022)	2,484 (Full Year Equivalent 25,903)	-	-	-	2,484 (Full Year Equivalent 25,903)	24,623
Depute Leader (From 18 May 2022 to 31 March 2023)	25,880 (Full Year Equivalent 29,705)	-	-	-	25,880 Full Year Equivalent 29,705)	
M Cooper Provost (From 18 May 2022 to 31 March 2023)	29,843 (Full Year Equivalent 34,254)	1,952	-	-	31,795 (Full Year Equivalent 36,206)	n/a
P Craig Business Manager Majority Party (From 1 April 2022 to 5 May 2022)	2,848 (Full Year Equivalent 29,705)	-	-	-	2,848 (Full Year Equivalent 29,705)	28,237



<b>Name and Post</b>	<b>Salary £</b>	<b>Taxable Expenses £</b>	<b>Compensation for Loss of Office £</b>	<b>Any Other Remuneration £</b>	<b>2022/23 Total £</b>	<b>2021/22 Total £</b>
M Devlin Business Manager – Opposition (From 1 April 2022 to 5 May 2022)	2,241 (Full Year Equivalent 23,370)	-	-	-	2,241 (Full Year Equivalent 23,370)	22,215
Business Manager Ruling Group (From 18 May 2022 to 31 March 2023)	25,880 (Full Year Equivalent 29,705)	-	-	-	25,880 (Full Year Equivalent 29,705)	
M Donnelly Hamilton Area Committee Chair (From 1 April 2022 to 5 May 2022)	2,241 (Full Year Equivalent 23,370)	-	-	-	2,241 (Full Year Equivalent 23,370)	22,215
I Dorman Planning Committee Chair (From 1 April 2022 to 5 May 2022)	2,848 (Full Year Equivalent 29,705)	-	-	-	2,848 (Full Year Equivalent 29,705)	28,237
J Fagan Opposition Leader – Labour (From 1 April 2022 to 5 May 2022)	2,848 (Full Year Equivalent 29,705)	-	-	-	2,848 (Full Year Equivalent 29,705)	28,237
Leader of the Council (From 18 May 2022 to 31 March 2023)	39,788 (Full Year Equivalent 45,669)	-	-	-	39,788 (Full Year Equivalent 45,669)	
A Falconer Hamilton Area Committee Chair (From 18 May 2022 to 31 March 2023)	20,361 (Full Year Equivalent 23,370)	-	-	-	20,361 (Full Year Equivalent 23,370)	n/a
L Hamilton Education Resources Committee Chair (From 18 May 2022 to 15 January 2023)	19,174 (Full Year Equivalent 28,800)	-	-	-	19,174 (Full Year Equivalent 28,800)	n/a

<b>Name and Post</b>	<b>Salary £</b>	<b>Taxable Expenses £</b>	<b>Compensation for Loss of Office £</b>	<b>Any Other Remuneration £</b>	<b>2022/23 Total £</b>	<b>2021/22 Total £</b>
M Horsham Business Manager Opposition (From 18 May 2022 to 31 March 2023)	20,361 (Full Year Equivalent 23,370)	-	-	-	20,361 (Full Year Equivalent 23,370)	n/a
G Keatt Education Resources Committee Chair (From 16 January 2023 to 31 March 2023)	5,918 (Full Year Equivalent 28,800)	-	-	-	5,918 (Full Year Equivalent 28,800)	n/a
R Lockhart Clydesdale Area Committee Chair (From 1 April 2022 to 5 May 2022)	2,241 (Full Year Equivalent 23,370)	-	-	-	2,241 (Full Year Equivalent 23,370)	22,215
K Loudon Education Resources Committee Chair (From 1 April 2022 to 5 May 2022)	2,848 (Full Year Equivalent 29,705)	-	-	-	2,848 (Full Year Equivalent 29,705)	28,237
I McAllan Provost (From 1 April 2022 to 5 May 2022)	3,285 (Full Year Equivalent 34,254)	-	-	-	3,285 (Full Year Equivalent 34,254)	32,560
C McClymont Clydesdale Area Committee Chair (From 18 May 2022 to 31 March 2023)	20,361 (Full Year Equivalent 23,370)	-	-	-	20,361 (Full Year Equivalent 23,370)	n/a
L McDonald Finance and Corporate Resources Committee Chair (From 18 May 2022 to 31 March 2023)	25,092 (Full Year Equivalent 28,800)	-	-	-	25,092 (Full Year Equivalent 28,800)	n/a
M McGeever Climate Change Committee Chair (From 18 May 2022 to 31 March 2023)	25,092 (Full Year Equivalent 28,800)	-	-	-	25,092 (Full Year Equivalent 28,800)	n/a
D McLachlan Housing and Technical Resources Committee Chair (From 18 May 2022 to 31 March 2023)	25,092 (Full Year Equivalent 28,800)	-	-	-	25,092 (Full Year Equivalent 28,800)	n/a

<b>Name and Post</b>	<b>Salary £</b>	<b>Taxable Expenses £</b>	<b>Compensation for Loss of Office £</b>	<b>Any Other Remuneration £</b>	<b>2022/23 Total £</b>	<b>2021/22 Total £</b>
G Ferguson-Miller Finance and Corporate Resources Committee Chair (From 1 April 2022 to 5 May 2022)	2,848 (Full Year Equivalent 29,705)	-	-	-	2,848 (Full Year Equivalent 29,705)	28,237
R Nelson Planning Committee Chair (From 18 May 2022 to 31 March 2023)	25,092 (Full Year Equivalent 28,800)	-	-	-	25,092 (Full Year Equivalent 28,800)	-
C Nugent Cambuslang and Rutherglen Area Committee Chair (From 1 April 2022 to 5 May 2022)	2,241 (Full Year Equivalent 23,370)	-	-	-	2,241 (Full Year Equivalent 23,370)	22,215
Cambuslang and Rutherglen Area Committee Chair (From 18 May 2022 to 31 March 2023)	20,361 (Full Year Equivalent 23,370)	-	-	-	20,361 (Full Year Equivalent 23,370)	
J Ross Leader of the Council (From 1 April 2022 to 5 May 2022)	4,379 (Full Year Equivalent 45,669)	-	-	-	4,379 (Full Year Equivalent 45,669)	43,412
Opposition Leader – First Opposition (From 18 May 2022 to 31 March 2023)	25,880 (Full Year Equivalent 29,705)	-	-	-	25,880 (Full Year Equivalent 29,705)	
D Shearer Licensing Committee Chair (From 1 April 2022 to 5 May 2022)	2,241 (Full Year Equivalent 23,370)	-	-	-	2,241 (Full Year Equivalent 23,370)	22,215
B Thomson Depute Provost (From 18 May 2022 to 31 March 2023)	24,776 (Full Year Equivalent 28,438)	140.00	-	-	24,916 (Full Year Equivalent 28,578)	-

Name and Post	Salary £	Taxable Expenses £	Compensation for Loss of Office £	Any Other Remuneration £	2022/23 Total £	2021/22 Total £
M Walker Social Work Resources Committee Chair (From 18 May 2022 to 31 March 2023)	25,092 (Full Year Equivalent 28,800)	-	-	-	25,092 (Full Year Equivalent 28,800)	-
J Wilson Housing and Technical Resources Committee Chair (From 1 April 2022 to 5 May 2022)	2,848 (Full Year Equivalent 29,705)	-	-	-	2,848 (Full Year Equivalent 29,705)	28,237
2021/22 senior councillors where post holders are no longer in post	-	-	-	-	-	6,666
<b>Total</b>	<b>566,703</b>	<b>2,092</b>	<b>-</b>	<b>-</b>	<b>568,795</b>	<b>519,307</b>
<b>Councillors with Joint Board Responsibilities</b>						
W Brogan Convenor Lanarkshire Valuation Joint Board (From 27 June 2022 to 31 March 2023)	18,635 (Full Year Equivalent 24,467)	-	-	-	18,635 (Full Year Equivalent 24,467)	n/a
L Hamilton Depute Convenor Lanarkshire Valuation Joint Board (From 1 April 2022 to 5 May 2022)	2,229 (Full Year Equivalent 23,244)	-	-	-	2,229 (Full Year Equivalent 23,244)	21,204
2021/22 councillors with Joint Board responsibilities where post holders are no longer in post	-	-	-	-	-	-
<b>Total</b>	<b>20,864</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,864</b>	<b>21,204</b>

The Council is reimbursed by Lanarkshire Valuation Joint Board for the additional remuneration that the Council paid to the member for being a Depute Convenor (equivalent to Vice Convenor) of the Joint Board.

The following recharges were made to Joint Boards for South Lanarkshire Council Councillors holding Convenor/Depute Convenor roles:

- Recharge to Lanarkshire Valuation Joint Board in 2022/2023 - £4,081 (2021/2022 - £3,476)

## Pension Rights

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

Local government employees had a final salary pension scheme prior to 1 April 2015. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. As of 1 April 2015, local government employees are now part of a defined benefit pension scheme worked out on a career average basis. Benefits built up are calculated using pensionable pay each scheme year, rather than final salary. All benefits built up prior to this date are protected.

From 1 April 2009, a five-tier contribution system was introduced with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between the costs and benefits of scheme membership. Under The Local Government Pension Scheme (Scotland) Regulations 2014, the earnings ranges used to determine annual contribution rates are to be increased each year by any increase applied to pensions under the Pensions (Increase) Act 1971. In accordance with this the salary bands for 2021/2022 were uprated by the Consumer Prices Index (CPI) increase for 2022/2023.

The member contribution rates and tiers for 2022/2023 are shown below along with those that applied in 2021/2022:

<b>Pensionable Pay</b>	<b>Contribution rate</b> <b>2022/23</b>	<b>Pensionable Pay</b>	<b>Contribution rate</b> <b>2021/22</b>
On earnings up to an including £23,000	5.50%	On earnings up to an including £22,300	5.50%
On earnings above £23,000 and up to £28,100	7.25%	On earnings above £22,300 and up to £27,300	7.25%
On earnings above £28,100 and up to £38,600	8.50%	On earnings above £27,300 and up to £37,400	8.50%
On earnings above £38,600 and up to £51,400	9.50%	On earnings above £37,400 and up to £49,900	9.50%
On earnings above £51,400	12.00%	On earnings above £49,900	12.00%

From April 2015, if a person works part-time their contribution is based on their part-time pay. Prior to this, if a person worked part-time, their contribution rate was worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

From 1 April 2015, benefits are calculated on the basis of a revalued annual pension built up of 1/49<sup>th</sup> of pensionable pay each year, plus inflation to keep up with the cost of living. Prior to this date, the accrual rate guaranteed a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service and prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service.

The value of the benefits has been calculated without exercising any option to commute pension entitlement into a lump sum and without any adjustment for the effects of future inflation.

In those cases where members have transferred pension entitlements from previous employments, the pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment. It also reflects both employer and employee contributions.

**Table 6 – Pension Benefits: Senior Employees**

The Pension entitlement of Senior Employees for the year to 31 March 2023 are shown in the table below, together with the contribution made by the council to each senior employees' pension during the year. The accrued pension benefit reflects both the employer and the employee contributions.

Name and Post Title		Accrued Pension Benefits to 31 March 2023 £000	Movement in Accrued pension Benefits since 31 March 2022 £000	Pension Contribution Made by the Council 2022/23 £	Pension Contribution Made by the Council 2021/22 £
C Sneddon Chief Executive	Pension Lump Sum	87 126	10 4	34,555	32,910
P Manning Executive Director of Finance and Corporate Resources	Pension Lump Sum	72 97	6 5	30,114	28,680
D Booth Executive Director of Community and Enterprise Resources (From 28 February 2022)	Pension Lump Sum	58 91	58 91	27,777	2,432
D Lowe Executive Director of Housing and Technical Resources (To 30 September 2022)	Pension Lump Sum.	71 96	8 7	14,333	27,196
A Finnan Acting Executive Director of Housing and Technical Resources (From 3 October 2022 to 20 November 2022)	Pension Lump Sum.	56 88	n/a n/a	3,725	n/a
S Gibson Executive Director of Housing and Technical Resources (From 21 November 2022)	Pension Lump Sum.	1 -	n/a n/a	10,111	n/a
T McDaid Executive Director	Pension Lump Sum	50 71	3 -	28,556	27,196
S Sengupta Executive Director of Health and Social Care (Note 1) (From 9 August 2021)	Pension Lump Sum	5 -	3 -	28,168	17,129
L Purdie Chief Social Work Officer	Pension Lump Sum	54 79	5 4	21,446	20,448
2021/22 senior officers where post holders are no longer in post		-	-	-	29,869
<b>Total</b>				<b>198,785</b>	<b>185,860</b>

All senior employees shown in the table above are members of the Local Government Pension Scheme (LGPS). Where employees have joined the council but not transferred previous employment pension benefits into the Strathclyde Pension Fund the pension figures shown relate only to their current appointment, otherwise the figures shown relate to the benefits that the pension has accrued as a consequence of their total local government service including payments for election duties.

**Table 7 – Pension Benefits: Senior Employees of the Council’s Subsidiary Bodies**

Name and Post Title		Accrued Pension Benefits to 31 March 2023	Movement in Accrued pension Benefits since 31 March 2022	Pension Contribution 2022/23	Pension Contribution 2021/22
		£000	£000	£	£
K Morrison Secretary of South Lanarkshire Leisure and Culture Ltd (From 28 February 2022 to 20 March 2022)	Pension Lump Sum	3 -	2 -	19,463	1,299
General Manager of South Lanarkshire Leisure and Culture Ltd (From 21 March 2022)					
S Barr Chief Executive of Routes to Work South	Pension Lump Sum	- -	- -	6,216	5,659
2021/22 senior employees where post holders are no longer in post		-	-	-	17,511
<b>Total</b>				<b>25,679</b>	<b>24,469</b>

Routes to Work South operates a defined contributions scheme for its employees. Accordingly, the only information to be provided in respect of its senior employees is the amount of any pension contributions made to that scheme by the subsidiary body.

**Table 8 – Pension Benefits: Senior Councillors**

The Pension entitlement of Senior Councillors for the year to 31 March 2023 are shown in the table below, together with the contribution made by the council to each Senior Councillors' pension during the year. The accrued pension benefit reflects both the employer and the employee contributions.

Name and Post Title		Accrued Pension Benefits to 31 March 2023	Movement in Accrued pension Benefits since 31 March 2022	Pension Contribution Made by the Council 2022/23	Pension Contribution Made by the Council 2021/22
		£000	£000	£	£
A Allison Opposition Leader – Conservative (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	3 -	1 -	4,835	4,752
Opposition Leader – Second Opposition (From 18 May 2022 to 31 March 2023)					
J Anderson Community and Enterprise Resources Committee Chair (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	8 2	1 -	550	5,450

Name and Post Title		Accrued Pension Benefits to 31 March 2023 £000	Movement in Accrued pension Benefits since 31 March 2022 £000	Pension Contribution Made by the Council 2022/23 £	Pension Contribution Made by the Council 2021/22 £
J Bradley Social Work Resources Committee Chair (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	3 -	- -	550	5,450
R Brown Community and Enterprise Resources Committee Chair (From 18 May 2022 to 31 March 2023)	Pension Lump Sum	4 -	n/a n/a	3,335	n/a
A Buchanan East Kilbride Area Committee Chair (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	7 2	2 1	4,362	4,287
East Kilbride Area Committee Chair (From 18 May 2022 to 31 March 2023)					
M Chalmers Depute Leader of the Council (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	3 -	- -	4,905	5,450
Depute Opposition Leader (From 18 May 2022 to 31 March 2023)					
G Convery Depute Opposition Leader – Labour (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	1 -	n/a n/a	1,995	n/a
Depute Leader (From 18 May 2022 to 31 March 2023)					
M Cooper Provost (From 18 May 2022 to 31 March 2023)	Pension Lump Sum	4 -	n/a n/a	5,760	n/a
P Craig Business Manager Majority Party (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	7 2	1 -	550	5,450
M Devlin Business Manager – Opposition (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	5 -	1 -	5,427	5,450
Business Manager Ruling Group (From 18 May 2022 to 31 March 2023)					
I Dorman Planning Committee Chair (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	4 -	- -	550	5,450



Name and Post Title		Accrued Pension Benefits to 31 March 2023 £000	Movement in Accrued pension Benefits since 31 March 2022 £000	Pension Contribution Made by the Council 2022/23 £	Pension Contribution Made by the Council 2021/22 £
J Fagan Opposition Leader – Labour (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	3 -	- -	8,299	5,450
Leader of the Council (From 18 May 2022 to 31 March 2023)					
A Falconer Hamilton Area Committee Chair (From 18 May 2022 to 31 March 2023)	Pension Lump Sum	4 -	n/a n/a	3,930	n/a
G Ferguson-Miller Finance and Corporate Resources Committee Chair (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	6 -	1 -	550	5,450
L Hamilton Education Resources Committee Chair (From 18 May 2022 to 15 January 2023)	Pension Lump Sum	5 -	1 -	3,700	n/a
M Horsham Business Manager Opposition (From 18 May 2022 to 31 March 2023)	Pension Lump Sum	2 -	n/a n/a	3,930	n/a
G Keatt Education Resources Committee Chair (From 16 January 2023 to 31 March 2023)	Pension Lump Sum	1 -	n/a n/a	1,142	n/a
K Loudon Education Resources Committee Chair (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	3 -	- -	550	5,450
I McAllan Provost (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	4 -	1 -	634	6,284
C McClymont Clydesdale Area Committee Chair (From 18 May 2022 to 31 March 2023)	Pension Lump Sum	4 -	n/a n/a	3,930	n/a
L McDonald Finance and Corporate Resources Committee Chair (From 18 May 2022 to 31 March 2023)	Pension Lump Sum	1 -	n/a n/a	4,843	n/a
M McGeever Climate Change Committee Chair (From 18 May 2022 to 31 March 2023)	Pension Lump Sum	2 -	n/a n/a	4,843	n/a
D McLachlan Housing and Technical Resources Committee Chair (From 18 May 2022 to 31 March 2023)	Pension Lump Sum	7 -	n/a n/a	4,843	n/a
R Nelson Planning Committee Chair (From 18 May 2022 to 31 March 2023)	Pension Lump Sum	3 -	n/a n/a	4,843	n/a

Name and Post Title		Accrued Pension Benefits to 31 March 2023 £000	Movement in Accrued pension Benefits since 31 March 2022 £000	Pension Contribution Made by the Council 2022/23 £	Pension Contribution Made by the Council 2021/22 £
D Shearer Licensing Committee Chair	Pension Lump Sum	10 9	2 1	433	5,450
B Thomson Depute Provost (From 18 May 2022 to 31 March 2023)	Pension Lump Sum	1 -	n/a n/a	4,782	n/a
M Walker Social Work Resources Committee Chair (From 18 May 2022 to 31 March 2023)	Pension Lump Sum	3 -	n/a n/a	4,843	n/a
2021/22 senior councillors where post holders are no longer in post or are no longer a member of a pension fund		-	-	-	6,041
<b>Sub Total</b>				<b>88,914</b>	<b>75,864</b>
<b>Councillors with Joint Board Responsibilities</b>					
W Brogan Convenor Lanarkshire Valuation Joint Board (From 27 June 2022 to 31 March 2023)	Pension Lump Sum	7 2	n/a n/a	3,597	n/a
L Hamilton Depute Convenor Lanarkshire Valuation Joint Board (From 1 April 2022 to 5 May 2022)	Pension Lump Sum	5 -	1 -	430	4,264
<b>Sub Total</b>				<b>4,027</b>	<b>4,264</b>
<b>Overall Total</b>				<b>92,941</b>	<b>80,128</b>

All Senior Councillors shown in the table above are members of the Local Government Pension Scheme (LGPS). The pension figures shown relate to the benefits that the pension has accrued as a consequence of their total local government service and not just their current appointment.

The council is reimbursed by the Joint Board for the additional pension contributions paid by the council for the Depute Convenor (equivalent of Vice-Convenor) of such a Joint Board.

The following recharges were made to Joint Boards for South Lanarkshire Council Councillors holding Depute Convenor roles:

Recharge to Lanarkshire Valuation Joint Board in 2022/2023 - £788 (2021/2022 - £671)

### Trade Union Facility Time

In addition to the regulation governing Senior Employees and Councillors, the Trade Union (Facility Time Publication Requirements) Regulations 2017, which apply from 1 April 2017, require public sector employers to collect and publish a range of information on trade union facility time in respect of their employees who are Trade Union Representatives. The figures below cover the period 1 April 2022 to 31 March 2023 and include employees of South Lanarkshire Council, South Lanarkshire Leisure and Culture, SEEMIS and Lanarkshire Valuation Joint Board.

### Relevant Trade Union Officials

Number of employees who were relevant union officials during the relevant period	190
FTE Employee Number	171.51

### Percentage of Time Spent on Facility Time

% Time	Number of Representatives
0%	51
1% - 50%	132
51% - 99%	3
100%	4

### Percentage of Pay Bill Spent on Facility Time

Total cost of facility time	£570,756
Total pay bill	£630,257,466
Percentage of the total pay bill spent on facility time	0.09%

### Paid Trade Union Activities

Time spent on paid Trade Union activities as a percentage of total paid facility time hours	7.75%
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Councillor Joe Fagan  
Leader of the Council

Date: 27 June 2023

Cleland Sneddon  
Chief Executive

Date: 27 June 2023

## Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the council (i.e. government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the council in accordance with the CIPFA Accounting Code of Practice. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 49. The segmental analysis in the Expenditure and Funding Analysis reflects the council's management structure, as reported to the relevant Committees during the financial year.

2021/22				2022/23		
Net Expenditure Chargeable To the General Fund And HRA Balance £000	(Note 4) Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable To the General Fund And HRA Balance £000	(Note 4) Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
122,767	38,336	161,103	Community and Enterprise Resources	127,880	39,543	167,423
370,610	22,002	392,612	Education Resources	409,607	10,262	419,869
39,336	9,486	48,822	Finance and Corporate Resources	48,040	9,151	57,191
			Housing and Technical Resources			
(2,917)	376	(2,541)	- Housing Revenue Account	3,990	2,537	6,527
18,682	17,710	36,392	- Housing Other	18,958	14,663	33,621
187,288	23,817	211,105	Social Work Resources	210,458	20,094	230,552
2,313	-	2,313	Joint Board	2,151	-	2,151
3,295	863	4,158	Corporate Items	(469)	4,339	3,870
-	116	116	Corporate and Democratic Core (HRA)	-	115	115
-	-	-	Non-Distributed Costs – Non-Operational Assets (HRA)	-	-	-
<b>741,374</b>	<b>112,706</b>	<b>854,080</b>	<b>Net Cost of Services</b>	<b>820,615</b>	<b>100,704</b>	<b>921,319</b>
(745,658)	(31,093)	(776,751)	Other (Income) and Expenditure	(795,170)	(30,368)	(825,538)
<b>(4,284)</b>	<b>81,613</b>	<b>77,329</b>	<b>(Surplus) or Deficit</b>	<b>25,445</b>	<b>70,336</b>	<b>95,781</b>

General Fund	HRA	Total General Fund and HRA		General Fund	HRA	Total General Fund and HRA
(116,980)	(12,784)	(129,764)	Opening General Fund and HRA Balance	(122,424)	(16,241)	(138,665)
(1,367)	(2,917)	(4,284)	Less/plus (Surplus) or Deficit on General Fund	21,455	3,990	21,455
(4,077)	(540)	(4,617)	Transfers to/from Other Reserves	(59,814)	(610)	(60,424)
<b>(122,424)</b>	<b>(16,241)</b>	<b>(138,665)</b>	<b>Closing General Fund and HRA Balance</b>	<b>(160,783)</b>	<b>(12,861)</b>	<b>(173,644)</b>

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with the CIPFA Accounting Code of Practice, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and Movement in Reserves Statements.

2021/22				2022/23			
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000	
200,564	39,461	161,103	Community and Enterprise Resources	207,615	40,192	167,423	
443,501	50,889	392,612	Education Resources	470,521	50,652	419,869	
121,979	73,157	48,822	Finance and Corporate Resources	132,358	75,167	57,191	
			Housing and Technical Resources				
95,434	97,975	(2,541)	- Housing Revenue Account	107,058	101,531	6,527	
82,114	45,722	36,392	- Housing Other	87,463	53,842	33,621	
460,173	249,068	211,105	Social Work Resources	493,104	262,552	230,552	
2,313	-	2,313	Joint Board	2,151	0	2,151	
5,018	860	4,158	Corporate Items	12,564	8,694	3,870	
116	-	116	Corporate and Democratic Core (HRA)	115	-	115	
-	-	-	Non-Distributed Costs – Non-Operational Assets (HRA)	-	-	-	
<b>1,411,212</b>	<b>557,132</b>	<b>854,080</b>	<b>Net Cost of Services</b>	<b>1,513,949</b>	<b>592,630</b>	<b>921,319</b>	
-	2,752	(2,752)	Other Operating Expenditure (Note 9)	-	2,284	(2,284)	
66,565	(202)	66,767	Financing and Investment (Income) and Expenditure (Note 10)	62,969	4,587	58,382	
-	840,766	(840,766)	Taxation and Non-Specific Grant Income (Note 11)	-	881,636	(881,636)	
<b>1,477,777</b>	<b>1,400,448</b>	<b>77,329</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>1,576,918</b>	<b>1,481,137</b>	<b>95,781</b>	
		(113,178)	(Surplus) / Deficit on Revaluation of Fixed Assets			(64,209)	
		(365,042)	Re-measurement of the Net Defined Benefit Liability / (Asset)			(282,589)	
		<b>(478,220)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(346,798)</b>	
		<b>(400,891)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(251,016)</b>	

**Note 1** Internal recharges totalling £91.175m have been removed from the figures (2021/2022: £89.457m).

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories.

- The first category of reserves are usable reserves, that is those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the council is not able to use to provide services.

This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2022		Note	31 March 2023
£000			£000
3,666,092	Property, Plant and Equipment	20	3,748,327
3,826	Heritage Assets	21	3,826
247	Intangible Assets	21	190
1,830	Long Term Debtors		1,809
-	Other Long Term Assets (Pension)		52,761
<b>3,671,995</b>	<b>Non Current Assets</b>		<b>3,806,913</b>
25,006	Short Term Investments		70,458
3,789	Inventories		4,317
92,714	Short Term Debtors	23	79,587
213	Assets Held for Sale	21	3,408
91,476	Cash and Cash Equivalents (see cash flow notes)		65,890
<b>213,198</b>	<b>Current Assets</b>		<b>223,660</b>
(52,459)	Short Term Borrowing	32	(31,111)
(190,713)	Short Term Creditors	25	(213,948)
-	Contract Liability – IFRS15	7	-
(7,157)	Other Short Term Liabilities (PPP / Finance Leases)	28	(7,098)
(2,109)	Provisions	26	(2,353)
(6,403)	Receipts in Advance	27	(1,320)
<b>(258,841)</b>	<b>Current Liabilities</b>		<b>(255,830)</b>
(611)	Long Term Provisions	26	(598)
(949,602)	Long Term Borrowing	32	(1,014,532)
(179,133)	Other Long Term Liabilities (PPP / Finance Lease)	28	(172,036)
(160,445)	Other Long Term Liabilities (Pension)	30	-
<b>(1,289,791)</b>	<b>Long Term Liabilities</b>		<b>(1,187,166)</b>
<b>2,336,561</b>	<b>Net Assets</b>		<b>2,587,577</b>
152,186	Usable Reserves		187,441
2,184,375	Unusable Reserves		2,400,136
<b>2,336,561</b>	<b>Total Reserves</b>		<b>2,587,577</b>

The notes on pages 55 to 108 form part of the financial statements. The unaudited accounts were authorised for issue on 27 June 2023.

Paul Manning  
Executive Director (Finance and Corporate Resources)

27 June 2023

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £000	Housing Revenue Account £000	Revenue Statutory Fund Repairs and Renewals Fund £000	Revenue Statutory Fund Insurance Fund £000	Capital Statutory Fund £000	Capital Receipts Reserve £000	Total Usable Reserves £000	(Note 13) Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 1 April 2022</b>	<b>122,424</b>	<b>16,241</b>	<b>6,496</b>	<b>1,295</b>	<b>4,115</b>	<b>1,615</b>	<b>152,186</b>	<b>2,184,375</b>	<b>2,336,561</b>
<b><u>Movement in reserves during 2022/23</u></b>									
<b>Total Comprehensive Expenditure and Income</b>	<b>(96,087)</b>	<b>306</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(95,781)</b>	<b>346,797</b>	<b>251,016</b>
Adjustments to usable reserves permitted by accounting standards (note 8)	13,161	18,499	-	-	-	-	31,660	(31,660)	-
Adjustments between accounting basis and funding basis under regulations (note 8)	61,471	(22,795)	-	-	-	967	39,643	(39,643)	-
<b>Net Increase / (Decrease) before Transfers to Reserves</b>	<b>(21,455)</b>	<b>(3,990)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>967</b>	<b>(24,478)</b>	<b>275,494</b>	<b>251,016</b>
Transfers to/ (from) Reserves	59,814	610	1,114	116	661	(2,582)	59,733	(59,733)	-
<b>Increase / (Decrease) in Year</b>	<b>38,359</b>	<b>(3,380)</b>	<b>1,114</b>	<b>116</b>	<b>661</b>	<b>(1,615)</b>	<b>35,255</b>	<b>215,761</b>	<b>251,016</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>160,783</b>	<b>12,861</b>	<b>7,610</b>	<b>1,411</b>	<b>4,776</b>	<b>-</b>	<b>187,441</b>	<b>2,400,136</b>	<b>2,587,577</b>

	General Fund Balance £000	Housing Revenue Account £000	Revenue Statutory Fund Repairs and Renewals Fund £000	Revenue Statutory Fund Insurance Fund £000	Capital Statutory Fund £000	Capital Receipts Reserve £000	Total Usable Reserves £000	(Note 13) Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 1 April 2021</b>	<b>116,980</b>	<b>12,784</b>	<b>7,484</b>	<b>2,304</b>	<b>4,334</b>	<b>1,934</b>	<b>145,820</b>	<b>1,789,850</b>	<b>1,935,670</b>
<b><u>Movement in reserves during 2021/22</u></b>									
<b>Total Comprehensive Expenditure and Income</b>	<b>(81,564)</b>	<b>4,235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(77,329)</b>	<b>478,220</b>	<b>400,891</b>
Adjustments to usable reserves permitted by accounting standards (note 8)	12,360	18,020	-	-	-	-	<b>30,380</b>	(30,380)	-
Adjustments between accounting basis and funding basis under regulations (note 8)	70,571	(19,338)	-	-	-	2,082	<b>53,315</b>	(53,315)	-
<b>Net Increase / (Decrease) before Transfers to Reserves</b>	<b>1,367</b>	<b>2,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,082</b>	<b>6,366</b>	<b>394,525</b>	<b>400,891</b>
Transfers to/ (from) Reserves	4,077	540	(988)	(1,009)	(219)	(2,401)	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>5,444</b>	<b>3,457</b>	<b>(988)</b>	<b>(1,009)</b>	<b>(219)</b>	<b>(319)</b>	<b>6,366</b>	<b>394,525</b>	<b>400,891</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>122,424</b>	<b>16,241</b>	<b>6,496</b>	<b>1,295</b>	<b>4,115</b>	<b>1,615</b>	<b>152,186</b>	<b>2,184,375</b>	<b>2,336,561</b>



## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the council. Further analysis of movements is provided in the cash flow notes following the statement.

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
(77,329)	Net surplus / (deficit) on the provision of services	(95,781)
181,830	Adjust net surplus / deficit on the provision of services for non cash movements	197,355
(63,443)	Adjust for items included in the net surplus / deficit on the provision of services that are investing and financing activities	(64,265)
<b>41,058</b>	<b>Net cash flows from Operating Activities</b>	<b>37,309</b>
(39,809)	Investing Activities	(98,554)
(19,507)	Financing Activities	35,659
(18,258)	Net increase / (decrease) in cash and cash equivalents	(25,586)
109,734	Cash and cash equivalents at the beginning of the reporting period	91,476
<b>91,476</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>65,890</b>

## Cash Flow Statement Note – Non-Cash Movements

The balance of non-cash movements is made up of the following elements:

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
101,361	Depreciation, impairment and amortisation of assets	95,794
16,882	Movement in creditors	16,869
(19,684)	Movement in debtors	9,126
(9)	Movement in inventories	(528)
82,414	Movement in pension liability	69,383
866	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	6,711
-	Other non cash items charged to the net surplus / deficit on the provision of services	
<b>181,830</b>	<b>Net cash flows from the provision of services for non cash movements</b>	<b>197,355</b>

## Cash Flow Statement Note – Operating Activities – Items Included in Net Surplus / (Deficit) on the Provision of Services That are Investing and Financing Activities

The cash flows for these activities include the following items:

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
(59,825)	Capital grants and contributions	(55,271)
(3,618)	Capital receipts applied	(8,994)
<b>(63,443)</b>	<b>Net cash flows from items included in the net surplus / (deficit) on the provision of services that are investing and financing activities</b>	<b>(64,265)</b>

## Cash Flow Statement Note – Investing Activities

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
(133,644)	Purchase of property, plant and equipment and intangible assets	(123,668)
(84,000)	Purchase of short term investments	(274,050)
3,618	Proceeds from the sale of property, plant and equipment and intangible assets	8,994
107,000	Proceeds from short term investments	229,050
67,217	Other receipts from investing activities	61,120
<b>(39,809)</b>	<b>Net cash flows from investing activities</b>	<b>(98,554)</b>

## Cash Flow Statement Note – Financing Activities

<b>2021/22 £000</b>		<b>2022/23 £000</b>
28,900	Cash receipts of short term and long term borrowing	86,700
(7,453)	Cash payments for the reduction of the outstanding liabilities relating to finance leases for PPP contracts	(7,157)
(40,954)	Repayments of short term and long term borrowing	(43,884)
<b>(19,507)</b>	<b>Net cash flows from financing activities</b>	<b>35,659</b>

## Cash Flow Statement Note – Cash and Cash Equivalents

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
97	Cash held by officers	103
4,297	Bank current accounts	(25,172)
87,082	Short term deposits	90,959
<b>91,476</b>	<b>Total cash and cash equivalents</b>	<b>65,890</b>

The credit figures shown against Bank Accounts in 2023 relate to balances in the financial ledger. This is due to timing differences in posting transactions in the ledger. Actual balances held at bank are not in an overdraft position.

## Notes to the Financial Statements

### Note 1 Accounting Standards Issued but Not Adopted

The Accounting Code of Practice requires the council to disclose information relating to the impact of an accounting change that is required by a new standard that has been issued but not yet adopted.

For this disclosure, the standards introduced by the 2023/2024 Code, which are required to be applied by 1 April 2023, and will be adopted by the council on 1 April 2023:

- Definition of Accounting Estimates (amendments to IAS 8). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- Disclosure of Accounting Policies (amendment to IAS 1) This requires organisations to disclose their material accounting policy information rather than their significant accounting policies.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The main change is an exemption from the initial recognition exemption.

The amendments are effective for annual periods beginning on or after 1 January 2023 and there is therefore no impact on the 2022/23 financial statements.

- The implementation of IFRS 16 for Lease Accounting which should have been adopted with effect from 1 April 2022 has now been deferred until 1 April 2024 with local government bodies having the option to adopt earlier if they decide to do so. This standard replaces IAS 17 and removes the operating classification for leases, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts. With the new standard all leases will be considered finance leases unless they meet the specific exception criteria. The council has opted to defer implementation until 1 April 2024

Adoption of the standards by the council on 1 April 2023 is not expected to have any impact on the financial statements.

### Note 2 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Financial Statements contain estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability – Actuarial Assumptions	Estimation of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Strathclyde Pension Fund, to provide the council with expert advice about the assumptions to be applied. Following decisions in relation to Age Discrimination and Guaranteed Minimum Pensions, the Actuary has included the estimated impact of these in the reported pension liability figure. However, the actual impact is influenced by a number of factors and therefore the actual impact could vary from the impact currently estimated and included in the liability.	The effects on the pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £37.168m.  However, the assumptions interact in complex ways. During 2022/2023, the council's actuaries advised that the net pension liability had increased by £248.896m as a result of the return on fixed assets and estimates being corrected through experience and had decreased by £1,157.157m attributable to the updating of the demographic and financial assumptions.  It is acknowledged that for 2022/2023, the Liability is far outweighed by the Asset.
Property, Plant and Equipment – Valuation	The Council's assets are valued on a rolling programme over a maximum of 5 years. The valuation assumptions are ascertained by the professional valuers used by the Council.  Given the current financial climate and the changes in the economy experienced across the past 5 years, the Council's valuers have considered the	If the actual results differ from the assumptions, the value of the asset could be affected.  The value of the assets subject to revaluation over the rolling programme is £3,532.231m. During 2022/2023 the assets that were revalued are now held on the Balance Sheet at a total value of £1,841.633m.

Item	Uncertainties	Effect if actual results differ from assumptions
	potential uncertainty regarding the valuation of assets. Their work has concluded that the valuations are not subject to 'material valuation uncertainty' due to the current economic climate as at the valuation date.	<p>The impact of a 1% change in these valuations would change the value of the assets held on the Balance Sheet by £18.416m, resulting in an increase or decrease to the Revaluation Reserve or change to Net Cost of Services. Any change would also impact on depreciation charged to the Net Cost of Services.</p> <p>Due to statutory mitigation, there would be no impact on the council's usable reserves.</p>
Property, Plant and Equipment – Useful Life	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The Council has a programme of repairs and maintenance on its assets. Any decision to reduce spend in this area could affect the useful lives of assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls, it is estimated that the annual depreciation charge would increase and the carrying value would fall by £10.821m for each year that useful lives were reduced.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

### Note 3 Material Items of Expenditure and Income

Where material items of expenditure and income are not disclosed on the face of the Comprehensive Income and Expenditure Statement, or contained within other notes, the Code requires disclosure of the nature and amounts of these items. Material items of expenditure and income are detailed below:

Item	Nature	Amount £000
Housing Benefit / Discretionary Housing Payment Paid	Benefit paid to support customers on low income with Housing rent costs	63,884
Housing Benefit / Discretionary Housing Benefit Received	Benefit received to support customers on low income with Housing rent costs	58,940

## Note 4 Notes to the Expenditure and Funding Analysis Statement Adjustments Between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement

2022/23				
	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	Total Adjustments between Funding and Accounting Basis £000
Community and Enterprise Resources	23,928	15,756	(141)	39,543
Education Resources	24,123	12,289	(26,150)	10,262
Finance and Corporate Resources	1,927	6,827	397	9,151
Housing and Technical Resources				
- Housing Revenue Account	7,646	2,509	(7,618)	2,437
- Housing Other	6,106	8,037	520	14,663
Social Work Resources	1,484	18,729	(119)	20,094
Joint Board	-	-	-	-
Corporate Items	-	42	4,297	4,339
Corporate and Democratic Core (HRA)	-	-	115	115
Non-Distributed Costs – Non-Operational Assets (HRA)	-	-	-	-
<b>Net Cost of Services</b>	<b>65,214</b>	<b>64,189</b>	<b>(28,699)</b>	<b>100,704</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(61,250)	5,194	25,688	(30,368)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>3,964</b>	<b>69,383</b>	<b>(3,011)</b>	<b>70,336</b>

2021/22				
	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	Total Adjustments between Funding and Accounting Basis £000
Community and Enterprise Resources	21,217	17,782	(663)	38,336
Education Resources	32,205	13,497	(23,700)	22,002
Finance and Corporate Resources	2,276	7,370	(160)	9,486
Housing and Technical Resources				
- Housing Revenue Account	9,136	2,941	(11,701)	376
- Housing Other	6,775	9,205	1,730	17,710
Social Work Resources	3,307	21,612	(1,102)	23,817
Joint Board	-	-	-	-
Corporate Items	-	421	442	863
Corporate and Democratic Core (HRA)	-	-	116	116
Non-Distributed Costs – Non-Operational Assets (HRA)	-	-	-	-
<b>Net Cost of Services</b>	<b>74,916</b>	<b>72,828</b>	<b>(35,038)</b>	<b>112,706</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(67,340)	9,586	26,661	(31,093)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>7,576</b>	<b>82,414</b>	<b>(8,377)</b>	<b>81,613</b>

#### Note a – Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure – the statutory charges for capital financing and other contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those that are receivable in the year, to those that are receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

#### Note b – Net Change for the Pensions Adjustment

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For Services this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

#### Note c – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable /receivable to be recognised under statute:

- For Services, this represents the accrual made for the cost of holiday leave entitlements earned by employees but not taken before the year end which employees can carry into the next financial year. These require to be included in the Net Cost of Services under generally accepted accounting practices, however, are not chargeable to the General Fund.
- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

#### Note 5 Reconciliation of Adjustments Between Funding and Accounting Basis Shown in the Expenditure and Funding Analysis (EFA) to Those Shown In the Movement in Reserves Statement (MIRS)

2021/22 £000		2022/23 £000
81,613	Adjustments between Funding and Accounting Basis as per EFA	70,336
3,618	Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve (Note 8)	8,994
(1,536)	Use of Capital Receipts Reserve to finance capital expenditure (Note 8)	(8,027)
<b>83,695</b>	<b>Adjustments between Funding and Accounting Basis as per MIRS</b>	<b>71,303</b>

## Note 6 Expenditure and Income Analysed by Nature

The council's expenditure and income is analysed as follows:

	Community and Enterprise £000	Education £000	Finance and Corporate £000	Housing Revenue Account £000	Housing and Technical £000	Social Work £000	Joint Boards £000	Corporate Items £000	Other Non- Resource Lines £000	2022/23 Total £000	2021/22 Total £000
<b>Expenditure</b>											
Employee Benefits Expenses	107,577	336,956	44,923	12,193	53,963	125,494	-	(4,680)	-	676,426	651,940
Other Services Expenditure	76,109	109,442	85,509	57,638	27,394	366,125	2,151	17,244	115	741,727	657,911
Support Services Recharges	-	-	-	-	-	-	-	-	-	-	-
Depreciation, Amortisation, Impairment	23,929	24,123	1,926	38,227	6,106	1,485	-	-	-	95,796	101,361
Interest Payment	-	-	-	-	-	-	-	-	59,710	59,710	56,802
Pension Net Interest Expense	-	-	-	-	-	-	-	-	5,193	5,193	9,586
Impairment on Financial Instruments	-	-	-	-	-	-	-	-	(1,934)	(1,934)	177
Loss on the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>207,615</b>	<b>470,521</b>	<b>132,358</b>	<b>108,058</b>	<b>87,463</b>	<b>493,104</b>	<b>2,151</b>	<b>12,564</b>	<b>63,084</b>	<b>1,576,918</b>	<b>1,477,777</b>
<b>Income</b>											
Fees and Charges and Other Service Income	37,205	35,569	3,394	101,531	51,335	195,520	-	8,694	-	433,248	357,621
Interest and Investment Income	-	-	-	-	-	-	-	-	4,814	4,814	132
Impairment on Financial Instruments	-	-	-	-	-	-	-	-	(227)	(227)	(334)
Gain on the Disposal of Assets	-	-	-	-	-	-	-	-	2,284	2,284	2,752
Income from Council Tax	-	-	-	-	-	-	-	-	148,958	148,958	143,472
Government Grants and Contributions	2,987	15,083	71,773	-	2,507	67,032	-	-	732,678	892,060	896,805
<b>Total Income</b>	<b>40,192</b>	<b>50,652</b>	<b>75,167</b>	<b>101,531</b>	<b>53,842</b>	<b>262,552</b>	<b>-</b>	<b>8,694</b>	<b>888,507</b>	<b>1,481,137</b>	<b>1,400,448</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>167,423</b>	<b>419,869</b>	<b>57,191</b>	<b>6,527</b>	<b>33,621</b>	<b>230,552</b>	<b>2,151</b>	<b>3,870</b>	<b>(825,423)</b>	<b>95,781</b>	<b>77,329</b>

## Note 7 Revenue from Contracts with Service Recipients

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients.

2021/22 £000		2022/23 £000
42,373	Revenue from contracts with service recipients	44,877
-	Impairment of receivables or contract assets	-
<b>42,373</b>	<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>44,877</b>

Amounts included in Balance Sheet for contracts with service recipients.

2021/22 £000		2022/23 £000
-	Receivables which are included in debtors (note 23)	-
-	Contract Assets	-
-	Contract Liabilities	-
-	<b>Total Included in Net Assets</b>	-

Specific changes in the contract assets and the contract liabilities balances during the period are as follows:

2021/22 Contract Asset £000	2021/22 Contract Liability £000		2022/23 Contract Asset £000	2022/23 Contract Liability £000
-	-	Contract assets and liabilities at the beginning of the year	-	-
-	-	Increases / decreases due to cash received (paid)	-	-
-	-	<b>Transfers from contract assets / (liabilities) recognised at the beginning of the period to receivables (payables)</b>	-	-
-	-	Changes as a result of changes in the measure of progress	-	-
-	-	<b>Contract assets and liabilities at the end of the year</b>	-	-

## Note 8 Adjustments Permitted Under Accounting Standards and Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

### General Fund

The General Fund is the statutory fund into which all the receipts of the council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

### Housing Revenue Account

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority housing in accordance with the Local Government and Housing (Scotland) Act 1987. It contains the balance of income and expenditure as defined by the 1987 Act that is available to fund future expenditure in connection with the council's landlord function.

### Repairs and Renewals Fund

The Repairs and Renewals Fund comprises a combination of balances brought forward from previous years adjusted for any utilisation of funds and contributions to the Fund in year. The funds will be used to deal with repairing or renewing council assets.



**Insurance Fund**

The Insurance Fund is held as a provision against unpaid claims. Council Services contribute to the Fund which meets the cost of property damage, public liability, employee liability, vehicle fleet and other claims. The council holds insurance cover to meet any large claims, the premium for which is charged to the Fund. Actuarial reviews are undertaken on a regular basis. The last full review took place during 2021.

**Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

<b>Usable Reserves</b>							
<b>2022/23</b>							
	<b>General Fund Balance £000</b>	<b>Housing Revenue Account £000</b>	<b>Repairs And Renewals Fund £000</b>	<b>Insurance Fund £000</b>	<b>Capital Statutory Funds £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Total £000</b>
<b>Adjustments to Usable Reserves Permitted by Accounting Standards</b>							
Adjustment for the Revaluation Element of Depreciation	13,161	18,499	-	-	-	-	31,660
<b>Total Adjustments to Usable Reserves Permitted by Accounting Standards</b>	<b>13,161</b>	<b>18,499</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,660</b>
<b>Statutory Adjustments (Between Accounting and Funding Basis)</b>							
<b>Adjustments to Revenue Resources</b>							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
▪ Pensions Costs transferred to (or from) the Pensions Reserve	66,678	2,705	-	-	-	-	69,383
▪ Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(276)	(84)	-	-	-	-	(360)
▪ Holiday Pay (transferred to (or from) the Accumulated Absences Reserve)	(130)	3	-	-	-	-	(127)
▪ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	42,620	20,872	-	-	-	-	63,492
<b>Total Adjustments to Revenue Resources</b>	<b>108,892</b>	<b>23,496</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,388</b>
<b>Adjustments between Revenue and Capital Resources</b>							
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	(967)	(8,027)	-	-	-	8,994	-
Statutory Provision for the repayment of debt (transfer from Capital Adjustment Account)	(2,524)	-	-	-	-	-	(2,524)
Capital expenditure financed from revenue balances (transfer to Capital Adjustment Account)	(874)	(26,050)	-	-	-	-	(26,924)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(4,365)</b>	<b>(34,077)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,994</b>	<b>(29,448)</b>
<b>Adjustments to Capital Resources</b>							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	(8,027)	(8,027)
Application of capital grants to finance capital expenditure	(43,056)	(12,214)	-	-	-	-	(55,270)
<b>Total Adjustments to Capital Resources</b>	<b>(43,056)</b>	<b>(12,214)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,027)</b>	<b>(63,297)</b>
<b>Total Statutory Adjustments (Between Accounting and Funding Basis)</b>	<b>61,471</b>	<b>(22,795)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>967</b>	<b>39,643</b>
Total Adjustments to Usable Reserves Permitted by Accounting Standards	13,161	18,499	-	-	-	-	31,660
Total Statutory Adjustments (Between Accounting and Funding Basis)	61,471	(22,795)	-	-	-	967	39,643
Total Comprehensive Expenditure and Income	(96,087)	306	-	-	-	-	(95,781)
<b>Net Increase / (Decrease) before transfers to / (from) Reserves</b>	<b>(21,455)</b>	<b>(3,990)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>967</b>	<b>(24,478)</b>
Transfers to / (from) Reserves	51,814	610	1,114	116	661	(2,582)	57,733
<b>Increase / (Decrease) in Year</b>	<b>38,359</b>	<b>(3,380)</b>	<b>1,114</b>	<b>116</b>	<b>661</b>	<b>(1,615)</b>	<b>35,255</b>

<b>Usable Reserves</b>							
<b>2021/22</b>	<b>General Fund Balance £000</b>	<b>Housing Revenue Account £000</b>	<b>Repairs And Renewals Fund £000</b>	<b>Insurance Fund £000</b>	<b>Capital Statutory Funds £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Total £000</b>
<b>Adjustments to Usable Reserves Permitted by Accounting Standards</b>							
Adjustment for the Revaluation Element of Depreciation	12,360	18,020	-	-	-	-	30,380
<b>Total Adjustments to Usable Reserves Permitted by Accounting Standards</b>	<b>12,360</b>	<b>18,020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,380</b>
<b>Statutory Adjustments (Between Accounting and Funding Basis)</b>							
<b>Adjustments to Revenue Resources</b>							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
▪ Pensions Costs transferred to (or from) the Pensions Reserve	79,100	3,314	-	-	-	-	82,414
▪ Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(279)	(81)	-	-	-	-	(360)
▪ Holiday Pay (transferred to (or from) the Accumulated Absences Reserve)	(458)	(107)	-	-	-	-	(565)
▪ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	46,833	17,561	-	-	-	-	64,394
<b>Total Adjustments to Revenue Resources</b>	<b>125,196</b>	<b>20,687</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,883</b>
<b>Adjustments between Revenue and Capital Resources</b>							
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	(2,082)	(1,536)	-	-	-	3,618	-
Retrospective Benefit from applying the revised guidance on Service Concessions	-	-	-	-	-	-	-
Statutory Provision for the repayment of debt (transfer from Capital Adjustment Account)	(2,401)	(6,808)	-	-	-	-	(9,209)
Capital expenditure financed from revenue balances (transfer to Capital Adjustment Account)	(2,361)	(19,637)	-	-	-	-	(21,998)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(6,844)</b>	<b>(27,981)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,618</b>	<b>(31,207)</b>
<b>Adjustments to Capital Resources</b>							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	(1,536)	(1,536)
Application of capital grants to finance capital expenditure	(47,781)	(12,044)	-	-	-	-	(59,825)
<b>Total Adjustments to Capital Resources</b>	<b>(47,781)</b>	<b>(12,044)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,536)</b>	<b>(61,361)</b>
<b>Total Statutory Adjustments (Between Accounting and Funding Basis)</b>	<b>70,571</b>	<b>(19,338)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,082</b>	<b>53,315</b>
Total Adjustments to Usable Reserves Permitted by Accounting Standards	12,360	18,020	-	-	-	-	30,380
Total Statutory Adjustments (Between Accounting and Funding Basis)	70,571	(19,338)	-	-	-	2,082	53,315
Total Comprehensive Expenditure and Income	(81,564)	4,235	-	-	-	-	(77,329)
<b>Net Increase / (Decrease) before transfers to / (from) Reserves</b>	<b>1,367</b>	<b>2,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,082</b>	<b>6,366</b>
Transfers to / (from) Reserves	4,077	540	(988)	(1,009)	(219)	(2,401)	-
<b>Increase / (Decrease) in Year</b>	<b>5,444</b>	<b>3,457</b>	<b>(988)</b>	<b>(1,009)</b>	<b>(219)</b>	<b>(319)</b>	<b>6,366</b>

**Note 9 Comprehensive Income and Expenditure Statement – Other Operating Expenditure**

<b>2021/22 £000</b>		<b>2022/23 £000</b>
(2,752)	(Gains) / losses on the disposal of non-current assets	(2,284)
<b>(2,752)</b>	<b>Total</b>	<b>(2,284)</b>

**Note 10 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

<b>2021/22 £000</b>		<b>2022/23 £000</b>
56,802	Interest payable and similar charges	59,710
9,586	Pensions interest cost and expected return on pensions assets	5,193
(132)	Interest receivable and similar income	(4,814)
511	Impairment on Financial Instruments	(1,707)
<b>66,767</b>	<b>Total</b>	<b>58,382</b>

**Note 11 Comprehensive Income and Expenditure Statement – Taxation and Non-Specific Grant Income**

<b>2021/22 £000</b>		<b>2022/23 £000</b>
(143,472)	Council Tax income	(148,958)
(319,312)	National Non-Domestic Rates	(422,591)
(318,157)	Non-ringfenced Government grants	(254,817)
(59,825)	Capital grants and contributions	(55,270)
<b>(840,766)</b>	<b>Total</b>	<b>(881,636)</b>

## Note 12 Movements in Usable Reserves

This note sets out the movements in the Usable Reserves including amounts set aside in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2022/2023.

	2021/22 Opening Balance 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	2021/22 Closing Balance 31 March 2022 £000	2022/23 Opening Balance 1 April 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	2022/23 Closing Balance 31 March 2023 £000
Future Budget Strategies – allocated to specific years	20,306	(9,109)	22,474	33,671	33,671	(36,281)	97,716	95,106
Investments (Multi Year)	-	-	5,884	5,884	5,884	(2,931)	946	3,899
Developing Scotland's Young Workforce (Specific funding)	398	(90)	-	308	308	-	-	308
Early Years (Multi-year)	11,116	(66)	3,415	14,465	14,465	(2,948)	-	11,517
Children and Young People Act inc. Getting It Right for Every Child (Multi-year)	2,163	(1,479)	-	684	684	(7)	-	677
Pupil Equity Fund (Specific funding)	2,326	(2,326)	2,590	2,590	2,590	(2,590)	905	905
Discretionary Housing Payments	-	-	-	-	-	-	115	115
Warm Welcome Initiative	-	-	-	-	-	-	299	299
Alternative Fuel Payments	-	-	-	-	-	-	191	191
Energy Bill Support Scheme	-	-	-	-	-	-	1,055	1,055
Wellbeing Day	-	-	-	-	-	-	600	600
Multi Year Projects	4,072	(214)	760	4,618	4,618	(1,111)	-	3,507
Schools (Multi-year)	2,094	(739)	1,223	2,578	2,578	(1,223)	-	1,355
Scheme of Assistance	344	-	398	742	742	-	-	742
Property Masterplan	236	(27)	-	209	209	(3)	-	206
Community and Enterprise Resources including Public Health and Local Plan	710	(305)	676	1,081	1,081	-	-	1,081
Social Work and Bequest	21	-	-	21	21	-	-	21
Temporary Homelessness / Community Safety (Specific funding)	2,536	(598)	-	1,938	1,938	(363)	-	1,575
Scottish Welfare Fund	129	(129)	-	-	-	-	145	145
Prevent Grant (Specific funding)	9	-	-	9	9	-	-	9
New Initiatives (Multi-year)	914	(2)	-	912	912	-	-	912
Sanitary Products Funding	339	-	-	339	339	-	-	339
Counselling in Schools	1,256	-	-	1,256	1,256	-	-	1,256
Additional Support for Learning	1,289	(100)	-	1,189	1,189	-	-	1,189
Grants to Voluntary Organisations - Area Grants c/f	60	-	63	123	123	-	84	207
National Trauma Training Programme	-	-	50	50	50	(38)	-	12
Children and Families - Residential Care	762	(762)	2,051	2,051	2,051	(2,051)	5,635	5,635
Lanarkshire Valuation Joint Board - Scottish Government funding	277	(159)	-	118	118	-	-	118
Child Disability Support	-	-	83	83	83	-	-	83
Whole Family Wellbeing	-	-	187	187	187	(58)	-	129
Telecare Fire and Safety	-	-	59	59	59	-	-	59
Local Heat and Energy Efficient Strategies	-	-	-	-	-	-	75	75
COVID-19 Funding (inc. LACER)	32,390	(26,185)	23,856	30,061	30,061	-	(18,403)	11,658
Scottish Government – 2021/2022 General Revenue Grant Adjustment	155	(155)	-	-	-	-	-	-
<b>Total Earmarked General Fund</b>	<b>83,902</b>	<b>(42,445)</b>	<b>63,769</b>	<b>105,226</b>	<b>105,226</b>	<b>(68,007)</b>	<b>107,766</b>	<b>144,985</b>

	2021/22 Opening Balance 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	2021/22 Closing Balance 31 March 2022 £000	2022/23 Opening Balance 1 April 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	2022/23 Closing Balance 31 March 2023 £000
<b>Uncommitted General Fund</b>								
Funding for Future Strategies	20,035	(15,880)	-	4,155	4,155	(1,400)	-	2,755
Uncommitted General Fund	13,043	-	-	13,043	13,043	-	-	13,043
<b>Total Uncommitted General Fund</b>	<b>33,078</b>	<b>(15,880)</b>	<b>-</b>	<b>17,198</b>	<b>17,198</b>	<b>(1,400)</b>	<b>-</b>	<b>15,798</b>
<b>Total General Fund</b>	<b>116,980</b>	<b>(58,325)</b>	<b>63,769</b>	<b>122,424</b>	<b>122,424</b>	<b>(69,407)</b>	<b>107,766</b>	<b>160,783</b>
<b>Repairs and Renewals</b>								
Crematorium Sinking Fund and Shelter	307	-	25	332	332	(141)	50	241
Fleet Sinking Fund	173	-	40	213	213	-	40	253
Waste	1,435	-	302	1,737	1,737	-	1,290	3,027
Committee Room Audio Visual Upgrade	150	(11)	-	139	139	(139)	-	-
Repairs and Restorations (Various Projects)	3,339	(172)	504	3,671	3,671	(136)	150	3,685
Winter Maintenance	2,080	(1,676)	-	404	404	-	-	404
<b>Total Repairs and Renewals</b>	<b>7,484</b>	<b>(1,859)</b>	<b>871</b>	<b>6,496</b>	<b>6,496</b>	<b>(416)</b>	<b>1,530</b>	<b>7,610</b>
<b>Capital Fund</b>								
Capital Fund	-	-	-	-	-	-	-	-
Education Capital Items Replacement Fund	1,728	-	572	2,300	2,300	-	406	2,706
Adoptions	278	-	1	279	279	-	-	279
IT Development Fund / Digital Transformation	1,842	(565)	92	1,369	1,369	(68)	-	1,301
Central Energy Efficiency Fund	486	(541)	222	167	167	(282)	605	490
<b>Total Capital Fund</b>	<b>4,334</b>	<b>(1,106)</b>	<b>887</b>	<b>4,115</b>	<b>4,115</b>	<b>(350)</b>	<b>1,011</b>	<b>4,776</b>
<b>Total Usable Capital Receipts</b>	<b>1,934</b>	<b>(3,937)</b>	<b>3,618</b>	<b>1,615</b>	<b>1,615</b>	<b>(2,582)</b>	<b>967</b>	<b>-</b>
<b>Total Insurance Fund</b>	<b>2,304</b>	<b>(1,015)</b>	<b>6</b>	<b>1,295</b>	<b>1,295</b>	<b>-</b>	<b>116</b>	<b>1,411</b>
<b>Total Housing Revenue Account</b>	<b>12,784</b>	<b>-</b>	<b>3,457</b>	<b>16,241</b>	<b>16,241</b>	<b>(3,990)</b>	<b>610</b>	<b>12,861</b>
<b>Total Usable Reserves</b>	<b>145,820</b>	<b>(66,242)</b>	<b>72,608</b>	<b>152,186</b>	<b>152,186</b>	<b>(76,745)</b>	<b>112,000</b>	<b>187,441</b>

### **Note 13    Balance Sheet – Unusable Reserves**

Unusable Reserves are those that the council is not able to utilise to provide services. These reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the council.

The two reserves arising from the system of capital accounting are the Revaluation Reserve and the Capital Adjustment Account. The former represents the gains on revaluation of fixed assets not yet realised through sales and the latter relates to amounts set aside from capital resources to meet past expenditure.

The reserve arising from accounting for financial instruments is the Financial Instruments Adjustment Account. This is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the council.

The Pensions Reserve arises from IAS19 Accounting Disclosures for Retirement Benefits and recognises the council's share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the council's share of the Pension Fund liability chargeable to the CIES.

The Accumulated Absences Reserve arises from IAS19 accounting disclosures for Short Term Accumulated Benefits and recognises the council's liability for compensated absences (annual leave) earned by staff but not taken in the year. The Statutory Arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Reserve.

<b>Unusable Reserves</b>						
<b>2022/23</b>	Revaluation Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Pension Reserve £000	Accumulating Compensated Absences Adjustment Account £000	Total £000
<b>Opening Balance</b>	<b>1,362,958</b>	<b>1,009,130</b>	<b>(4,571)</b>	<b>(160,445)</b>	<b>(22,697)</b>	<b>2,184,375</b>
Movement in Year	32,523	(30,455)	360	213,206	127	215,761
<b>Closing Balance</b>	<b>1,394,433</b>	<b>979,724</b>	<b>(4,211)</b>	<b>52,761</b>	<b>(22,570)</b>	<b>2,400,137</b>
Other Comprehensive Income and Expenditure	64,209	-	-	282,589	-	346,798
<b>Adjustments to Usable Reserves Permitted by Accounting Standards</b>						
Difference Between Fair Value and Historic Cost Depreciation	(31,660)	-	-	-	-	(31,660)
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulation</b>						
Charges for Depreciation and Impairment of Non-Current Assets	-	(66,021)	-	-	-	(66,021)
Revaluation Gains / Losses on Property, Plant and Equipment	-	1,962	-	-	-	1,962
Amortisation of Intangible Assets	-	(75)	-	-	-	(75)
Non-Current Assets Written Off on Disposal or Sale	-	(6,637)	-	-	-	(6,637)
Accumulated Gains on Assets Sold or Scrapped	(73)	-	-	-	-	(73)
Use of Capital Receipts Reserve to Finance New Capital Expenditure	-	8,027	-	-	-	8,027
Capital Grants and Contributions	-	55,270	-	-	-	55,270
Statutory Charge for the Repayment of Debt	-	7,352	-	-	-	7,352
Statutory Provision for Financing of Capital Investment	-	2,524	-	-	-	2,524
Capital Expenditure Charged Against the General Fund and HRA Balance	-	26,924	-	-	-	26,924
Retrospective Benefit from applying revised Service Concession Guidance	-	(59,733)	-	-	-	(59,733)
Transfer Between Revaluation Reserve and Capital Adjustment Account	48	(48)	-	-	-	-
Premiums to be Charged Against the General Fund and HRA Balance	-	-	360	-	-	360
Reversal of Items Relating to Retirement Benefits	-	-	-	(130,940)	-	(130,940)
Employer's Pension Contribution Payable in Year	-	-	-	61,557	-	61,557
Amounts Accrued at the End of the Financial Year	-	-	-	-	127	127
<b>Total Movement in Year</b>	<b>32,523</b>	<b>(30,455)</b>	<b>360</b>	<b>213,206</b>	<b>127</b>	<b>215,762</b>



<b>Unusable Reserves</b>						
<b>2021/22</b>	<b>Revaluation Reserve £000</b>	<b>Capital Adjustment Account £000</b>	<b>Financial Instruments Adjustment Account £000</b>	<b>Pension Reserve £000</b>	<b>Accumulating Compensated Absences Adjustment Account £000</b>	<b>Total £000</b>
<b>Opening Balance</b>	<b>1,217,136</b>	<b>1,043,980</b>	<b>(4,931)</b>	<b>(443,073)</b>	<b>(23,262)</b>	<b>1,789,850</b>
Restatement of 2020/2021 Balance**	63,379	(63,379)	-	-	-	-
<b>Revised Opening Balance</b>	<b>1,280,515</b>	<b>980,601</b>	<b>(4,931)</b>	<b>(443,073)</b>	<b>(23,262)</b>	<b>1,789,850</b>
Movement in Year	82,443	28,529	360	282,628	565	394,525
<b>Closing Balance</b>	<b>1,362,958</b>	<b>1,009,130</b>	<b>(4,571)</b>	<b>(160,445)</b>	<b>(22,697)</b>	<b>2,184,375</b>
Other Comprehensive Income and Expenditure	113,178	-	-	365,042	-	478,220
<b>Adjustments to Usable Reserves Permitted by Accounting Standards</b>						
Difference Between Fair Value and Historic Cost Depreciation	(30,380)	-	-	-	-	(30,380)
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulation</b>						
Charges for Depreciation and Impairment of Non Current Assets	-	(63,127)	-	-	-	(63,127)
Revaluation Gains / Losses on Property, Plant and Equipment	-	(7,773)	-	-	-	(7,773)
Amortisation of Intangible Assets	-	(81)	-	-	-	(81)
Non Current Assets Written Off on Disposal or Sale	-	(511)	-	-	-	(511)
Accumulated Gains on Assets Sold or Scrapped	(355)	-	-	-	-	(355)
Use of Capital Receipts Reserve to Finance New Capital Expenditure	-	1,536	-	-	-	1,536
Capital Grants and Contributions	-	59,825	-	-	-	59,825
Statutory Charge for the Repayment of Debt	-	9,209	-	-	-	9,209
Statutory Provision for Financing of Capital Investment	-	7,453	-	-	-	7,453
Capital Expenditure Charged Against the General Fund and HRA Balance	-	21,998	-	-	-	21,998
Premiums to be Charged Against the General Fund and HRA Balance	-	-	360	-	-	360
Reversal of Items Relating to Retirement Benefits	-	-	-	(139,979)	-	(139,979)
Employer's Pension Contribution Payable in Year	-	-	-	57,565	-	57,565
Amounts Accrued at the End of the Financial Year	-	-	-	-	565	565
<b>Total Movement in Year</b>	<b>82,443</b>	<b>28,529</b>	<b>360</b>	<b>282,628</b>	<b>565</b>	<b>394,525</b>

\*\* The opening balance (as at 1 April 2021) on the Revaluation Reserve and the Capital Adjustment Account have been restated to correct an error which had arisen from the software used for accounting for non-current asset revaluation losses. The system had written off revaluation losses off in error which resulted in the Revaluation Reserve being understated by £63.379 million, and the Capital Adjustment Account being overstated by the same amount. There is no impact on the asset balances in the Balance Sheet.

## Note 14 Members Allowances

The council paid the following amounts to Members of the council during the year:

	2022/23 £	2021/22 £
Salaries	1,138,350	1,064,313
Mileage Allowance	17,563	2,756
Expenses	4,708	583
<b>Total</b>	<b>1,160,621</b>	<b>1,067,652</b>

## Note 15 External Audit Costs

The council has incurred the following external audit costs:

	2022/23 £000	2021/22 £000
Fee payable to Audit Scotland for external audit services	586	521
<b>Total</b>	<b>586</b>	<b>521</b>

The council incurred these costs in relation to the audit of the Annual Accounts, the certification of grant claims and a contribution towards Audit Scotland's national work programme. Fees payable in respect of other services provided by the appointed auditor were nil (2021/2022: nil).

## Note 16 Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

### Central Government

Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 6.

### Officers

During 2022/2023, no senior officer of the council declared an interest in any organisation outwith those controlled or significantly influenced by the council. In addition, no senior officer declared an interest of close family members in any organisations outwith those controlled or significantly influenced by the council.

During 2021/22, no senior officer of the council declared an interest in any organisation outwith those controlled or significantly influenced by the council. In addition, no senior officer declared an interest of close family members in any organisations outwith those controlled or significantly influenced by the council.

The total remuneration paid to senior officers is shown in the Remuneration Report on page 33.

### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2022/2023 is shown in Note 14. During 2022/2023, works and services to the value of £4.031 million were commissioned from companies in which 15 members had an interest (2021/2022 - £5.088 million). Contracts were entered into in full compliance with the council's standing orders. In addition, grants totalling £2.454 million were paid to voluntary organisations in which 46 members had an interest (2021/2022 - £3.253 million). The relevant members did not take part in any discussion or relating to the grants. Details of these transactions are recorded under each individual Councillor and can be found on the council's website ([Elected Members Interests](#)). As these payments relate to payments ledgered in the financial year, there are no outstanding balances to be disclosed.

The council has chosen a de minimis level of £0.100m as its threshold disclosure level for individual members interests in companies and voluntary organisations. In addition to the entities controlled or significantly influenced by the council (page 71), the council made individual payments above this threshold to the following companies and voluntary organisations in which members held an interest. These are detailed in the table overleaf.

Member	Organisation	Individual Payment exceeding £0.100m
Cllr John Anderson Cllr Carol Nugent	Clyde Gateway	4 payments totalling £0.700m in relation to the Shawfield Regeneration Route project.
Cllr Graeme Horne Cllr Susan Kerr	SEEMIS	1 payment totalling £0.347m in respect of the council's annual membership fee.
Cllr Alex Allison Cllr John Anderson Cllr Walter Brogan Cllr Maureen Chalmers Cllr Gerry Convery Cllr Margaret Cooper Cllr Maureen Devlin Cllr Joe Fagan Cllr Gladys Ferguson-Miller Cllr Lynsey Hamilton Cllr Graham Horne Cllr Eileen Logan Cllr Katy Loudon Cllr Hugh McDonald Cllr David McLaughlin Cllr Richard Nelson Cllr John Ross	COSLA	2 payments totalling £0.325m for the annual subscription to myjobscotland (£0.263m) and (£0.062m) to for the local Government Digital Office.
Cllr Allan Falconer	North Lanarkshire Council	1 payments totalling £0.114m in relation to inter authority children's placements (£0.054m) and cross boundary charges (£0.060m).

#### Receipts and Payments Between the Council and Entities Controlled or Significantly Influenced by the Council

	2022/23 Receipts £000	2022/23 Payments £000	2021/22 Receipts £000	2021/22 Payments £000
<b>Subsidiaries:</b>				
Common Good Fund	46	78	36	91
Routes to Work South	-	1,810	-	1,486
South Lanarkshire Leisure and Culture Limited	2,968	25,013	2,931	21,048
<b>Total Subsidiaries</b>	<b>3,014</b>	<b>26,901</b>	<b>2,967</b>	<b>22,625</b>
<b>Joint Ventures:</b>				
South Lanarkshire HSCP Integration Joint Board	230,654	173,108	211,798	153,085
<b>Total Joint Ventures</b>	<b>230,654</b>	<b>173,108</b>	<b>211,798</b>	<b>153,085</b>
<b>Joint Boards:</b>				
Lanarkshire Valuation Joint Board	163	2,103	166	2,265
Strathclyde Concessionary Travel Scheme Joint Committee	-	13,878	1,983	11,339
Strathclyde Partnership for Transport	-	604	-	604
<b>Total Joint Boards</b>	<b>1,827</b>	<b>16,585</b>	<b>2,149</b>	<b>14,208</b>
<b>Other Entities:</b>				
Clyde Valley Learning and Development Joint Committee	59	10	59	15
Regen FX Youth Trust	-	115	-	113
SEEMIS Group LLP	84	368	83	332
<b>Total Other Entities</b>	<b>143</b>	<b>493</b>	<b>142</b>	<b>460</b>
<b>Total</b>	<b>235,638</b>	<b>217,087</b>	<b>217,056</b>	<b>190,378</b>

The amounts due (to) / from related parties are detailed overleaf:

	2022/23 £	2021/22 £
Strathclyde Partnership for Transport	1,664	2,390
South Lanarkshire Leisure and Culture Limited	1,520	1,923
South Lanarkshire Health and Social Care Partnership	(8,863)	(7,828)

## Subsidiaries

### Common Good Fund

The Common Good Fund is for the benefit of the geographical areas of the former burghs and is administered by the council.

### Routes to Work South

Established in 1998, Routes to Work South's main activity is supporting unemployed and workless residents in South Lanarkshire into employment, training, or further education. Routes to Work South delivers services to, and is funded by, the council. South Lanarkshire Council is the sole member of Routes to Work South and is included in the council's group financial statements as a 100% subsidiary.

### South Lanarkshire Leisure and Culture Limited

South Lanarkshire Leisure and Culture Limited was established as a Charitable Trust on 1 April 2002. The Trust became South Lanarkshire Leisure and Culture Limited in October 2010, when cultural services transferred from South Lanarkshire Council. South Lanarkshire Leisure and Culture Limited provides the council with a full range of leisure and cultural activities within the South Lanarkshire area. Whilst the Trust is entirely independent of the council under law and for taxation purposes, its activities are directed by means of contractual arrangements with the council, and, in recognition of this, South Lanarkshire Leisure and Culture Limited is treated as a 100% subsidiary, and included in the council's group financial statements. From 3 April 2023, the status of South Lanarkshire Leisure and Culture Limited will change from a Charitable Trust to a Scottish Charitable Incorporated Organisation. This will have no impact on the relationship with the Council.

## Joint Ventures

### South Lanarkshire Health and Social Care Partnership Integration Joint Board

The South Lanarkshire HSCP Integration Joint Board was established on 6 October 2015 as a partnership between South Lanarkshire Council and NHS Lanarkshire and is responsible for planning and seeing the delivery of a full range of community health and social work / social care services. In the year 2021/2022, the following financial transactions were made between South Lanarkshire Council and South Lanarkshire HSCP Integration Joint Board relating to the integrated and social care functions:

	2022/23 £000	2021/22 £000
Contribution made to South Lanarkshire HSCP Integration Joint Board	173,108	153,085
Commissioning income received from South Lanarkshire HSCP Integration Joint Board	230,654	211,798
South Lanarkshire HSCP Integration Joint Board due (to)/from South Lanarkshire Council	(8,863)	(7,828)

## Joint Boards

The council is represented on a number of joint boards which are independent public bodies formed by an Act of Parliament. These bodies are Lanarkshire Valuation Joint Board, Strathclyde Concessionary Travel Scheme and Strathclyde Partnership for Transport. All local government functions that relate to these bodies have been delegated from the constituent councils that comprise the area of each board. The members of each board are elected councillors and appointed by the councils in proportions specified in the legislation.

The council has no shares, or ownership of any of these boards. Nevertheless, these boards are included within the council's group accounts as associate, as the council is represented on the board and participate in policy making processes. The council's share of each board's net assets is calculated on its percentage share of the aggregate contributions made by the constituent councils.

## Other entities

Details of all other public bodies in which the council has a significant interest are explained in the group accounts at Notes 4 to 7.

## Note 17 Leases

### Council as Lessee

#### Finance Leases

The council currently has obligations in relation to Glasgow Southern Orbital infrastructure and secondary schools. These are classed as PPP/PFI finance leases and are reported under Note 28 – Public Private Partnerships and Similar Contracts.

#### Operating Leases

The council has entered into a number of operating leases and details are provided across the asset categories of Vehicles, Property, Plant and Equipment, and Land and Buildings.

Vehicles, Plant and Equipment – the council uses vehicles, computers, photocopying equipment and items of plant financed under the terms of an operating lease. The amount paid under these arrangements in 2022/2023 was £3.316 million (2021/2022 £3.774 million).

Land and Buildings – the council leases a number of properties which have been accounted for as operating leases. The rentals payable in 2022/2023 were £2.476 million (2021/2022 were £2.726 million).

The future minimum lease payments due under non-cancellable leases in future years are:

	<b>31 March 2023 £000</b>	<b>31 March 2022 £000</b>
Not later than one year	4,445	4,962
Later than one year and not later than five years	9,934	10,421
Later than five years	34,646	36,393
<b>Total</b>	<b>49,025</b>	<b>51,776</b>

The sub lease payments receivable in future years are:

	<b>31 March 2023 £000</b>	<b>31 March 2022 £000</b>
Not later than one year	319	322
Later than one year and not later than five years	356	1,134
Later than five years	-	-
<b>Total</b>	<b>675</b>	<b>1,456</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
Minimum lease payments	5,792	6,500
Sublease payments receivable	(368)	(365)
<b>Total</b>	<b>5,424</b>	<b>6,135</b>

## Council as Lessor

### Operating Leases

The council leases out property under operating leases. The purpose of the Lease Portfolio is principally Socio Economic – by supporting the wider corporate objectives of the council as stated in the Council Plan, Connect 2017-22, through strategic influence, control, occupational use and management of lease agreements. In particular, but not exclusively, to 'support the local Economic Development by providing the right conditions for growth, improving skills and employability'.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
Not later than one year	4,473	4,903
Later than one year and not later than five years	10,043	18,820
Later than five years	95,136	111,483
<b>Total</b>	<b>109,652</b>	<b>135,206</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022/2023, no contingent rents were receivable by the council (2021/2022 – nil).

## Note 18 Grant Income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/2023:

	2022/23 £000	2021/22 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax	148,958	143,472
Non Ring Fenced Government Grants	254,817	318,157
Non Domestic Rate Redistribution	422,591	319,312
<b>Total</b>	<b>826,366</b>	<b>780,941</b>
<b>Credited to Services</b>		
Scottish Government	29,113	65,754
European Grant Funding	4,822	2,050
Skills Development Scotland	761	894
Central Government	65,055	66,715
Lottery	150	262
Creative Scotland	410	330
NHS (incl. Resource Transfer)	58,778	63,080
Other Grants	293	426
<b>Total</b>	<b>159,382</b>	<b>199,511</b>

## Note 19 Events After the Balance Sheet Date

The unaudited Annual Accounts were authorised for approval by the Executive Director (Finance and Corporate Resources) on 27 June 2023.

As noted in the Council's Management Commentary, as of the 12 June, the position in relation to the back pay on Home Carers Job Evaluation is now known. A basis has been established for back-dating to October 2020. The value of the back pay will take some time to calculate, however these costs will require to be included in the financial position for 2022/2023.

As the outcome of the back pay was only known as these Unaudited Accounts were being finalised, it has not been possible to update the figures to reflect the outcome highlighted above, however, a Contingent Liability has been included (Note 31). The financial position will be updated for the Audited version of the Accounts.

There were no other events that occurred between 1 April 2023 and the date that the unaudited Accounts were authorised for issue, that would have an impact on the financial statements.

Where events taking place before this date provided information about conditions existing at 31 March 2023, other than the Job Evaluation of Home Carers, where the value of back pay has not yet been determined, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 20 Property, Plant and Equipment

### Movements on Balances

Movements in 2022/2023:

	Council Dwellings £000	Other Land And Buildings £000	Vehicles, Plant And Equipment £000	Infrastructure Assets (Note 1) £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>									
As at 1 April 2022	1,490,806	1,844,497	51,341		3,704	10,899	35,725	3,436,972	506,916
Additions	45,841	5,636	7,538	20,158	85	(9)	36,089	115,338	612
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(22,634)	26,896	1,308	-	-	(11)	-	5,559	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-	(3,377)	(16)	-	-	(21)	(41)	(3,455)	-
De-recognition – Disposals	-	(915)	(6,007)	-	-	-	-	(6,922)	-
Assets reclassified from Held for Sale	-	(10)	-	-	-	(669)	-	(679)	-
Other movements in Cost or Valuation	17,304	23,286	151	252	(2,315)	1	(38,678)	1	-
<b>At 31 March 2023</b>	<b>1,531,317</b>	<b>1,896,013</b>	<b>54,315</b>		<b>1,474</b>	<b>10,190</b>	<b>33,095</b>	<b>3,546,814</b>	<b>507,528</b>

	<b>Council Dwellings £000</b>	<b>Other Land And Buildings £000</b>	<b>Vehicles, Plant And Equipment £000</b>	<b>Infrastructure Assets (Note 1) £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>	<b>PFI assets Included in Property, Plant and Equipment £000</b>
<b>Accumulated Depreciation and Impairment</b>	-	74,641	16,782		65	8	-	91,496	22,268
As at 1 April 2022	37,777	36,889	8,753	14,241	13	9	-	97,682	9,413
Depreciation Charge	(37,777)	(20,873)	-	-	-	-	-	(58,650)	-
Depreciation written out to the Revaluation Reserve	-	(5,407)	(11)	-	-	-	-	(5,418)	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Deficit on the Provision of Services	-	-	(6,007)	-	-	-	-	(6,007)	-
De-recognition – Disposals	-	-	-	-	-	-	-	-	-
Eliminated on reclassification to Assets Held for Sale	-	69	-	-	(69)	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	-	<b>85,319</b>	<b>19,517</b>		<b>9</b>	<b>17</b>	-	<b>119,103</b>	<b>31,681</b>

<b>Net book value</b>									
<b>At 31 March 2023</b>	<b>1,531,317</b>	<b>1,810,694</b>	<b>34,798</b>	<b>326,785</b>	<b>1,465</b>	<b>10,173</b>	<b>33,095</b>	<b>3,748,327</b>	<b>475,847</b>
<b>At 31 March 2022</b>	<b>1,490,806</b>	<b>1,769,856</b>	<b>34,559</b>	<b>320,616</b>	<b>3,639</b>	<b>10,891</b>	<b>35,725</b>	<b>3,666,092</b>	<b>484,648</b>



## Movements on Balances

Movements in 2021/2022:

	<b>Council Dwellings £000</b>	<b>Other Land And Buildings £000</b>	<b>Vehicles, Plant And Equipment £000</b>	<b>Infrastructure Assets (Note 1) £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>	<b>PFI assets Included in Property, Plant and Equipment £000</b>
<b>Cost or Valuation</b>									
As at 1 April 2021	1,337,441	1,819,030	48,581		2,829	9,358	75,764	3,293,003	506,651
Additions	61,512	6,298	7,301	24,830	153	42	33,286	133,422	265
Revaluation increases / (decreases) recognised in the Revaluation Reserve	39,574	16,850	642	-	34	200	-	57,300	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-	(13,571)	-	-	85	(275)	-	(13,761)	-
De-recognition – Disposals	-	(1,076)	(5,865)	-	-	(70)	-	(7,011)	-
Assets reclassified from Held for Sale	-	(57)	-	-	-	19	-	(38)	-
Other movements in Cost or Valuation	52,279	17,023	682	1,113	603	1,625	(73,325)	-	-
<b>At 31 March 2022</b>	<b>1,490,806</b>	<b>1,844,497</b>	<b>51,341</b>		<b>3,704</b>	<b>10,899</b>	<b>35,725</b>	<b>3,462,915</b>	<b>506,916</b>

	<b>Council Dwellings £000</b>	<b>Other Land And Buildings £000</b>	<b>Vehicles, Plant And Equipment £000</b>	<b>Infrastructure Assets (Note 1) £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>	<b>PFI assets Included in Property, Plant and Equipment £000</b>
<b>Accumulated Depreciation and Impairment</b>									
As at 1 April 2021	-	65,673	14,326		47	60	-	80,106	12,852
Depreciation Charge	35,353	35,820	8,646	13,655	18	15	-	93,507	9,416
Depreciation written out to the Revaluation Reserve	(35,353)	(20,094)	(325)	-	-	(30)	-	(55,802)	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	(5,951)	-	-	-	(37)	-	(5,988)	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
De-recognition – Disposals	-	(807)	(5,865)	-	-	-	-	(6,672)	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>-</b>	<b>74,641</b>	<b>16,782</b>		<b>65</b>	<b>8</b>	<b>-</b>	<b>105,151</b>	<b>22,268</b>

<b>Net book value</b>									
<b>At 31 March 2022</b>	<b>1,490,806</b>	<b>1,769,856</b>	<b>34,559</b>	<b>320,616</b>	<b>3,639</b>	<b>10,891</b>	<b>35,725</b>	<b>3,666,092</b>	<b>484,648</b>
<b>At 31 March 2021</b>	<b>1,337,441</b>	<b>1,753,357</b>	<b>34,255</b>	<b>308,328</b>	<b>2,782</b>	<b>9,298</b>	<b>75,764</b>	<b>3,521,225</b>	<b>493,799</b>

**Note 1:**

Infrastructure asset values have been disclosed in accordance with the Scottish Government's Finance Circular 9/2022 Statutory Override - Accounting for Infrastructure Assets. The council has applied both statutory overrides set out in the circular which are as follows:

- For accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report the gross carrying amount and accumulated depreciation for infrastructure assets.
- For the accounting periods from 1 April 2010 to 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be accounted for as a nil amount, and no subsequent adjustment can be made to the carrying amount of the asset with respect to that part.

The approach is set out in Note 36: Accounting Policies.

### Capital Commitments

At 31 March 2023, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment for housing and non-housing projects in 2023/2024 and future years. The major commitments for both Housing and General Services are as follows:

Housing Projects	£000	Non-Housing Projects	£000
New Build Housing	12,582	City Deal - Greenhills Road/A726 Strathaven Road	200
Housing Investment projects including Heating Projects, Windows and Doors, Fire Doors, External Fabric Upgrades, Roofing and Environmental Works	11,472	Clyde Bridge	5,912
		Chatelherault Allotments	280
		Community Alarms	669
		SWiS Plus Replacement	791
		Education Information Computer Technology	2,700
		Clyde Terrace (Bothwell Nursery) - New Build	2,815
		Jackton PS – New Build	3,865
		Castlefield Primary School - Extension	424
		Council Headquarters - Switchgear Upgrade	325
		Oracle Upgrade	3,536
		Cambuslang Streetscape	179

### Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Vehicles, plant and equipment, despite being valued in the Balance Sheet at current costs are not included in the five year revaluation programme as any changes in valuation are considered to be immaterial. Council dwellings are revalued every year.

The significant assumptions applied in estimating the fair values are:

- All valuations are prepared in accordance with the current edition of the RICS Valuation Standards.
- All valuations are provided by a Valuer directly employed by South Lanarkshire Council and are accordingly defined as internal valuations.

### Valuation Assumptions

Unless the Appointed Valuer is advised or reports to the contrary, the following valuation assumptions shall apply to all asset valuations provided under this service:

- It is assumed that the Local Authority shall continue to provide the services to which the assets relate;
- It is assumed that the property valued, is not at the date of valuation, affected by any mining subsidence and will not be affected in the future;
- It is assumed that the site is stable and will not occasion any extraordinary costs with regard to mining subsidence;
- It is assumed that the title to the subject contains no onerous burdens and restrictive conditions and that it has not been ascertained what minerals, rights of support and compensation is attached to the land nor whether rights of use and re-entry have been reserved;
- It is assumed that the property and its value are unaffected by any matters which would be revealed by local search and replies to the usual enquiries or by inspection of any register and that its condition, use, or intended use was, is or will be lawful;
- It is assumed that the property has the necessary statutory consents for the current buildings and use and that there are no policies or proposals by statutory authorities that could impact positively or adversely on the value;
- No investigation shall be undertaken or information provided regarding the use of hazardous or deleterious materials or techniques in the construction of the property. It is assumed that no such materials or techniques

- have been used;
- No investigation shall be undertaken or information provided regarding the presence of contamination or hazardous substances in the property (including the site) and neighbouring properties. It is assumed that no such contamination or hazardous substances are present;
- No environmental assessment shall be carried out or information provided on the presence of naturally occurring radon gas. It is assumed that no radon gas is present in the property;
- It is assumed that adequate repairs and maintenance is being undertaken; and
- Unless otherwise stated, the date of valuation shall be 1 April of the specified financial year.

## Revaluation Programme

The table below shows the progress of the council's programme for the revaluation of Property, Plant and Equipment that ensures that all its PPE assets required to be measured at fair value are revalued at least every five years. The measurement basis used for determining the gross carrying amount, and the significant assumptions applied in estimating the fair values are disclosed above and in Note 36 Accounting Policies under Section P 'Property, Plant and Equipment'.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £0000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	-	-	34,798	326,785	1,465	-	33,095	396,143
Valued at fair value								
2021/22	1,531,317	328,765	-	-	-	328	-	1,860,410
2020/21	-	254,879	-	-	-	1,944	-	256,823
2019/20	-	432,594	-	-	-	5,537	-	438,131
2018/19	-	551,649	-	-	-	1,947	-	553,596
2017/18	-	242,375	-	-	-	417	-	242,792
5 years ago and greater	-	432	-	-	-	-	-	432
<b>Total Cost or Valuation</b>	<b>1,531,317</b>	<b>1,810,694</b>	<b>34,798</b>	<b>326,785</b>	<b>1,465</b>	<b>10,173</b>	<b>33,095</b>	<b>3,748,327</b>

## Note 21 Other Assets – Intangible, Heritage and Assets Held For Sale

	Intangible Assets	Intangible Assets	Heritage Assets	Heritage Assets	Assets Held for Sale	Assets Held for Sale
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
<b>Cost or Valuation</b>						
<b>Balance at 1 April</b>	<b>361</b>	<b>399</b>	<b>3,826</b>	<b>3,826</b>	<b>213</b>	<b>618</b>
Additions	18	97	-	-	8,310	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	-	-	-	-	76
Revaluation increases / (decreases) in the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
De-recognition – Disposals	(4)	(136)	-	-	(5,794)	(519)
Assets reclassified (to) / from Assets Held for Sale		-	-	-	679	38
<b>Balance at 31 March</b>	<b>375</b>	<b>360</b>	<b>3,826</b>	<b>3,826</b>	<b>3,408</b>	<b>213</b>
<b>Accumulated Depreciation</b>						
<b>Balance at 1 April</b>	<b>113</b>	<b>160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation charge	75	81	-	-	-	-
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-
Depreciation written out to the Surplus / Deficit on Provision of Services	-	-	-	-	-	-
Depreciation – Disposals	(3)	(128)	-	-	-	-
Elimination on reclassification to Assets Held for Sale	-	-	-	-	-	-
<b>Balance at 31 March</b>	<b>185</b>	<b>113</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at 31 March</b>	<b>190</b>	<b>247</b>	<b>3,826</b>	<b>3,826</b>	<b>3,408</b>	<b>213</b>

## Note 22 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>General Fund 2022/23 £000</b>	<b>HRA 2022/23 £000</b>	<b>Total 2022/23 £000</b>	<b>General Fund 2021/22 £000</b>	<b>HRA 2021/22 £000</b>	<b>Total 2021/22 £000</b>
<b>Opening Capital Financing Requirement</b>	<b>1,015,606</b>	<b>282,854</b>	<b>1,298,460</b>	<b>1,015,264</b>	<b>249,720</b>	<b>1,264,984</b>
<b>Capital Investment</b>						
Property, Plant and Equipment	62,954	60,695	123,648	60,241	73,181	133,422
Intangible Assets	18	-	18	97	-	97
Decrease in PPP Finance Lease Liability	(7,157)	-	(7,157)	(7,453)	-	(7,453)
Impact of Applying Service Concession Flexibility	64,366	-	64,366	-	-	-
<b>Sources of Finance</b>						
Capital Receipts	-	(8,027)	(8,027)	-	(1,536)	(1,536)
Government Grants and Other Contributions	(43,056)	(12,235)	(55,291)	(47,781)	(12,066)	(59,847)
Sums set aside from revenue:						
▪ Direct Revenue Contributions	(874)	(26,050)	(26,924)	(2,361)	(19,637)	(21,998)
▪ Loans Fund Principal	(2,821)	(4,531)	(7,352)	(2,401)	(6,808)	(9,209)
<b>Closing Capital Financing Requirement</b>	<b>1,089,036</b>	<b>292,706</b>	<b>1,381,742</b>	<b>1,015,606</b>	<b>282,854</b>	<b>1,298,460</b>
<b>Explanation of movements in year:</b>						
Increase in Underlying Need to Borrow	19,042	14,383	33,425	10,196	39,942	50,138
Loans Fund Repayments	(2,821)	(4,531)	(7,352)	(2,401)	(6,808)	(9,209)
Assets Acquired Under PFI/PPP Contracts	(7,157)	-	(7,157)	(7,453)	-	(7,453)
Impact of Applying Service Concession Flexibility	64,366	-	64,366	-	-	-
<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b>73,430</b>	<b>9,852</b>	<b>83,282</b>	<b>342</b>	<b>33,134</b>	<b>33,476</b>

## Note 23 Short Term Debtors

	31 March 2023 £000	31 March 2022 £000
Trade Receivables	33,754	41,326
Prepayments	6,804	4,521
Other Receivable Amounts	39,029	46,867
<b>Total</b>	<b>79,587</b>	<b>92,714</b>

## Note 24 Debtors for Local Taxation

The past due but not impaired amount for local taxation and non-domestic rates can be analysed by age as follows:

	31 March 2023 Council Tax £000	31 March 2023 NDR £000	31 March 2022 Council Tax £000	31 March 2022 NDR £000
Less than one year	507	2,310	2,257	3,134
One to two years	1,065	-	1,038	-
Two to five years	-	-	-	-
More than five years	-	-	-	-
<b>Total</b>	<b>1,572</b>	<b>2,310</b>	<b>3,295</b>	<b>3,134</b>

## Note 25 Short Term Creditors

	31 March 2023 £000	31 March 2022 £000
Trade Payables	87,821	68,048
Other Payables	126,127	122,665
<b>Total</b>	<b>213,948</b>	<b>190,713</b>

**Note:** Included within the Other Payables balance of £126.127m are balances held on behalf of third parties totalling £1.024m. They relate to Lanarkshire Valuation Joint Board, Clyde Valley Learning and Development Joint Committee, SEEMIS LLP, Regen FX Youth Trust, Supplier Development Programme, Common Good and Trust Funds whose financial transactions are hosted in the Council's Financial Management System.

## Note 26 Provisions

	Injury and damage compensation claims (1) £000	Other provisions (2) £000	Total £000
<b>Balance at 31 March 2022</b>	<b>611</b>	<b>2,109</b>	<b>2,720</b>
Additional provisions made in 2022/23	46	2,454	2,500
Amount used in 2022/23	(58)	(2,209)	(2,267)
Unused amounts reversed in 2022/23	-	-	-
Unwinding of discounting in 2022/23	-	-	-
<b>Balance at 31 March 2023</b>	<b>599</b>	<b>2,353</b>	<b>2,952</b>

The above provisions can be further analysed into Short Term and Long Term as follows:

	<b>Injury and damage compensation claims (1) £000</b>	<b>Other provisions (2) £000</b>	<b>Total £000</b>
Short Term	-	2,353	2,353
Long Term	599	-	599
<b>Balance at 31 March 2023</b>	<b>599</b>	<b>2,353</b>	<b>2,952</b>

- (1) The majority of this amount relates to a long-term provision in respect of ongoing compensation claims. The council believes that the amount provided accurately represents the best estimate of the amounts due.
- (2) The amount relates to provisions in respect of orders for bespoke adaptations, property dilapidations and COVID-19 sustainability payments to social care providers.

## Note 27 Receipts in Advance

The council has received a number of grants and contributions that have yet to be recognised as income. This is because they have conditions attached to them which requires the monies or property to be returned to the giver if these conditions are not met. These monies are committed to spend in 2023/2024.

The balances at 31 March 2023 are as follows:

	<b>31 March 2023 £000</b>	<b>31 March 2024 £000</b>
<b>Revenue Grants and Contributions</b>		
Big Lottery	-	142
UK Government	72	-
Clyde Gateway	85	121
Visit Scotland	28	-
National Health Service	69	65
Scottish Coal	498	498
Scottish Government	333	1,788
Scottish Government - COVID-19 Business Support	6	3,264
Department of Works and Pensions	87	234
Wind Turbine Construction Compensation (Various)	-	108
Home Office	140	110
Other	2	73
<b>Total</b>	<b>1,320</b>	<b>6,403</b>

## Note 28 Public Private Partnership and Similar Contracts

The Council has two PPP or similar contracts: Secondary Schools PPP and Glasgow Southern Orbital.

**Secondary Schools PPP:** The council entered the PPP agreement in June 2006 for the provision of 17 new build schools (which includes 2 named Additional Support Needs schools) as well as the major refurbishment of Stonelaw High School and Hamilton Grammar. The Unitary Charge is index linked with the inflation rate in the January of the preceding financial year used to agree the charge for the new financial year. The agreement will last 30 years and will end in 2039/2040.

The unitary charge paid to the contractor includes the repayment of construction costs, interest and service charges and the projected payments due under the agreement, based on assumed RPI of 2.5% per annum.

**Glasgow Southern Orbital:** The council entered the PPP agreement in July 2006 for the Design, Build, Finance and Operate Contract which covered both the Glasgow Southern Orbital and the M77 Extension with a contract value of £130m. The agreement will last 30 years and will end in 2035/2036.

The actual payments made on PPP contracts are single sum unitary charge payments made to the contractor. For year-end accounting purposes we are required to calculate notional figures.

Payments remaining to be made under PFI contracts for both Schools and Glasgow Southern Orbital as at 31 March 2023 (assuming an inflation rate of 2.5% for Schools PPP and excluding any estimation of availability/ performance deductions) are as follows:

	<b>Payment For Services £000</b>	<b>Reimbursement Of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Contingent Rents £000</b>	<b>Total £000</b>
Payable in 2023/24	14,917	7,098	9,430	9,416	40,861
Payable within two to five years	68,058	29,629	33,815	42,404	173,906
Payable within six to ten years	97,251	44,712	33,180	67,816	242,959
Payable within eleven to fifteen years	84,101	72,619	17,663	100,370	274,753
Payable within sixteen to twenty years	28,732	25,076	1,358	34,230	89,396
<b>Total</b>	<b>293,059</b>	<b>179,134</b>	<b>95,446</b>	<b>254,326</b>	<b>821,965</b>

The impact of a 1% movement in inflation on the 2023/2024 Unitary charge payment would be £0.398m.

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
Balance outstanding at start of year	186,291	193,743
Payments during year	(7,157)	(7,453)
Capital expenditure incurred in the year	0	-
Reduction in liability for prepaid assets	0	-
<b>Balance outstanding at year end</b>	<b>179,134</b>	<b>186,290</b>

#### Implementation of PPP Service Concession Flexibilities

In accordance with Accounting Policy S on page 106 and in line with Finance Circular 10/2022, the Council has implemented the permitted PPP Service Concession flexibility in financial year 2022/2023 on a retrospective annuity basis with a useful life of 50 years. The flexibility being applied is consistent with current Council Loans Fund arrangements and is considered prudent, sustainable, and affordable over the life of the asset. The implementation of this arrangement has no impact on the payments made to the contractor.

The current notional repayments noted above have been compared against an annuity repayment profile based on the estimated useful asset lives for the each of the two PP or similar arrangements, over the contract period. The most appropriate asset life is considered to be 50 years which replicates the useful asset life of other similar type assets held on the Council's balance sheet (schools and roads). By applying the flexibility, a one-off combined retrospective saving of £59,733m as detailed in the table below will be achieved.

<b>PPP debt repayment</b>	<b>Current repayment £000</b>	<b>Revised repayment £000</b>	<b>Benefit / (Cost) £000</b>
Pre 2022/2023	85,284	25,551	59,733
Paid in 2022/2023	7,157	2,524	4,633
Payable within two to five years	29,680	11,530	18,150
Payable within six to ten years	40,293	18,264	22,029
Payable within eleven to fifteen years	68,919	23,733	45,186
Payable within sixteen to twenty years	40,242	30,839	9,403
Payable within twenty-one to twenty-five years	0	40,029	(40,029)
Payable within twenty-six to forty years	0	51,801	(51,801)
Payable within forty-one to forty-five years	0	67,302	(67,302)
<b>Total</b>	<b>271,575</b>	<b>271,575</b>	<b>-</b>

In addition to the one-off retrospective element, an in-year saving has been realised in the scheduled debt repayments in 2022/2023, of £4.633m. This will be followed by a reduction in the annual charges for further 17 years and then the continuation of the statutory charges



after the PPP and similar contracts have been repaid. Over the full asset life of the arrangement, the total repayment for the debt liability remains the same.

### Impact on the Income and Expenditure Statement, the Balance Sheet and the Movement in Reserves

The reprofiling of the debt liability repayments increases the Capital Financing Requirement by £59.733m as at 1 April 2022. The increase in the Capital Financing Reserve will continue to be reduced by the revised repayments after each PPP or similar contract has expired until the end of the revised period. Being a cumulative statutory adjustment there is no prior year restatement of statutory adjustments in the Annual Accounts. The statutory adjustment up to 31 March 2023 has the following impact on the 2022/2023 Balance Sheet (Capital Adjustment Account) and Movement in Reserves statement:

	Increase / (Decrease)	Increase / (Decrease)	£000
	£000	£000	
Capital Adjustment Account (Note 13)	(59,733)	(4,633)	<b>(64,366)</b>
Movement in Reserves Statement (Page 51)	59,733	4,633	<b>64,366</b>

## Note 29 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Financial Statements, it is therefore accounted for on the same basis as a defined contribution scheme.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2023, the council's own contributions equate to approximately 5.82%.

In 2022/2023, the council paid £38.864 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.0% of pensionable pay. The figures for 2021/2022 were £36.457 million and 23.0% of pensionable pay.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 30.

## Note 30 Pension Schemes Accounted for as Defined Benefit Schemes

### Participation in Pension Schemes

The post-employment scheme for employees other than teachers is the Local Government Pension Scheme (LGPS) and is administered in the West of Scotland by Glasgow City Council in respect of all local authorities and admitted bodies in the former Strathclyde area. This is a multi-employer scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. Employer's liabilities can be evaluated directly by the Actuary at any time on membership data. Individual employer assets have been apportioned to each employer since 2002. Prior to that date, each employer was considered to have the same funding as the whole Fund.

### Benefits

- It is a defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level to balance the pensions liability with investment assets.
- A new Career Average Related Earnings (CARE) pension scheme has been introduced from 1 April 2015. The pension accrual rate guarantees a pension that is built up at a rate of 1/49th of the pensionable pay in the financial year. The amount built up in the year is transferred to the member's pension account and at the end of each financial year the total in the member's pension account is adjusted in line with the cost of living to ensure it retains its purchasing power.
- For pension contributions from 2009 to 2015, the pension is based on 1/60th of final pensionable salary and years of service, and prior to 2009, the accrual rate guarantees a pension based on 1/80th and a lump sum

based on 3/80th of final pensionable pay and years of pensionable service.

- There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004. The scheme's retirement age is the normal age for the state pension. Pensions are increased annually in line with changes to the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

## **Governance**

- The Strathclyde Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Strathclyde Pension Fund Committee. This committee is comprised solely of Elected Members of Glasgow City Council. Employing authorities (including South Lanarkshire Council) are represented at the Strathclyde Pension Fund Representative Forum.
- Policy is determined in accordance with the Local Government Pension Scheme (Scotland) Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which selects and appoints a number of external investment managers/partners and monitors their investment performance.
- Under the Regulations, employers fall into three categories, scheme employers (also known as schedule bodies) such as South Lanarkshire Council, community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

## **Principal Risks**

- The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amount due by statute as described in the accounting policy note.

## **Discretionary Post-employment Benefits**

- Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when an award is made. There are no plan assets built up to meet these pension liabilities.

## **Age Discrimination (McCloud) and Guaranteed Minimum Pension**

### **McCloud Ruling – Age Discrimination**

When the Local Government Pension Scheme (LGPS) Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure.

In December 2018, the Court of Appeal upheld a ruling (McCloud case) that similar transitional protections were unlawful on the grounds of age discrimination. This means that the LGPS Scotland benefits accrued from 2015 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. The impact of this will depend on the compensation awarded, members' future salary increases, length of service, retirement age and whether (when) members withdraw from active service.

In 2019, Strathclyde Pension Fund's actuary included an estimate of the impact of this in their IAS19 reports and the Pension Liability reported in the council's Balance Sheet. In July 2020, the Government published a consultation covering Scotland which proposed amendments to the Local Government Pension Scheme in order to provide a remedy for the McCloud and Sargeant legal rulings and actuaries reviewed their assumptions in the IAS19 reports. The actuary has made no further explicit adjustments to the obligation / current service costs for 2022/2023, nor for the projected service cost for 2023/2024.

### **Guaranteed Minimum Pension**

#### **Indexation Treatment (Lloyd's Ruling)**

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. Although the value of GMP was inherently unequal between males and females due to a number of factors, the overall equality of benefits was achieved through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement, bringing uncertainty over the ongoing indexation of GMP's which could lead to inequalities between men and women's benefits.

An interim solution passed the responsibility for ensuring GMP's kept pace with inflation to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This leads to increased costs for schemes including the LGPS and

scheme employers. The Strathclyde Pension Fund's actuary has carried out calculations to estimate the impact, assuming that the interim solution will be applied to all members retiring from 6 April 2016 onwards. The value of the full impact of GMP has been included in the pension liability reported in the council's Balance Sheet. These figures will be updated as part of the Pension Fund valuations and as more information becomes available.

#### **Historical Transfers (Further Lloyd's Ruling)**

A further ruling was passed in relation to historical transfers and it is the opinion of Strathclyde Pension Fund's actuary that this is unlikely to have a significant impact on the pension obligations of a typical employer. In addition, the historic individual member data to assess the impact is not readily available, therefore no allowance has been made in the calculations.

#### **Goodwin**

Scottish Public Pension Agency circular (Local Government Pension Scheme 2020/04), refers to a ruling that same-sex survivors were originally entitled to survivor benefits, taking into account the member's service from 6 April 1978. Following the Goodwin Tribunal, regulatory amendments will now need to be made with effect from the same date to extend that entitlement to male spouse survivors of female members.

Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005, therefore affects the pension of male spouse survivors where their entitlement arose on or after 5 December 2005.

While there is still uncertainty surrounding the potential remedy to the Goodwin judgement, Strathclyde Pension Fund's actuary has carried out analysis in order to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits and have ascertained that they feel the impact is very small for a typical fund (c0.1 to 0.2% of obligations), therefore no allowance has currently been made in the calculations.

#### **Other Cases (Walker and O'Brien)**

The actuary has also highlighted 2 other court cases which may impact on Local Government Pension Scheme benefits in the future. The first was the Walker case where it was ruled that surviving spouses in same sex marriages should be entitled to the same benefits as those in different sex marriages and also the O'Brien case where it was ruled that recognition of part time benefits should apply to service for the period prior to 7 April 2000.

The Actuary's view remains unchanged from previous years and is that they are unlikely to be significant judgements in terms of impact on pension obligations. Until further guidance is released from the relevant governing bodies in the LGPS, no allowance has been made for the potential remedies for these judgements.

#### **Transactions Relating to Post-Employment Benefits**

The cost of retirement benefits is recognised in the reported Cost of Services when they are earned by the council's employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made against the Council Tax is based upon the pension contributions payable by the council in the year, and an adjustment is made in the Movement in Reserves Statement to achieve this.

The following transactions have been made in the accounting statements in 2022/2023 and the prior year 2021/2022.

	31 March 2023 £000	31 March 2022 £000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
Cost of Services:		
Service cost comprising:		
• current service cost	125,747	130,393
• past service costs	-	-
• unfunded benefits	-	-
Financing and Investment Income and Expenditure		
• net interest expense	5,193	9,586
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>130,940</b>	<b>139,979</b>
Other Benefits Charged to the CIES		
Re-measurement of the net defined liability comprising:		
• Expected return on pension fund assets	115,915	(142,924)
• Actuarial (gains) or losses arising on changes in demographic assumptions	(21,885)	(17,819)
• Actuarial (gains) or losses arising on changes in financial assumptions	(1,135,272)	(207,634)
• Actuarial (gains) or losses arising on changes in other experiences	132,981	3,335
• Actuarial (gains) or losses arising on de-recognition of Pension Asset	625,672	-
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>(151,649)</b>	<b>(225,063)</b>
Net charge to the Surplus / Deficit on the Provision of Services brought forward	130,940	139,979
<b>Movement in Reserves Statement (MIRS)</b>		
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(69,383)	(82,414)
Actual amount charged against the General Fund balance for pensions in the year:		
<b>Employers' contributions payable to Strathclyde Pension Fund</b>	<b>61,557</b>	<b>57,565</b>

#### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plan is as follows:

	31 March 2023 £000	31 March 2022 £000
Present Value of the Defined Benefit Obligation*	(1,998,089)	(2,870,632)
Fair Value of Pension Fund Assets	2,676,522	2,710,187
De-Recognition of Pension Fund Assets (Surplus) to Asset Ceiling	(625,672)	-
<b>Net Liability arising from Defined Benefit Obligation</b>	<b>52,761</b>	<b>(160,445)</b>
*Unfunded liabilities included in the figure for present value of liabilities		
• unfunded liabilities for Pension Fund	(43,039)	(53,622)
• teachers' unfunded pensions	(60,483)	(73,413)
• unfunded liabilities prior to 1996 local government reorganisation	(11,799)	(13,966)

A reconciliation of South Lanarkshire Council's share of the present value of Strathclyde Pension Fund's defined benefit obligation (liability) is as follows:

	31 March 2023 £000	31 March 2022 £000
<b>Opening balance at 1 April</b>	(2,870,632)	(2,952,854)
Current service cost	(125,747)	(130,393)
Interest cost	(78,488)	(59,853)
Contributions by Pension Fund participants	(16,520)	(15,392)
Re-measurement gains and (losses)		
• Actuarial gains and losses arising on changes in demographic assumptions	21,885	17,819
• Actuarial gains and losses arising on changes in financial assumptions	1,135,272	207,634
• Actuarial losses arising on changes in other experiences	(132,981)	(3,335)
Past service costs (including curtailment)	-	-
Settlements	-	-
Benefits paid	69,122	65,742
<b>Closing balance at 31 March</b>	<b>(1,998,089)</b>	<b>(2,870,632)</b>

A reconciliation of South Lanarkshire Council's share of the fair value of Strathclyde Pension Fund's assets is as follows:

	31 March 2023 £000	31 March 2022 £000
<b>Opening fair value of pension fund assets</b>	<b>2,710,187</b>	<b>2,509,781</b>
Interest Income	73,295	50,267
Re-measurement gains and (losses)		
• Expected rate of return on pension fund assets	(134,895)	142,924
• Actuarial gains and (losses)	-	-
• Actuarial losses arising on changes in other experiences	-	-
The effect of changes in foreign exchange rates	-	-
Contributions from employers	61,557	57,565
Contributions from employees into the scheme	16,520	15,392
Benefits paid	(69,122)	(65,742)
<b>Closing balance at 31 March</b>	<b>2,657,542</b>	<b>2,710,187</b>

#### Analysis of Pension Fund's Assets

	31 March 2023			31 March 2022		
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000
Cash and cash equivalents	36,755	13,590	50,345	68,047	914	68,961
Equity Instruments	518,954	4,763	523,717	595,879	1,289	597,168
Debt Instruments	-	1	1	-	1	1
Real Estate	-	219,133	219,113	-	228,560	228,560
Derivatives	-	(2)	(2)	-	-	-
Private Equity	-	653,193	653,193	-	530,556	530,556
Investment Funds	11,447	1,199,728	1,211,175	15,035	1,269,906	1,284,941
<b>Total Assets</b>	<b>567,156</b>	<b>2,090,386</b>	<b>2,657,542</b>	<b>678,961</b>	<b>2,031,226</b>	<b>2,710,187</b>

#### Basis for Estimating Assets and Liabilities

The council's share of the net obligations of the Strathclyde Pension Fund is an estimated figure based on actuarial assumptions about the future and is a snapshot at the end of the financial year. The net obligation has been assessed using the "projected unit method", that estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on.

The Fund's obligation has been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2020. The significant assumptions used by the actuary are shown in the table below. Note 2 includes a sensitivity analysis for the pension obligation based on reasonably possible changes of these assumptions occurring at the reporting date.

	31 March 2023 £000	31 March 2022 £000
Long term expected rate of return on assets in the Fund		
• Equity investment	2.30%	7.10%
• Bonds	2.30%	7.10%
• Property	2.30%	7.10%
• Cash	2.30%	7.10%
Mortality Assumptions (years):		
• Men	19.3	19.6
• Women	22.2	22.4
Longevity at 65 for future pensioners (years):		
• Men	20.5	21.0
• Women	24.2	24.5
Rate of inflation	2.95%	3.20%
Rate of increase in salaries	3.65%	3.90%
Rate of increase in pensions	2.95%	3.20%
Rate for discounting Fund liabilities	4.75%	2.70%
Take-up option to convert annual pension into retirement lump sum		
- Pre April 2009 service	50.0%	50.0%
- Post April 2009 service	75.0%	75.0%

### Asset and Liability Matching (ALM) Strategy

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching strategy [ALM] as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. The Fund invests in equities, bonds, properties and in cash.

### Impact of High Inflationary Environment

The Fund's actuary had advised that the CARE, deferred pensioner and pensioner obligations are increased each April in line with previous September rate of CPI, and the April 2023 Pension Increase Order of 10.1% has been applied to the obligations within the 31 March 2023 closing Balance Sheet figures.

Accounting standards narrowly prescribe how the inflation assumption should be derived from market information at the year-end date. Therefore the current period of high inflation is somewhat allowed for insofar as it is captured in long-term market expectations (at 31 March 2023). However, the assumptions have been adjusted to recognise that the 2024 Pension Order is currently expected to be higher than the single CPI assumption for accounting purposes.

### Recognition of Surplus (Net Asset)

The Accounting Standard (IFRIC 14) imposes a limit on the maximum amount of surplus (Asset) which can be recognised on the Employer's Balance Sheet. This limit depends on factors unique to each employer. The council requested further information from the Fund's actuary, to establish this limit and the total Asset advised by the actuary has been de-recognised to match this limit (asset ceiling).

### Impact on the Authority's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for 2022/2023. Following the completion of the triennial valuation as at 31 March 2020, employers' contribution rates have been set at 19.3% for the three years (2021/2022 to 2023/2024). The next triennial valuation of the Fund took place as at 31 March 2023, however any impact on contribution rates beyond 2023/2024 has not yet been advised to councils.

The Fund will need to take account of impending national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new career average revalued earning scheme (CARE) for future accruals.

The total contributions expected to be made by the council to Strathclyde Pension Fund in the year to 31 March 2024 is £53.456 million.

The assumed weighted average duration of the defined benefit obligation for scheme members is 19.0 years.

## **Note 31     Contingent Assets and Liabilities**

As at 31 March 2023 the council has the following material contingent liabilities:

### **Historical Childhood Abuse**

The council recognises the potential for compensation claims deriving from the Scottish Government's Limitation (Childhood Abuse) Scotland Act 2017. At this stage the extent of the council's potential liability is unknown. The Government introduced a Redress Scheme in December 2021. This may have an impact on the extent of the Council's liability. This cannot be quantified.

### **European Structural Funds**

The Council delivers projects which form part of the European Structural and Investment Funds Scotland Programme. Payments to councils and other Lead Partners from the European Social Fund (ESF) were subject to a full suspension by the European Commission (EC). The EC has however now indicated it will lift its suspension of the ESF Scotland Programme. As has been the case throughout the period of suspension, there is no reason to believe that there will be any impact on the amount of funds that the council will receive.

### **Pensions**

A circular from the Scottish Public Pensions Agency (Local Government Pension Scheme 2020/04) refers to a ruling that same-sex survivors were originally entitled to survivor benefits, taking into account the member's service from 6 April 1978. Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005, therefore affects the pension of male spouse survivors where their entitlement arose on or after 5 December 2005. Following the Goodwin Tribunal, regulatory amendments will now need to be made with effect from the same date to extend that entitlement to male survivors of female members.

While this could have a financial impact on future years' costs, and the impact cannot yet be quantified, current information from the Strathclyde Pension Fund actuary suggests that this is likely to be minimal. Given the uncertainty, and the immaterial nature of any potential impact, no provision has been made in the Accounts.

In addition, the actuary also highlighted an awareness of 2 other court cases which may impact on pension benefits in the future. The first was the Walker case where it was ruled that surviving spouses in same sex marriages should be entitled to the same benefits as those in different sex marriages and also the O'Brien case where it was ruled that recognition of part time benefits should apply to service for the period prior to 7 April 2000. The actuary's understanding is that these are unlikely to be significant judgements in terms of impact on future pension obligations of Employers. Again, given the uncertainty, and the immaterial nature of any potential impact, no provision has been made in the Accounts.

### **Job Evaluation Scheme**

As part of the Council's Job Evaluation Scheme, a range of posts have been identified as requiring review. Where there is no outcome agreed, any liability in respect of these reviews cannot be determined.

As part of an outcome of a job evaluation for Home Carers, a review is underway with regards to backpay. As the review is ongoing at the timing of completing these Accounts, any liability in respect of this review is uncertain and cannot be determined with accuracy at this stage. This is prior to the update as reported in page 74.

### **Contractor Claims**

There is an ongoing arbitration and adjudication process surrounding a significant road construction project. At this stage there is no agreement on any element of the arbitration and therefore no potential liability can be determined.

## Note 32 Financial Instruments

### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	31 March 2023			31 March 2022		
	Long Term £000	Current £000	Total £000	Long Term £000	Current £000	Total £000
<b>Financial Assets</b>						
Fair value through profit and loss	-	-	-	-	-	-
Amortised Cost	-	161,559	161,559	-	132,429	132,429
<b>Total Financial Assets</b>	-	161,559	161,559	-	132,429	132,429
<b>Financial Liabilities</b>						
Fair value through profit and loss	-	-	-	-	-	-
Amortised cost	1,186,567	38,209	1,224,776	1,128,735	59,616	1,188,351
<b>Total Financial Liabilities</b>	1,186,567	38,209	1,224,776	1,128,735	59,616	1,188,351



# Income, Expense, Gains and Losses

	2022/23			2021/22		
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Total £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Total £000
<b>Net Gains/Losses on:</b>						
Financial Assets Measured at Fair Value Through Profit and Loss	-	-	-	-	-	-
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-
Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-
Financial Liabilities Measured at Amortised Cost	-	-	-	-	-	-
<b>Total Net Gains/Losses</b>	-	-	-	-	-	-
<b>Interest Revenue</b>						
Financial Assets Measured at Amortised Cost	4,716	-		104	-	104
Other Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-
<b>Total Interest Revenue</b>	<b>4,716</b>	<b>-</b>	<b>-</b>	<b>104</b>	<b>-</b>	<b>104</b>
<b>Interest Expense</b>	<b>(39,644)</b>	<b>-</b>	<b>(39,644)</b>	<b>(38,407)</b>	<b>-</b>	<b>(38,407)</b>
<b>Fee Income</b>						
Financial Assets or Financial Liabilities that are not at Fair Value Through Profit and Loss	-	-	-	-	-	-
Trust and Other Fiduciary Activities	-	-	-	-	-	-
<b>Total Fee Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fee Expense</b>						
Financial Assets or Financial Liabilities that are not at Fair Value Through Profit and Loss	-	-	-	-	-	-
Trust and Other Fiduciary Activities	-	-	-	-	-	-
<b>Total Fee Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Fair Value of Financial Assets

There are no financial assets held at fair value.

## Transfers Between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

## Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

## The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

All financial assets and liabilities held by the authority are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For non PWLB loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- Where an instrument has a maturity of less than 12 months the fair value is taken to be the principal outstanding.

The fair values calculated are as follows:

	2022/23 Carrying Amount £000	2022/23 Fair Value £000	2021/22 Carrying Amount £000	2021/22 Fair Value £000
<b>Financial Liabilities</b>				
Financial Liabilities held at amortised cost: PWLB Debt	1,037,067	1,100,503	993,486	1,335,291
Financial Liabilities held at amortised cost: Non PWLB Debt	8,575	9,388	8,575	10,618
PFI and Finance Lease Liabilities	179,134	208,256	186,290	256,394
<b>Total Financial Liabilities</b>	<b>1,224,776</b>	<b>1,318,147</b>	<b>1,188,351</b>	<b>1,602,303</b>
<b>Financial Assets</b>				
Financial Assets held at amortised cost	161,559	161,599	132,429	132,429
<b>Total Financial Assets</b>	<b>161,559</b>	<b>161,599</b>	<b>132,429</b>	<b>132,429</b>

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £1,100.503m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £1,037.068m would be valued at £1,012.212m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £63.384m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1,100.452m.

**Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not Measured at Fair Value as at 31 March 2023:**

	Quoted Prices in Active Markets for Identical Assets (Level 1) £000	Other Significant Observable Inputs (Level 2) £000	Significant Unobservable Inputs (Level 3) £000	Total £000
<b>Recurring fair value measurements using:</b>				
<b>Financial Liabilities</b>				
Financial Liabilities held at amortised cost: PWLB Debt	-	1,100,503	-	1,100,503
Financial Liabilities held at amortised cost: Non PWLB Debt	-	9,388		9,388
PFI and Finance Lease Liabilities	-	208,256		208,256
<b>Financial Assets</b>				
Financial Assets held at amortised cost	161,559			161,559
<b>Total Assets / Liabilities</b>	<b>161,559</b>	<b>1,318,147</b>	<b>-</b>	<b>1,479,706</b>

**Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not Measured at Fair Value as at 31 March 2022:**

	Quoted Prices in Active Markets for Identical Assets (Level 1) £000	Other Significant Observable Inputs (Level 2) £000	Significant Unobservable Inputs (Level 3) £000	Total £000
<b>Recurring fair value measurements using:</b>				
<b>Financial Liabilities</b>				
Financial Liabilities held at amortised cost: PWLB Debt	-	1,335,291	-	1,335,291
Financial Liabilities held at amortised cost: Non PWLB Debt	-	10,618	-	10,618
PFI and Finance Lease Liabilities	-	256,394	-	256,394
	-	<b>1,602,303</b>	-	<b>1,602,303</b>
<b>Financial Assets</b>				
Financial Assets held at amortised cost	132,429	-	-	132,429
<b>Total Assets / Liabilities</b>	<b>132,429</b>	<b>1,602,303</b>	<b>-</b>	<b>1,734,732</b>

**Note 33 Disclosure of Nature and Extent of Risks Arising From Financial Instruments**

**Key Risks**

The council's activities expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the council
- Liquidity Risk – the possibility that the council might not have funds available to meet its commitments to make payments
- Refinancing Risk – the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market Risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates or stock market movements.

## Overall Procedures for Managing Risk

The procedures for risk management are set out through a legal framework set out in the Local Government (Scotland) Act 2003 and the associated regulations. These require the council to comply with the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the Council to manage risk in the following ways:

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties;
- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The council's overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum exposures of the maturity structure of its debt
  - Its maximum annual exposures to investments maturing beyond a year

These are required to be reported and approved at, or before, the council's annual Council Tax budget setting. These items are reported within the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. Actual performance is also reported quarterly to Members.

These policies are implemented by a central treasury team. The council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs).

## Nature and Extent of Risks – Credit Risk

### Credit Risk

Credit Risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. The council manages this risk by ensuring that investments are placed with the Debt Management Office, other local authorities or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy.

The table below summarises the nominal value of the Council's investment portfolio at the end of 31 March 2022 into the relative credit ratings.

### Balance Invested as at 31 March 2023

Counterparty/Country	Long Term Rating (Fitch)	Up to 1 month £000	Greater than 1 month and up to 3 months £000	Greater than 3 months and up to 6 months £000	Greater than 6 months and up to 9 months £000	Greater than 9 months and up to 12 months £000	Greater than 12 months £000	Total £000
Debt Management Office	AA-	45,792	-	-	-	-	-	45,792
<b>Total UK Government</b>		<b>45,792</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,792</b>
Local Authorities	AA-	40,087	50,253	20,221	5,064	-	-	115,625
<b>Total UK Local Authorities</b>		<b>40,087</b>	<b>50,253</b>	<b>20,221</b>	<b>5,064</b>	<b>-</b>	<b>-</b>	<b>115,625</b>
Bank of Scotland	A+	-	-	-	-	-	-	-
The Royal Bank of Scotland	A+	142	-	-	-	-	-	142
<b>Total UK Banks</b>		<b>142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142</b>
<b>Total</b>		<b>86,021</b>	<b>50,253</b>	<b>20,221</b>	<b>5,064</b>	<b>-</b>	<b>-</b>	<b>161,559</b>

The Ratings are as at 31 March 2023 and are intended to provide an indication of credit risk. These are not necessarily the ratings of institutions at the time deposits were placed.

The Ratings above are from Fitch ratings. The Long-Term Rating is the benchmark measure of probability of default.

## Amounts Arising from Expected Credit Losses

The council's investments have been assessed and it has been concluded that the expected credit loss is not material and therefore no allowances have been made.

The following analysis summarises the council's potential maximum exposure to credit risk on the level of default on debtors.

	<b>2022/23 £000</b>	<b>Bad Debt Provision £000</b>	<b>2021/22 £000</b>	<b>Bad Debt Provision £000</b>
Debtors	72,509	(5,576)	76,400	6,066

The Debtors figure above does not include debtors for Council Tax, Non-Domestic Rates and Council House Rents as these are not considered to be financial assets.

Of the gross Debtors figure included in the note, £13.599m (2021/22: £16.155m) is considered to be past its date for payment. This past due amount can be analysed by age as follows:

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
Less than three months	7,257	9,297
Three to six months	538	950
Six months to one year	1,233	1,019
More than one year	4,571	4,889
<b>Total</b>	<b>13,599</b>	<b>16,155</b>

## Nature and Extent of Risks – Liquidity Risk

### Liquidity Risk

As the council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. There may be a risk that the council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The approved prudential indicator sets limits on the maturity structure of debt, and the council's approved treasury and investment strategies address the main risks, and the central Treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt.
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow requirements.

The maturity analysis of financial liabilities is as follows:

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
Less than one year	31,111	52,459
Between one and two years	33,770	21,770
Between two and five years	260,380	166,238
More than five years	720,381	761,594
<b>Total</b>	<b>1,045,642</b>	<b>1,002,061</b>

All trade and other payables are due to be paid in less than one year.

## Nature and Extent of Risks – Market Risk

### Interest Rate Risk

The council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council.

For instance, a rise in interest rates would have the following effects:

- **borrowings at variable rates** – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- **borrowings at fixed rates** – the fair value of the liabilities borrowings will fall
- **investments at variable rates** – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- **investments at fixed rates** – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement unless the investments have been designated at fair value through the Comprehensive Income and Expenditure Statement.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central Treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

A sensitivity analysis has been carried out to assess the financial effect of a 1% variance in interest rates as suggested in the Code Guidance Notes 2022/2023.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	85
Increase in interest receivable on variable rate investments	(2,389)
Impact on Comprehensive Income and Expenditure Statement	(2,304)
Share of overall impact credited to the HRA	(540)
Decrease in fair value of fixed rate investment assets	-
Impact on Comprehensive Income and Expenditure Statement	-
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement)	(109,786)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair Value of Assets and Liabilities carried at Amortised Cost.

### Price Risk

The council does not invest in equity shares and is therefore not exposed to losses arising from movements in the price of shares.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore, has no exposure to loss arising from movements in exchange rates.

## Note 34 Common Good

Common Good funds are for the benefit of the geographical areas of the former burghs and the council's Finance and Corporate Resources Committee considers the uses to which funds can be put.

### Summary of Common Good Funds

2021/22 Total £000		Lanark £000	Biggar £000	Hamilton £000	Rutherglen £000	2022/23 Total £000
	<b>Income and Expenditure Accounts</b>					
155	Income for Year	97	-	105	2	204
(260)	Expenditure for Year	(54)	-	(113)	(1)	(168)
<b>(105)</b>	<b>Surplus / (Deficit) To Balance Sheet</b>	<b>43</b>	<b>-</b>	<b>(8)</b>	<b>1</b>	<b>36</b>
	<b>Balance Sheet</b>					
	<b>Fixed Assets</b>					
2,969	Property, Plant and Equipment	1,463	-	1,558	-	3,021
	<b>Investments</b>					
-	General	-	-	-	-	-
754	Advances to South Lanarkshire Council Loans Fund	251	25	477	128	881
53	Debtors	-	-	-	-	-
<b>3,776</b>	<b>Total Assets</b>	<b>1,714</b>	<b>25</b>	<b>2,035</b>	<b>128</b>	<b>3,902</b>
	<b>Current Liabilities</b>					
(15)	Creditors	(4)	-	(14)	-	(18)
<b>3,761</b>	<b>Total Assets less Current Liabilities</b>	<b>1,710</b>	<b>25</b>	<b>2,021</b>	<b>128</b>	<b>3,884</b>
	<b>Represented by:</b>					
2,836	Common Good Account	1,168	25	1,421	127	2,741
(105)	Surplus / (Deficit)	43	-	(8)	1	36
11	Amortisation of Revaluation Reserve	3	-	7	-	10
-	Gain / Loss on Disposal of Fixed Assets	-	-	-	-	-
<b>2,742</b>		<b>1,214</b>	<b>25</b>	<b>1,420</b>	<b>128</b>	<b>2,787</b>
	<b>Revaluation Reserve</b>					
1,006	Opening Balance	492	-	530	-	1,022
24	Gain / Loss on Revaluation	7	-	78	-	85
(11)	Amortisation of Revaluation Reserve	(3)	-	(7)	-	(10)
<b>1,019</b>	<b>Closing Balance</b>	<b>496</b>	<b>-</b>	<b>601</b>	<b>-</b>	<b>1,097</b>
<b>3,761</b>		<b>1,710</b>	<b>25</b>	<b>2,021</b>	<b>128</b>	<b>3,884</b>

## Note 35 Trust Funds

The council acts as sole trustee for a total of 2 Trust Funds. The most significant fund is the Loudon Bequest which is used to finance holiday projects for elderly people. The balance of the fund as at 31 March 2023 was £0.821m.

In addition to these funds, the council administers The South Lanarkshire Charitable Trust and The South Lanarkshire Educational Trust on behalf of the Trustees. These Trusts were established by the council in December 2019 for the purposes of reorganising the trust funds for which the council acts as sole trustee. The process of transferring funds from the original to the new Trust Funds is ongoing and will be subject to the approval of OSCR.

None of these funds represent assets of the council and as a result are not included in the council's Balance Sheet. The individual funds are the subject of a separate audit and audit opinion.

### Summary of Trust Funds

2021/22 Total £000		Charitable £000	Educational £000	EK ITEC £000	The South Lanarkshire Charitable Trust £000	The South Lanarkshire Educational Trust £000	2022/23 Total £000	Note
	<b>Income and Expenditure Account</b>							
33	Income for Year	33	-	-	2	2	37	
(21)	Expenditure for Year	(7)	-	(27)	(21)	(19)	(74)	
<b>12</b>	<b>Surplus / (Deficit) to Balance Sheet</b>	<b>26</b>	<b>-</b>	<b>(27)</b>	<b>(19)</b>	<b>(17)</b>	<b>(37)</b>	
	<b>Balance Sheet</b>							
833	Investments - General	821	-	-	10	-	831	
368	Investments - South Lanarkshire Council	114	-	-	108	110	332	
<b>1,201</b>	<b>Net Assets</b>	<b>935</b>	<b>-</b>	<b>-</b>	<b>118</b>	<b>110</b>	<b>1,163</b>	
	<b>Represented by:</b>							
1,044	Capital Account as at 1/4/2022	901	106	-	10	-	1,007	
(27)	Movement During Year	(79)	(106)	-	-	-	(175)	1
<b>1,017</b>	Capital Account as at 31/3/2023	<b>822</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>832</b>	
147	Revenue Account as at 1/4/2022	105	21	27	31	-	184	
37	Movement During Year	8	(21)	(27)	77	110	147	2
<b>184</b>	Revenue Account as at 31/3/2023	<b>113</b>	<b>-</b>	<b>-</b>	<b>108</b>	<b>110</b>	<b>331</b>	
<b>1,201</b>	<b>Total Reserves</b>	<b>935</b>	<b>-</b>	<b>-</b>	<b>108</b>	<b>110</b>	<b>1,163</b>	

**Note 1** The movement on the Capital Accounts represents the net purchase and sale of investments on the Loudon Bequest during the year and the transfer of balances to The South Lanarkshire Charitable Trust and The South Lanarkshire Educational Trusts

**Note 2** The movement on the Revenue Accounts represent the surplus(deficit) for the year along with the transfer of balances to the South Lanarkshire Charitable Trust and the South Lanarkshire Educational Trust.



## Note 36 Accounting Policies

### A General Principles

The Annual Accounts summarise the council's transactions for the 2022/2023 financial year and its position at the year-end of 31 March 2023. The council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounting policies have been applied consistently.

### B Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts is recognised reflecting the transfer of goods or services to the recipient at the amount which the council expects to be entitled to in exchange for those goods or services.
- Other revenue is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a difference between the date supplies are received and their consumption, they are carried as stock on the council's Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received, rather than when payments are made.
- The Corporate i-Procurement system operates across the council's service areas.
  - For all purchases made via the i-Procurement system, sundry creditors are now accrued on the basis of all goods and services received by 31 March 2023, regardless of value and materiality. During the financial year, period end accruals have also been made on a similar period by period basis.
  - For any residual purchases, not made via the i-Procurement System sundry creditors are accrued on the basis of payments made during the first 3 weeks following 31 March together with specific accruals in respect of further material items.

- Interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- Where revenue relating to a contract has been recognised but cash has not yet been received, this is recorded in the Balance Sheet as a contract asset.
- Where cash relating to a contract has been received in advance of the transfer of goods or services, this is recorded in the Balance Sheet as a contract liability.
- Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the council is acting as an agent for another party (for example in the collection of National Non Domestic Rates and Council Tax), income and expenditure are recognised only to the extent that commission is receivable by the council for the agency services rendered or the council incurs expenses directly on its own behalf in rendering the services.

### C Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

### D Charges to Revenue for Non- Current Assets

Services are debited or credited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service
- the reversal of a revaluation or impairment loss previously charged to the Surplus or Deficit on the Provision of Services.

The council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to contribute towards the reduction in its overall borrowing requirement through loans fund principal charges. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a statutory adjustment in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## E Employee Benefits

### Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave and any non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a debit / credit to the Accumulating Compensated Absences Account in the Movement in Reserves Statement.

In February 2018, the Scottish Government issued Financial Circular 2/2018 (replacing FC 3/2010), that amends the absences covered by the statutory mitigation. From 1 April 2018, the flexi and time in lieu absences are no longer covered by the statute and therefore cannot be reversed out. In addition, any reversals held in the Statutory Accumulated Absences Account Reserve were required to be charged back to the Comprehensive Income and Expenditure Statement, by 31 March 2020.

In terms of the teachers Statutory Accumulated Compensated Absences, the methodology for 2022/2023 reflects the changes to teachers' terms and conditions as per SCNT 11/26 (12 July 2011).

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

### Post Employment Benefits

Employees of the council are members of two separate pension schemes:

- The Local Government Pension Scheme (Strathclyde Pension Fund), administered by

Glasgow City Council.

- Teachers Pension Scheme administered by the Scottish Pension Agency (Scottish Government).

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payment of benefits is recognised in the Balance Sheet and the Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Strathclyde Pension Fund are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on an average of high-quality corporate bonds.
- Assets of the Strathclyde Pension Fund are ordinarily included in the Balance Sheet at their fair value (current bid prices as required under IAS19), principally the bid price for quoted securities, estimated fair value for unquoted securities and market price for property. However, while the requirements of IAS19 have been applied in the current year, the significant nature of the Asset has been reviewed, and in line with IFRIC14, the asset has been de-recognised to equate to the level of the asset ceiling, provided by the Fund's actuary. This reflects the net present value of future service costs less the net present value of future obligations over the future working lifetime as at 31 March 2023.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and

accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **F Events After the Reporting Period**

There are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts is authorised for issue.

An adjustment is made to the financial statements where there is evidence that the event relates to the reporting period, otherwise the financial statements are not adjusted, and where the amount is material, a disclosure is made in the notes.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

## **G Material Items of Income and Expenditure**

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the financial statements, depending on how significant the items are to an understanding of the council's financial performance.

## **H Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost.

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Costs associated with debt restructuring (premiums and discounts) are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repayment of the original debt in accordance with accounting regulations.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **I Statutory Repayment of Loans Fund Advances**

The repayment of loans fund advances ensures that the council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

The policy for the repayment of loans fund advances is to use the most appropriate method of repayment for individual capital scheme or projects from the following methods:

- **Asset Life Method** – loans fund advances will be repaid with reference to the life of an asset on an annuity basis.
- **Funding/Income Profile Method** – loans fund advances will be repaid by reference to an associated income stream.

For loans fund advances repaid using the annuity basis, the annual repayment will be calculated using an appropriate interest rate based on an average cost of funding capital advances to services.

The council's strategy for managing debt includes making additional voluntary repayments. These repayments will be used as a tool to reduce interest costs in the short to medium term by lowering the council's need to borrow. These additional voluntary repayments will be retained and used to offset higher loans fund repayments in the long term. All of this helps to ensure that charges to the revenue account remain prudent and affordable in the long term.

## **J Financial Assets**

Financial assets are classified into two types:

- **loans and receivables** – assets that have fixed or determinable payments but are not quoted in an active market.
- **available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value, then at amortised cost. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

### **Available-for-Sale Assets**

Available for sale assets are assets that have a quoted market price and / or do not have fixed or determinable payments and are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

#### **K Government Grants and Contributions**

Government grants, third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- the council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants

#### **Operating Leases**

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet.

#### **P Overheads and Support Services**

The 2016/2017 Code removed the requirement for councils to report on a total cost basis per the CIPFA Service Reporting Code of Practice. Councils are only required to reallocate overheads and support costs if this is how they treat/report these services in their management reports throughout the year.

The council reports these as services during the year and does not allocate them in the management reports, therefore the only overhead and support allocation will be to the Housing Revenue Account, where appropriate.

#### **Q Property, Plant and Equipment**

are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

#### **L Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (for example, software licences) is capitalised when it is expected that it will bring benefits to the council for more than 12 months.

Intangible assets are measured initially at cost. Amounts are not revalued as the fair value of the assets held cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The useful life of these assets is deemed to be five years.

#### **M Interests in Companies and Other Entities**

The council has material interests in companies and other entities that have the nature of associates and jointly controlled entities and require it to prepare group accounts. More information about these entities is detailed in the Group Accounts and Notes to the Group Accounts (pages 112-124).

#### **N Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The value of work in progress has been made at cost plus an appropriate proportion of overheads, with allowances for foreseeable losses.

#### **O Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Assets that have physical substance and are held for use in the supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that merely maintains the condition of an asset e.g. repairs and maintenance is charged as an expense when it is incurred.

#### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management



The council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- other land and buildings – current value, determined by the amount that would be paid for the asset in its existing use (existing use value –EUV)
- vehicles, plant and equipment – where non- property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value
- infrastructure, community assets and assets under construction – depreciated historical cost
- surplus assets – current value based on market value in highest and best use.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Council Dwellings and non-operational lease portfolio are valued annually. The remainder of the land and property assets are valued through a five year rolling programme. The programme is prioritised by asset type to ensure consistency. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The values for land and property assets in the accounts are based upon certificates produced by the council valuer who is MRICS qualified (Member of Royal Institute of Chartered Surveyors) and issued in the name of the council's Executive Director of Housing and Technical Resources.

### **Impairment or Revaluation Loss**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

Where indications of impairment exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Assets Held for Sale**

Property, land and buildings are classified as 'Held for Sale' when the following criteria are met:

- The property is available for immediate sale in its present condition;
- The sale must be highly probable and an active programme to locate a buyer and complete the plan must have been initiated;
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- The sale should be expected to qualify for recognition as a completed sale within one year (although events or circumstances, may extend the period to complete the sale beyond one year)

When these criteria are met, assets within the category 'Property, Plant and Equipment' will be reclassified to 'Assets Held for Sale'

### **Disposals**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value costs to sell, the loss is taken to the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit in Provision of Services.

### **Disposal and Derecognition of Infrastructure Assets**

When a component of an infrastructure asset is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e, netted off against the carrying value of the asset at the time of the disposal).

The written-off amounts of disposals is not a charge against the council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where any part of infrastructure assets are replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (that is freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (dwellings 40 years, other buildings 10 – 50 years).
- vehicles, plant and equipment – straight line allocation over the useful life of the asset (3 – 20 years).
- infrastructure – straight line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, if the component has a different useful life or depreciation method that differs significantly from the remainder of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## R Heritage Assets

South Lanarkshire Council's heritage assets comprise collections held within the Museum Service, Archives and Information Service and the Library Service.

These collections reflect different aspects of our culture, identity and history.

Heritage Assets, where the cost or value of the asset are known, are recognised on the balance sheet at valuation and no depreciation is charged on these assets. A de-minimis level of £10,000 has been applied. Assets which have a value of less than £10,000 will not be recorded on the Balance Sheet.

Heritage assets will only be revalued where there is specific evidence that a revaluation is required and where the costs of the revaluation do not outweigh the benefit to users of the Annual Accounts.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where doubts arise as to its authenticity.

Any impairment is recognised and measured in accordance with the council's general policies on impairment – see page 105.

As a result of the cultural and education value of these assets, disposals of heritage assets tend to be rare. The proceeds of such disposals are accounted for in accordance with the council's general provisions relating to the disposal of property plant and equipment and disclosed separately in the Notes to the Accounts.

## S Public Private Partnership (PPP) and Similar Contracts

PPP and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passed to the PPP contractor. As the council is deemed to control the services that are provided under its PPP schemes and as ownership of the property, plant and equipment will pass to the council at the

end of the contracts for no additional charge, the council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For Secondary Schools' Modernisation Programme – Public Private Partnership (PPP), the liability was written down by an initial capital contribution of £48.050m.

The amounts payable to the PPP operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PPP operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – there have been no lifecycle costs to date.

The Scottish Government's 2022 Resource Spending Review contained details of a Service Concession flexibility that related to the Council's PPP schools. The flexibility permits councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made which results in a one-off credit to the General Fund and ongoing annual savings for a period of time. In the remaining years following the end of the SCAs, the rescheduled debt repayments continue until the debt liability has been extinguished. The Council has applied the permitted change in the calculation of the statutory charge in 2022-23 and the adopted approach has been applied across all three such arrangements held by the Council in line with the key accounting principle of consistency.

The annual unitary charge will continue to be paid to the contractor over the contract period. The guidance applies to principal and not to interest, service charge costs or grant. These will continue to be accounted for over the contract period.

The Council has applied the permitted change in 2022/2023 and has been applied to the Secondary Schools PPP and the Glasgow Southern Orbital financial arrangement.

## Annuity method for revised repayment of debt liability

The recalculation of the debt liability charges applies the annuity method to calculate the revised repayments. This method best represents the consumption of the assets over their useful lives.

This methodology is applied within the Councils current Loans Fund repayment policy. The use of an annuity method for the writing down of the PPP debt liability therefore ensures a consistent approach for the writing down of all debt which is financing capital expenditure, in that;

- The annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now.
- The schedule of charges produced by the annuity

method thus results in a consistent charge over an asset's life, considering the real value of the amounts when they fall due.

- The annuity method is a prudent basis for providing for assets that provided a steady flow of benefits over their useful life.'

### **Useful Economic Life**

The most appropriate asset life for the calculation is considered to be 50 years which replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e. schools. The Council's Loans Fund methodology use a Useful Economic Life of 50 years when calculating the repayment of debt liability for borrowing to support capital expenditure for similar types of assets. The proposed application a useful economic life of 50 years for the council's 2 PPP or similar arrangement is therefore considered consistent with current council methodology.

### **Capital Financing Requirement**

The reprofiling of the debt liability repayments over the life of the asset rather than the life of the contract increases the Capital Financing Requirement as at 1 April 2022. The increase in the Capital Financing Requirement will continue to be reduced by the revised repayments after each PP or similar contract has expired until the end of the revised period.

### **Accounting Treatment**

The statutory adjustment can be made as at 1 April in the year the revised repayments are applied. This option has been implemented in 2022/2023 and has been applied retrospectively. Being a cumulative statutory adjustment there is no prior year restatement of statutory adjustments in the Annual Accounts. The statutory adjustment up to 31 March 2022 results in a retrospective debit to the Capital Adjustment account in 2022/2023 with a corresponding credit in the Movement in Reserves Statement within the General Fund. Further in year annual reductions will be applied along similar lines as the retrospective adjustment until the end of the contract period for each of the three SCAs. Thereafter the revised charges will result in higher cost being charged to the General fund that the current repayment profile until the end of the Useful Economic Life.

### **T Provisions, Contingent Liabilities and Contingent Assets Provisions**

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it

becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

### **Contingent Assets and Liabilities**

A contingent asset or liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent assets and liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a Note to the Accounts.

### **U Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

### **Usable Reserves**

The council has several reserve funds within this category. The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes. The Repairs and Renewals Fund provides for the upkeep of specific assets held by the council. The Capital Fund is used to meet the costs of capital investment and for the repayment of the principal element of borrowing.

### **Unusable Reserves**

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the council. These reserves are explained in Note 13 on pages 67-69.

### **V Revenue Expenditure Funded from Capital under Statute**

Any expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer is made in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account, then reverses out the amount charged so that there is no impact on the level of council tax.

### **W VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## Note 37 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 36, the council has had to make certain judgments about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Annual Accounts are:

- The council has entered into a Public Private Partnership (PPP) for the provision of secondary schools, their maintenance and related facilities. The annual unitary charge payable by the council in respect of this contract is allocated across the various expenditure headings. In the main, these transactions reflect the detailed financial model which is in line with the assumptions made within the service provider's operating model. However, in relation to the repayment of debt, the Council has taken the opportunity to implement the guidance on Service Concessions and has applied this in 2022/2023. This has no impact on the payments made to the contractor nor the lifetime of the contract. Further details are provided in Note 28.
- In assessing potential liabilities arising from legal claims against the council, legal opinion has been sought. The council has considered and assessed its exposure to potential liabilities and made provision where it is probable that an outflow of resources will occur and where the amount of liability can be reliably quantified. Where it is not possible to measure the liability or is not probable in the council's opinion that there will be a liability to meet, the contingent liability is disclosed in Note 31.
- The accounts have been prepared on a going concern basis as it is expected that despite the uncertainty around future finance settlements, that the council's process of delivering efficiency savings will provide sufficient resources to finance future liabilities.
- Assets held at current value are revalued on a 5 year rolling basis. The council asserts that at any point in time, the carrying amount does not differ materially from that which would be determined using current value.
- Where the council receives funding, it considers the degree of control it has over how this funding is to be utilised. If the council has no discretion over the utilisation of the funds, it deems that it is acting as an agent and this funding is not reflected in the council's income and expenditure, with any amounts owed to/from the council held within its Balance Sheet. In 2021/2022, funding was provided by the Scottish Government through the council to businesses and individuals affected by the COVID pandemic. There has been no similar arrangement in relation to Agency Payments during 2022/2023.



## Supplementary Statement No 1

### Housing Revenue Account Income and Expenditure Statement

This statement reflects the statutory requirement to account for local authority housing provision, as defined in the Housing (Scotland) Act 1987.

It shows the elements of expenditure incurred in the management and investment of the council's housing stock and the funding of this by rents, and other income.

The council has a duty to cover any deficit, and any accumulated surplus is carried forward to future years for use in the management and investment of its council housing stock.

#### Housing Revenue Account Income and Expenditure Statement

2021/22 £000		£000	2022/23 £000
	<b>Expenditure</b>		
31,358	Repairs and Maintenance	36,901	
21,073	Supervision and Management	23,057	
35,582	Depreciation and Impairment on Non-Current Assets	38,221	
2,588	Movement in the Allowance for Bad Debts	1,424	
7,421	Other Expenditure	7,030	
<b>98,022</b>	<b>Total Expenditure</b>		<b>106,633</b>
	<b>Income</b>		
(94,967)	Dwelling Rents	(98,552)	
(3,008)	Non-Dwelling Rents	(2,979)	
-	Housing Support Grants	-	
-	Other Income	-	
<b>(97,975)</b>	<b>Total Income</b>		<b>(101,531)</b>
<b>47</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>5,102</b>
116	HRA Services share of Corporate and Democratic Core		115
-	HRA Share of Other Amounts included in the Whole Council Net Cost of Services but not Allocated to Specific Services		-
<b>163</b>	<b>Net Cost for HRA Services</b>		<b>5,217</b>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(1,536)	(Gain) or Loss on the Disposal of Non-Current Assets		(2,353)
8,827	Interest Payable and Similar Charges		9,578
(18)	Interest and Investment Income		(730)
373	Pension Interest Cost and Expected Return on Pension Assets		196
(12,044)	Capital Grants and Contributions Receivable		(12,214)
<b>(4,235)</b>	<b>(Surplus) / Deficit for the Year on HRA Services</b>		<b>(306)</b>

**Note:** The expenditure in the table above is higher than that included in the Comprehensive Income and Expenditure Statement (page 49) by £1.424 million (2021/2022: £2.588 million). This reflects the CIPFA Code of Practice requirement to transfer the movement in bad debt from the Net Cost of Services in the CIES to the Financing and Investment Income line, whilst in the Housing Revenue Account it remains part of the Net Cost of Services figure.

## Statement of Movement on the Housing Revenue Account Balance

2021/22 £000		Notes	£000	2022/23 £000
(12,784)	<b>Balance on the HRA at the end of the Previous Year</b>			(16,241)
(4,235)	Surplus / (Deficit) for the Year on HRA Income and Expenditure Statement		(306)	
(18,020)	Adjustments Permitted by Accounting Standards		(18,499)	
19,338	Adjustments between Accounting Basis and Funding Basis Under Statute		22,795	
(2,917)	Net (Increase) / Decrease Before Transfers to or from Reserves		(3,990)	
(540)	Transfers (to) or from Reserves		610	
(3,457)	(Increase) / Decrease in the Year on the HRA			3,380
<b>(16,241)</b>	<b>Balance on the HRA at the end of the Current Year</b>			<b>(12,861)</b>

## Housing Revenue Account Disclosures

### 1. Adjustments Permitted by Accounting Standards

2021/22 £000		2022/23 £000
(18,020)	Charge for Depreciation and Impairment of Non-Current Assets	(18,499)
<b>(18,020)</b>	<b>Total</b>	<b>(18,499)</b>

### 2. Adjustments Between Accounting Basis and Funding Basis Under Statute

2021/22 £000		2022/23 £000
-	Adjustment involving Revaluation Reserve	-
(17,561)	Charge for Depreciation and Impairment of Non-Current Assets	(19,729)
-	Adjustment involving Capital Adjustment Account	(5,674)
12,044	Capital Grants and Contributions	12,214
6,808	Statutory Provision for the Financing of Capital Investment	4,531
19,637	Capital Expenditure funded by the HRA	26,050
1,536	Adjustment involving Capital Receipts Reserve	8,027
81	Adjustments involving Financial Instruments Adjustment Account	84
(3,314)	Adjustments involving the Pension Reserve	(2,705)
107	Adjustments involving the Statutory Accumulated Compensated Absences Account	(3)
<b>19,338</b>	<b>Total</b>	<b>22,795</b>

### 3. Housing Stock

The council's housing stock at 31 March 2023 was 25,483 (25,328 at 31 March 2022) in the following categories:

2021/22 Number		2022/23 Number	Average Weekly Rent
11,883	Houses	11,977	£85.51
1,345	High Rise	1,345	£69.26
5,381	Tenements	5,431	£63.09
4,638	4 in a block	4,660	£76.47
2,081	Maisonettes	2,070	£63.28
<b>25,328</b>	<b>Total</b>	<b>25,483</b>	

### 4. Rent Arrears

Rent Arrears at 31 March 2023 were £8.514 million (£8.585 million at 31 March 2022).

### 5. Impairment of Debtors

In 2022/2023 an impairment of £12.627 million has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.309 million from the provision of £12.317 million in 2021/2022.

### 6. Exceptional or Prior Year Adjustments

There were no exceptional items or prior year adjustments not disclosed in the statement.

### 7. Void Rent Loss

The figures above include rent loss on void properties of £2.526 million (£2.575 million for 2021/2022).

## Supplementary Statement No 2

### National Non-Domestic Rates Income Accounts Statement

National Non-Domestic Rates (NNDR) income is collected by councils, but all income is then remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to councils along with the General Revenue Grant. The table below details the actual levels of NNDR collected by the council, and the overall increase/decrease between the rates collected and the amount that the council is entitled to receive under the National Pooling arrangement.

2021/22 £000		2022/23 £000	Note
357,113	Gross rates levied and contributions in lieu	359,631	1
	Less:		
(50,517)	Reliefs and other deductions	(38,291)	
-	Payments of interest	-	
(3,286)	Provision of bad and doubtful debts	(4,245)	
303,310	Net Non-Domestic Rate Income	317,095	
-	Adjustment for years prior to the introduction of the pool	-	
303,310	Contribution to the National Non-Domestic Rate pool	317,095	
16,002	Net contribution (to) / from National Non-Domestic Rate pool	105,496	
319,312	Gross Non-Domestic Rate Income to the Comprehensive Income and Expenditure Statement	422,591	
-	Non-Domestic Rate income retained by council (BRIS)	-	2
319,312	<b>Non-Domestic Rate Income per the Comprehensive Income and Expenditure Statement</b>	<b>422,591</b>	

**Note 1** In 2022/2023, the gross rates levied amount of £359.631 million (2021/2022: £357.113 million) includes an amount of £207.909 million (2021/2022: £221.232 million) in relation to NDR Utilities which South Lanarkshire Council collected on behalf of the Scottish Government. This has resulted in a net contribution from the NDRI pool to the council of £105,496 million.

**Note 2** The Business Rate Incentivisation Scheme (BRIS) permits the council to retain half of the NDR income, which exceeds the income target set by the Scottish Government. In 2022/2023, the council did not receive any additional funding from BRIS.

#### Net Rateable Value Calculation

The amount paid for National Non-Domestic Rates is determined by the rateable value placed on the property by the Assessor multiplied by the Rate per £, which is determined each year by the Scottish Government. The National Non-Domestic Rates poundage set by the Scottish Government for 2022/2023 were as follows:

- 49.8p Rate Poundage (49.8p in 2021/2022) for properties with rateable value not greater than £51,000
- 51.1p Intermediate Property Rate (1.3p supplement on poundage) for properties with rateable value between £51,001 and £95,000
- 52.4p Higher Property Rate (2.6p supplement on poundage) for properties with a rateable value greater than £95,000

The additional supplements on the rate poundage contribute towards the cost of the Small Business Bonus Scheme. The Small Business Bonus Scheme provides a discount of between 25% and 100% to businesses in Scotland with a combined rateable value of £35,000 or less.

	2022/23 £
<b>Analysis of Rateable Values:</b>	
Rateable Value at 01/04/22	693,403,145
Running Roll (Full Year Rateable Value)	115,457,139
Rateable Value at 31/03/23	808,860,284
Less: Wholly Exempt	(3,572,510)
Net Rateable Value at 31/03/23	805,287,774

#### South Lanarkshire Council's Rateable Values at 1 April 2023:

	£
Commercial	137,124,610
Industrial and Freight Transport	57,770,905
Public Undertakings	427,387,075
Other	71,120,555
<b>Total</b>	<b>693,403,145</b>

## Supplementary Statement No 3

### Council Tax Income Account Statement

Councils raise taxes from their residents through the Council Tax – which is a property tax linked to property values. Each dwelling in a council area is placed into one of 8 valuation bands (A to H). The council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued properties (E to H) paying more.

2021/22 £000		2022/23 £000
188,147	Gross Council Tax levied and contributions in lieu	195,600
2,086	Adjustments for prior years Council Tax	1,945
190,233		197,545
	Adjusted for:	
(21,070)	Council Tax Reduction	(21,917)
(21,513)	Other discounts and reductions	(22,328)
(4,178)	Provision for Non-collection	(4,342)
143,472	<b>Transfer to General Fund</b>	<b>148,958</b>

From 1 April 2013, the Council Tax Reduction Scheme replaced Council Tax Benefit, with the resultant decrease in Council Tax Income shown in the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. Council Tax Benefit grant and payments were previously disclosed as part of General Fund Housing in the Net Cost of Services.

#### The calculation of the Council Tax Base 2022/23

	No. of Dwellings	No. of Exemptions	Disabled Relief	Discount 25%	Discount 50%	C Tax Reduction	Total Dwellings	Ratio to Band D	Band D Equivalent
Band A (discount)	-	-	(113)	11	-	-	102	5/9	57
Band A	36,776	1,960	(43)	5,051	284	10,437	19,087	6/9	12,725
Band B	31,272	1,204	(15)	3,969	214	6,336	19,564	7/9	15,216
Band C	27,321	656	1	2,656	139	3,565	20,304	8/9	18,048
Band D	22,273	350	(69)	1,743	96	1,544	18,609	9/9	18,609
Band E	20,900	297	106	1,169	73	679	18,576	473/360	24,407
Band F	13,690	102	43	504	35	276	12,730	585/360	20,686
Band G	7,023	59	81	212	24	78	6,569	705/360	12,864
Band H	588	9	9	15	5	2	548	882/360	1,343
							Class 18 Dwellings		-
							<b>116,089</b>	<b>Total</b>	<b>123,955</b>
							Provision for non-collection (2.875%)		(3,564)
							<b>Council Tax Base</b>		<b>120,391</b>

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to South Lanarkshire Council, the Band D charge for 2022/2023 was £1,223.

#### South Lanarkshire Council £ per year for 2022/2023

Band A	£822.00	Band E	£1,620.03
Band B	£959.00	Band F	£2,003.63
Band C	£1,096.00	Band G	£2,414.63
Band D	£1,233.00	Band H	£3,020.85

## Group Expenditure and Funding Analysis

Net Expenditure Chargeable To the General Fund And HRA Balance £000	2022/23  Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000

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## Group Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with the CIPFA Accounting Code of Practice, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and Movement in Reserves Statements.

2021/22				2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000
216,134	50,091	166,043	Community and Enterprise Resources			
443,501	50,889	392,612	Education Resources			
122,638	73,820	48,818	Finance and Corporate Resources			
			Housing and Technical Resources			
95,434	97,975	(2,541)	- Housing Revenue Account			
82,114	45,722	36,392	- Housing Other			
460,173	249,068	211,105	Social Work Resources			
2,313	-	2,313	Joint Board			
5,018	860	4,158	Corporate Items			
116	-	116	Corporate and Democratic Core (HRA)			
-	-	-	Non-Distributed Costs – Non-Operational Assets (HRA)			
260	155	105	Common Good			
<b>1,427,701</b>	<b>568,580</b>	<b>859,121</b>	<b>Net Cost of Services</b>			
-	2,752	(2,752)	Other Operating Expenditure (Note 9)			
66,565	(202)	66,767	Financing and Investment (Income) and Expenditure (Note 10)			
-	840,766	(840,766)	Taxation and Non-Specific Grant Income (Note 11)			
<b>1,494,266</b>	<b>1,411,896</b>	<b>82,370</b>	<b>(Surplus) on Provision of Services</b>			
		(25,141)	Share of the (Surplus) or Deficit on the provision of services by associates			
		<b>57,229</b>	<b>Group (Surplus) / Deficit</b>			
		(113,202)	(Surplus) / Deficit on Revaluation of Fixed Assets			
		(389,181)	Re-measurement of the Net Defined Benefit Liability / (Asset)			
		(7,026)	Share of Other Comprehensive (Income) and Expenditure of Associates and Joint Ventures			
		<b>(509,409)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			
		<b>(452,180)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			

## Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories.

- The first category of reserves are usable reserves, that is those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the council is not able to use to provide services.

This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Group 31 March 2022 £000		Single Entity 31 March 2023 £000	Group Adjustments 31 March 2023 £000	Group 31 March 2023 £000
3,669,160	Property, Plant and Equipment			
3,826	Heritage Assets			
247	Intangible Assets			
113,939	Investments in associates and joint ventures			
1,272	Long Term Debtors			
-	Other Long Term Assets (Pension)			
<b>3,788,444</b>	<b>Non Current Assets</b>			
25,006	Short Term Investments			
3,942	Inventories			
91,736	Short Term Debtors			
8,131	Assets Held for Sale			
91,476	Cash and Cash Equivalents (see cash flow notes)			
<b>220,291</b>	<b>Current Assets</b>			
(52,459)	Short Term Borrowing			
(194,587)	Short Term Creditors			
-	Contract Liability – IFRS15			
(7,157)	Other Short-Term Liabilities (PPP / Finance Leases)			
(2,109)	Provisions			
(6,403)	Receipts in Advance			
<b>(262,715)</b>	<b>Current Liabilities</b>			
-	Long Term Creditors			
(729)	Long Term Provisions			
(949,602)	Long Term Borrowing			
-	Liabilities in Associates and Joint Ventures			
(179,133)	Other Long-Term Liabilities (PPP / Finance Lease)			
(151,270)	Other Long-Term Liabilities (Pension)			
<b>(1,280,734)</b>	<b>Long Term Liabilities</b>			
<b>2,465,286</b>	<b>Net Assets</b>			
152,186	Usable Reserves			
2,184,375	Unusable Reserves			
128,725	Group Reserves			
<b>2,465,286</b>	<b>Total Reserves</b>			

The notes on pages 120 to 124 form part of the group financial statements. The unaudited accounts were authorised for issue on 27 June 2023.

Paul Manning  
Executive Director (Finance and Corporate Resources)

27 June 2023

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	Revenue Statutory Funds		Revenue Statutory Funds							Council's Share of Usable Reserves of Subsidiaries and Associates £000	Council's Share of Unusable Reserves of Subsidiaries and Associates £000	Total Group Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Statutory Fund £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000			
Balance at 1 April 2022	122,424	16,241	6,496	1,295	4,115	1,615	152,186	2,184,375	2,336,561	57,548	71,177	2,465,286
<b>Movement in reserves during 2022/23</b>												
<b>Total Comprehensive Expenditure and Income</b>												
Adjustments permitted under accounting standards												
Adjustments between accounting basis and funding basis under regulations												
Adjustments for Changes in Council's share of associates										-	-	
<b>Net Increase / (Decrease) before Transfers to Reserves</b>												
Transfers to/ (from) Reserves												
<b>Increase / (Decrease) in Year</b>												
<b>Balance at 31 March 2023 carried forward</b>												



			Revenue Statutory Funds	Revenue Statutory Funds								
	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Statutory Fund £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Council's Share of Usable Reserves of Subsidiaries and Associates £000	Council's Share of Unusable Reserves of Subsidiaries and Associates £000	Total Group Reserves £000
<b>Balance at 1 April 2021</b>	<b>116,980</b>	<b>12,784</b>	<b>7,484</b>	<b>2,304</b>	<b>4,334</b>	<b>1,934</b>	<b>145,820</b>	<b>1,789,850</b>	<b>1,935,670</b>	<b>37,260</b>	<b>40,176</b>	<b>2,013,106</b>
<b><u>Movement in reserves during 2021/22</u></b>												
<b>Total Comprehensive Expenditure and Income</b>	<b>(81,564)</b>	<b>4,235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(77,329)</b>	<b>478,220</b>	<b>400,891</b>	<b>20,100</b>	<b>31,189</b>	<b>452,180</b>
Adjustments permitted under accounting standards	12,360	18,020	-	-	-	-	<b>30,380</b>	(30,380)	-	-	-	-
Adjustments between accounting basis and funding basis under regulations	70,571	(19,338)	-	-	-	2,082	<b>53,315</b>	(53,315)	-	188	(188)	-
Adjustments for Changes in Council's share of associates	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Increase / (Decrease) before Transfers to Reserves</b>	<b>1,367</b>	<b>2,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,082</b>	<b>6,366</b>	<b>394,525</b>	<b>400,891</b>	<b>20,288</b>	<b>31,001</b>	<b>452,180</b>
Transfers to/ (from) Reserves	4,077	540	(988)	(1,009)	(219)	(2,401)	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>5,444</b>	<b>3,457</b>	<b>(988)</b>	<b>(1,009)</b>	<b>(219)</b>	<b>(319)</b>	<b>6,366</b>	<b>394,525</b>	<b>400,891</b>	<b>20,288</b>	<b>31,001</b>	<b>452,180</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>122,424</b>	<b>16,241</b>	<b>6,496</b>	<b>1,295</b>	<b>4,115</b>	<b>1,615</b>	<b>152,186</b>	<b>2,184,375</b>	<b>2,336,561</b>	<b>57,548</b>	<b>71,177</b>	<b>2,465,286</b>

## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the council. Further analysis of movements is provided in the cash flow notes following the statement.

<b>2022/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
(82,370)	Net surplus / (deficit) on the provision of services	
188,626	Adjust net surplus / deficit on the provision of services for non cash movements	
(63,443)	Adjust for items included in the net surplus / deficit on the provision of services that are investing and financing activities	
<b>42,813</b>	<b>Net cash flows from Operating Activities</b>	
(39,857)	Investing Activities	
(19,507)	Financing Activities	
<b>(16,551)</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	
<b>115,945</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	
<b>99,394</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	

### Cash Flow Statement Note – Non-Cash Movements

The balance of non-cash movements is made up of the following elements:

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
101,462	Depreciation, impairment and amortisation of assets	
17,980	Movement in creditors	
(19,393)	Movement in debtors	
(39)	Movement in inventories	
87,750	Movement in pension liability	
866	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	
-	Other non-cash items charged to the net surplus / deficit on the provision of services	
<b>188,626</b>	<b>Net cash flows from the provision of services for non-cash movements</b>	

### Cash Flow Statement Note – Operating Activities – Items Included in Net Surplus / (Deficit) on the Provision of Services That are Investing and Financing Activities

The cash flows for these activities include the following items:

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
(59,825)	Capital contributions and grants	
(3,618)	Capital receipts applied	
<b>(63,443)</b>	<b>Net cash flows from items included in the net surplus / (deficit) on the provision of services that are investing and financing activities</b>	

## Cash Flow Statement Note – Investing Activities

2021/22 £000		2022/23 £000
(133,692)	Purchase of property, plant and equipment and intangible assets	
(84,000)	Purchase of short term investments	
3,618	Proceeds from the sale of property, plant and equipment and intangible assets	
107,000	Proceeds from short term investments	
67,217	Other receipts from investing activities	
<b>(39,857)</b>	<b>Net cash flows from investing activities</b>	

## Cash Flow Statement Note – Financing Activities

2021/22 £000		2022/23 £000
28,900	Cash receipts of short term and long term borrowing	
(7,453)	Cash payments for the reduction of the outstanding liabilities relating to finance leases for PPP contracts	
(40,954)	Repayments of short term and long term borrowing	
<b>(19,507)</b>	<b>Net cash flows from financing activities</b>	

## Cash Flow Statement Note – Cash and Cash Equivalents

31 March 2022 £000		31 March 2023 £000
97	Cash held by officers	
12,215	Bank current accounts	
87,082	Short term deposits	
<b>99,394</b>	<b>Total cash and cash equivalents</b>	

The credit figures shown against Bank Accounts in 2023 relate to balances in the financial ledger. This is due to timing differences in posting transactions in the ledger. Actual balances held at bank are not in an overdraft position.

The group cash flow statement represents the single entity cash flow for South Lanarkshire Council adjusted for its subsidiaries, Routes to Work South, Common Good and South Lanarkshire Leisure and Culture Trust.

The adjusted figures are as follows:

Net surplus / (deficit) on provision of services  
Adjust net surplus / (deficit) on the provision of services for non-cash movements  
Adjust for items included in the net surplus / (deficit) that are investing and financing activities  
Net Cash Flows from Operating Activities

Investing Activities  
Financing Activities

Net increase / decrease in cash and cash equivalents  
Cash and cash equivalents at beginning of period  
**Cash and cash equivalents at end of reporting period**

South Lanarkshire Council £000	Routes to Work South £000	Common Good £000	South Lanarkshire Leisure & Culture Trust £000	Total £000

## Notes to Group Financial Statements

### Note 1 Notes to the Expenditure and Funding Analysis Statement – Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement

2022/23				
	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments between Funding and Accounting Basis £000
Community and Enterprise Resources				
Education Resources				
Finance and Corporate Resources				
Housing and Technical Resources				
- Housing Revenue Account				
- Housing Other				
Social Work Resources				
Joint Board				
Corporate Items				
Corporate and Democratic Core (HRA)				
Non-Distributed Costs – Non-Operational Assets (HRA)				
<b>Net Cost of Services</b>				
Other Income and Expenditure from the Expenditure and Funding Analysis				
<b>Surplus or Deficit</b>				
Share of (Surplus) or Deficit on the Provision of Services by Associates				
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>				

2021/22				
	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments between Funding and Accounting Basis £000
Community and Enterprise Resources	21,217	17,782	(663)	38,336
Education Resources	32,205	13,497	(23,700)	22,002
Finance and Corporate Resources	2,276	7,370	(160)	9,486
Housing and Technical Resources				
- Housing Revenue Account	9,136	2,941	(11,701)	376
- Housing Other	6,775	9,205	1,730	17,710
Social Work Resources	3,307	21,612	(1,102)	23,817
Joint Board	-	-	-	-
Corporate Items	-	421	442	863
Corporate and Democratic Core (HRA)	-	-	116	116
Non-Distributed Costs – Non-Operational Assets (HRA)	-	-	-	-
<b>Net Cost of Services</b>	<b>74,916</b>	<b>72,828</b>	<b>(35,038)</b>	<b>112,706</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(67,340)	9,586	26,661	(31,093)
<b>Surplus or Deficit</b>	<b>7,576</b>	<b>82,414</b>	<b>(8,377)</b>	<b>81,613</b>
Share of (Surplus) or Deficit on the Provision of Services by Associates	(1,351)	453	369	(529)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>6,225</b>	<b>82,867</b>	<b>(8,008)</b>	<b>81,084</b>

## Note 2 Expenditure and Income Analysed by Nature (Group)

The council's expenditure and income are analysed below:

	2022/23 £000	2021/22 £000
<b>Expenditure</b>		
Employee Benefits Expenses		655,983
Other Services Expenditure		670,256
Support Services Recharges		-
Depreciation, Amortisation, Impairment		101,462
Interest Payment		56,802
Pension Net Interest Expense		9,586
Impairment on Financial Instruments		177
Loss on the Disposal of Assets		-
<b>Total Expenditure</b>		<b>1,494,266</b>
<b>Income</b>		
Fees and Charges and Other Service Income		369,069
Interest and Investment Income		132
Impairment on Financial Instruments		(334)
Gain on the Disposal of Assets		2,752
Income from Council Tax		143,472
Government Grants and Contributions		896,805
<b>Total Income</b>		<b>1,411,896</b>
<b>Surplus or Deficit on the Provision of Services</b>		<b>82,370</b>

## Note 3 Investments / Liabilities in Associates and Joint Boards

The group's share of the net asset / liabilities by associate and joint board is shown below:

	31 March 2023 £000	31 March 2022 £000
<b>Investments in associates and joint boards</b>		
Strathclyde Partnership for Transport	67,926	69,158
Strathclyde Concessionary Travel Scheme Joint Committee	749	681
South Lanarkshire Integration Joint Board	19,920	42,640
Lanarkshire Valuation Joint Board	1,036	1,460
<b>Total</b>	<b>89,631</b>	<b>113,939</b>

	31 March 2023 £000	31 March 2022 £000
<b>Liabilities in associates and joint boards</b>		
Lanarkshire Valuation Joint Board	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## Note 4 Disclosure of Interests in Other Entities

The council has adopted the recommendations of the Code in the United Kingdom 2022/2023, as supported by the International Financial Reporting Standard (IFRS), which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts.

A full set of Group Accounts, in addition to the council's accounts, has been prepared which incorporates material balances from identified associates and joint ventures.

The Financial Statements in the Group Accounts are prepared in accordance with the Accounting Policies set out in the Accounting Policies on pages 101-107.

## Note 5 Financial Impact of Consolidation

By including the group entities (details of which are provided below), the effect on the Group Balance Sheet is an increase in both Reserves and Net Assets of £162.982m. This represents the council's share of the net assets in these entities.

## Note 6 Group Entities

The Group Accounts consolidate the results of the council with eight other entities – Common Good Fund, four joint boards, South Lanarkshire Leisure and Culture Limited, Routes to Work South and Clyde Valley Learning and Development Joint Committee. The joint boards are:

- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- Lanarkshire Valuation Joint Board
- South Lanarkshire Integration Joint Board.

South Lanarkshire Council holds no shares in the bodies governed by these Boards.

The joint boards have a wide range of functions to discharge, and members of each Board are elected councillors and are appointed by the councils in proportions specified in the legislation.

Under accounting standards guidance, South Lanarkshire Council can be seen to have significant influence over these statutory bodies, through nominated Council Member involvement in the bodies' governing Boards.

The Boards are included within the Group Accounts even when our interest in these bodies is less than the 20% that is normally presumed to represent significant influence.

Further details on each of the Boards and the Trust are provided below:

### Common Good Fund

The Common Good Fund is for the benefit of the geographical areas of the former burghs and is administered by the council. The council's share of the year-end net asset of £3.884m is included in the Group Balance Sheet.

The Common Good Account is included within the council's core financial statements Note 34.

### Strathclyde Partnership for Transport

Strathclyde Partnership for Transport is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the former Strathclyde area of the West of Scotland. The accounting period for the Board is the twelve months to 31 March 2023.

In 2022/2023, South Lanarkshire Council contributed 14.32% of the entity's estimated running costs. This body has been included as an associate in the council's Group Accounts, with the council's share of the year-end net asset of £67.926m included in the Group Balance Sheet.

Copies of the Board's accounts may be obtained from the Treasurer to Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF. The accounts of the Partnership are subject to audit.

### Strathclyde Concessionary Travel Scheme Joint Committee

Strathclyde Concessionary Travel Scheme Joint Committee comprises the 12 councils within the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within its area. The Strathclyde Passenger Transport Executive administers the Scheme on behalf of the Joint Committee. The accounting period for the Joint Committee is the twelve months to 31 March 2023.

In 2022/2023, South Lanarkshire Council contributed 14.89% of the Committee's estimated running costs. This body has been included as an associate in the council's Group Accounts with the council's share of the year-end net assets of £0.749m included in the Group Balance Sheet.

Copies of the Board's accounts may be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme Joint Committee, 131 St Vincent Street, Glasgow, G2 5JF. The accounts of the Committee are subject to audit.

### Lanarkshire Valuation Joint Board

Lanarkshire Valuation Joint Board was formed in 1996 at local government re-organisation. The Board maintains the Electoral, Council Tax and Non-Domestic Rates registers for North and South Lanarkshire. The Board's running costs are met by the two member councils. Surpluses or deficits on the Board's operations are shared between the councils. The accounting period for the Board is the twelve months to 31 March 2023.

In 2022/2023, South Lanarkshire Council contributed 50.00% of the Board's estimated running costs. This body has been included as an associate in the Group Accounts, with the council's share of the year-end net assets of £1.036m included in the Group Balance Sheet.

The following additional disclosures are required under accounting regulations for Lanarkshire Valuation Joint Board because the council's share of the net assets of the Board exceeds 25%.

	2022/23 £000	2021/22 £000
Expenditure	4,531	4,698
Total Comprehensive Income and Expenditure	747	(3,835)
Fixed Assets	135	156
Long Term Assets	290	1,273
Current Assets	1,914	1,614
Liabilities due within one year	267	(225)
Liabilities due after one year	-	-
Capital and reserves	2,071	2,818
Contingent liabilities	-	-
Capital commitments	-	-

Copies of the Board's accounts may be obtained from the Treasurer to the Lanarkshire Valuation Joint Board, Floor 4, Council Offices, Almada Street, Hamilton, ML3 0AB. The accounts of the Board are subject to audit.

### South Lanarkshire Integration Joint Board

South Lanarkshire Integration Joint Board was established by South Lanarkshire Council with NHS Lanarkshire to formally integrate health and social care provision within South Lanarkshire.

South Lanarkshire Council delegated resources of £162.438m or 24.74% of the Board's income in 2022/2023. This body has been included as a joint venture in the Group Accounts, with the council's 50% share of the year end net asset (£22.720m) included in the Group Balance Sheet.

The following table details the main elements of South Lanarkshire Council's share of assets, liabilities and revenues of the Board.

	2022/23 £000	2021/22 £000
Expenditure	696,344	618,673
Total Comprehensive Income and Expenditure	39,838	(48,259)
Fixed Assets	-	-
Current Assets	45,440	85,278
Liabilities due within one year	-	-
Liabilities due after one year	-	-
Capital and Reserves	45,440	85,278
Contingent Liabilities	-	-
Capital Commitments	-	-

Copies of the Integration Joint Board accounts may be obtained from the Chief Financial Officer of the South Lanarkshire Integration Joint Board, Floor 8, Council Offices, Almada Street, Hamilton, ML3 0AB. The accounts of the Integration Joint Board are subject to audit.

### South Lanarkshire Leisure and Culture Limited

South Lanarkshire Leisure Limited was established as a Charitable Trust on 1 April 2002. The Trust became South Lanarkshire Leisure and Culture Limited in October 2010, when Cultural Services transferred from South Lanarkshire Council.

It provides the council with a full range of leisure and cultural services within the South Lanarkshire area.

The Trust is entirely independent of the council under law and for taxation purposes. The council has neither any shares in, nor ownership of the Trust. The Company is limited by guarantee, with each member's liability limited to £1 in the event of the Company being wound up. The accounting period for the trust is the twelve months to 31 March 2023. South Lanarkshire Council currently has 5 out of the 14 Board positions meaning 35.71% representation on the Board of Directors.

The Trust meets the definition of a structured entity. This describes an entity that has been designed so that the relevant activities are directed by means of contractual arrangements. In recognition of this, South Lanarkshire Leisure and Culture Limited is included in the Group Financial Statements as a 100% subsidiary.

The accounts of the Trust are published separately and may be obtained from the Secretary, South Lanarkshire Leisure and Culture Limited, Floor 5, Council Offices, Almada Street, Hamilton, ML3 0ABt. The accounts of the Trust are subject to audit.

The following additional disclosures are required under accounting regulations for South Lanarkshire Leisure and Culture Limited because the council's share of the net assets of the Board exceeds 25%.

	2022/23 £000	2021/22 £000		2022/23 £000	2021/22 £000
Expenditure	44,739	39,525	Expenditure	2,530	2,148
Total Comprehensive Income and Expenditure	57,244	19,180	Total Comprehensive Income and Expenditure	(15)	(4)
Fixed Assets	83	72	Fixed Assets	23	26
Long Term Assets	64,881	9,175	Current Assets	2,276	2,040
Current Assets	8,980	7,993	Liabilities due within one year	1,495	(1,381)
Liabilities due within one year	(6,848)	(5,867)	Liabilities due after one year	(251)	(117)
Liabilities due after one year	(628)	(558)	Capital and Reserves	583	568
Long Term Liabilities	-	-	Contingent Liabilities	-	-
Capital and Reserves	66,468	10,815	Capital Commitments	-	-
Contingent Liabilities	-	-			
Capital Commitments	-	-			

On 3 April 2023, the status of South Lanarkshire Leisure and Culture Limited changed from a Charitable Trust to a Scottish Charitable Incorporated Organisation. This will have no impact on the relationship with the council moving forward.

### Routes to Work South

Routes to Work South was established in 1998. Its main activity is supporting unemployed and workless residents of South Lanarkshire into employment, training or further education. Routes to Work South delivers services to the council and is funded by the council.

South Lanarkshire Council is the sole member of Routes to Work South. In recognition of this, Routes to Work South is included in the Group Financial Statements as a 100% subsidiary.

The accounts of Routes to Work South are published separately and may be obtained from the Secretary, Routes to Work South, 1-5 Main Street, Cambuslang, Glasgow G72 7EX.

The following additional disclosures are required under accounting regulations for Routes to Work South because the Councils' share of the net assets exceeds 25%.

### Clyde Valley Learning and Development Joint Committee

Clyde Valley Learning and Development Joint Committee was established, with the backing of the Scottish Government's Efficiency and Reform Fund, to provide procurement of training activities to each of its member councils. South Lanarkshire Council is the lead authority for this project and its constituent membership totalled 12.82% in 2022/2023. This body has been included as an associate in the council's Group Accounts, however, as the Joint Committee net assets at 31 March 2023 are nil, there has been no financial impact on South Lanarkshire's Single Entity Accounts.

The accounts of Clyde Valley Learning and Development Joint Committee are published separately and may be obtained from the Treasurer, Finance and Corporate Resources, Floor 4, Almada Street, Hamilton, ML3 0AB. The Accounts of the Joint Committee are subject to audit.

### Note 7 Non-Material Interest in Other Entities

The council also has an interest in:

- Scotland Excel (previously Authorities Buying Consortium) is a Joint Committee established to serve the buying requirements of the councils within the former Strathclyde area. South Lanarkshire Council contributed 5.3% of Scotland Excel's estimated running costs in 2021/2022, but the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.



- West of Scotland European Forum is a Joint Forum established to develop positive links between the communities of the region and the institutions of the European Union. This Joint Committee is in the process of being wound up with 2022/23 being the proposed final year of account. There were no contributions made in year to reduce the residual balance which will be required to be redistributed to members upon dissolution. The financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- West of Scotland Archaeology Service is a Joint Service established to provide planning related archaeological advice to its 11 member councils. South Lanarkshire Council contributed 12.4% of the estimated running costs of the Joint Service in 2022/2023, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- Continuing Education Gateway is a consortium of 10 local authorities in the West of Scotland. It was formed in April 2000 to further the provision of careers and educational guidance services. South Lanarkshire Council contributed 14.50% of the consortium's estimated running costs in 2022/2023, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- Glasgow and the Clyde Valley Strategic Development Planning Authority was established to advise the member authorities on the structure plan. South Lanarkshire Council contributed 12.5% of the committee's estimated running costs in 2022/2023, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- SEEMIS Group LLP is a not-for-profit body whose principal activity is the provision of education related information technology solutions to its member councils. South Lanarkshire Council contributed 6.21% of the organisation's estimated running costs in 2022/2023, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- Glasgow City Region – City Deal Cabinet was established on 20 January 2015. The purpose of the committee is to determine the Strategic Development Priorities for the Clyde Valley Region and to monitor and ensure delivery of the City Deal Programme as agreed between member authorities and the UK and Scottish Governments. The City Deal aims to deliver a £1.1 billion investment programme, including delivery of labour market and innovation programmes. South Lanarkshire Council contributed 17.4% of the organisation's running costs in 2022/2023, however, the financial results have not been consolidated into the council's Group Accounts as the amounts are not material.
- The Rural Development Trust is based in South Lanarkshire and works with local communities to deliver innovative solutions including resolving transport problems in rural areas and developing markets towns. The council supports the Rural Development Trust. The financial results have not been consolidated into the council's Group Accounts as the amounts are not material.
- Regen: FX Youth Trust was established as a Charitable Trust on 1 April 2007. It serves the council by developing and co-ordinating out of school diversion activities within the South Lanarkshire area. The Trust is entirely independent of the council under law and for taxation purposes. The council has neither any shares in, nor ownership of the Trust. The financial results have not been consolidated into the council's Group Accounts, as the amounts are not material.
- Clyde Gateway was established to re-develop large sections of the East End of Glasgow extending into Shawfield and Rutherglen in South Lanarkshire. The key stakeholders are Glasgow City Council, Scottish Enterprise and South Lanarkshire Council, with the two council partners providing land holdings on a phased basis over the anticipated 20-year lifetime of the project as well as capital funding. The financial results have not been consolidated into the council's Group Accounts as the amounts are not material.

## Audit Arrangements

Under arrangements approved by the Commission for Local Authority Accounts in Scotland ("The Accounts Commission") the auditor with overall responsibility for the audit of the accounts of South Lanarkshire Council for the year ended 31 March 2023 is:

Audit Scotland  
4<sup>th</sup> Floor  
102 West Port  
Edinburgh  
EH3 9DN

## Glossary of Terms

Much of the terminology used in this report is intended to be self-explanatory, however, the following additional definition and interpretation of terms may be helpful:

- 1. Current Service Cost (Pensions)**  
The increase in the current value of a defined benefit scheme's liabilities, expected to arise from employee service in the current financial year.
- 2. Past Service Costs (Pensions)**  
For a defined benefit scheme, the increase in the present value of the scheme's liabilities relating to employee service in prior years arising in the current financial year as a result of the introduction of, or improvement to, retirement benefits.
- 3. Interest Cost (Pensions)**  
For a defined benefit scheme, the expected increase during the financial year of the scheme's liabilities because the benefits are one year closer to settlement.
- 4. Actuarial Gains and Losses (Pensions)**  
For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.
- 5. Pension Scheme Liabilities**  
The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. The scheme's liabilities, measured using the 'projected unit method', reflect the benefits that the employer is committed to provide for service up to the valuation date.
- 6. Pension Reserve**  
The Pension Reserve recognises the council's share of the actuarial gains and losses in the Strathclyde Pension Fund and the change in the council's share of the net liability chargeable to the Comprehensive Income and Expenditure Statement.
- 7. Asset**  
An item having value to the council in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefit to the council and the services it provides for a period of more than one year.
- 8. Liability**  
A liability is where the council owes payment to an individual or another organisation. A current liability is an amount which will become payable within the next financial year. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over the period of time.
- 9. Contingent Liability**  
A contingent liability is either:
  - A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the council's control, or
  - A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.
- 10. Capital Expenditure and Financing**  
This is expenditure incurred in creating, acquiring or improving assets. Expenditure is normally financed by borrowing (with repayment over a period of years), income from the sale of existing assets, revenue funds or external grants and contributions.
- 11. Capital Financed from Current Revenue**  
This is expenditure incurred in creating, acquiring or improving assets where that expenditure is funded directly from the revenue account in the year in which it is incurred.
- 12. Non-Current Assets**  
Fixed Assets are created as a result of the capital expenditure incurred by the council. As such, they comprise buildings, property, vehicles, plant and machinery, and computer equipment etc.

**13. Property, Plant and Equipment**

These are assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one year. These are further analysed in the Notes to the Accounts as follows:

- a) Council Dwellings – these are council houses
- b) Other Land and Buildings
- c) Vehicles, Plant and Equipment
- d) Infrastructure Assets – these are assets where there is no prospect of sale or alternative use  
e.g. roads, bridges, tunnels, water supply and drainage systems
- e) Community Assets – assets that the council intends to hold in perpetuity that have no determinable useful life and may have restrictions on their disposal e.g. open land and public parks.
- f) Surplus Assets – assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale.
- g) Assets Under Construction

**14. Heritage Assets**

Heritage assets are assets that have cultural, environmental, or historical association that make their preservation for future generations important. Heritage assets are maintained principally for their contribution to knowledge and culture, and it is this which distinguishes them from other assets e.g. museum artefacts.

**15. Assets Held for Sale**

These are assets where the carrying value of the asset will be realised through its sale rather than continued use.

**16. Intangible Asset**

These are assets which do not have a physical substance (e.g. IT software and licences)

**17. Depreciation**

The measure of the cost of wearing out, consumption or reduction in the useful economic life of the council's non-current assets during the financial year, whether from use, the passage of time or obsolescence through technical or other changes.

**18. Impairment**

A reduction in the value of non-current asset to below its carrying value in the Balance Sheet.

**19. Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less where applicable, any grants receivable towards the purchase or use of the asset.

**20. Net Carrying Value**

The amount at which non-current assets are included in the Balance Sheet, i.e. historical cost or current value less the cumulative amounts provided for depreciation.

**21. Accrual**

The concept that income and expenditure are recognised as they are earned or incurred, not as the money is paid or received.

**22. Provision**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates or when they will arise are uncertain.

## Appendix 2

<b>Table 1</b> <b>Reconciliation of Monitoring Position to Annual Accounts</b>	<b>Actual to 31/03/23</b> <b>(Exec Com, 21 June 2023)</b> <b>£m</b>	<b>Move Corporate Items</b>  <b>£m</b>	<b>Remove Transfers from Reserves</b>  <b>£m</b>	<b>Revised General Fund Position per EFA</b>  <b>£m</b>	<b>Add: HRA Position</b>  <b>£m</b>	<b>Total EFA per Annual Accounts</b>  <b>£m</b>	<b>Statutory Accounting Adjustment</b>  <b>£m</b>	<b>CIES Figure per Annual Accounts</b>  <b>£m</b>
	<b>Col 1</b>	<b>Col 2</b>	<b>Col 3</b>	<b>Col 4</b>	<b>Col 5</b>	<b>Col 6</b>	<b>Col 7</b>	<b>Col 8</b>
Community and Enterprise Resources	127.880	-	-	127.880	-	127.880	39.343	167.423
Education Resources	409.607	-	-	409.607	-	409.607	10.262	419.869
Finance and Corporate Resources	48.041	-	-	48.041	-	48.041	9.151	57.191
Housing and Technical Resources	18.958	-	-	18.958	-	18.958	14.663	33.621
Housing Revenue Account	-	-	-	-	3.990	3.990	2.537	6.527
Social Work Resources	210.458	-	-	210.458	-	210.458	20.094	230.552
Joint Boards	2.152	-	-	2.152	-	2.152	-	2.151
Corporate Items	-	(0.469)	-	(0.469)	-	(0.469)	4.339	3.870
Corporate and Democratic Core - HRA	-	-	-	-	-	-	115	115
Non-Distributed Costs - HRA	-	-	-	-	-	-	-	-
<b>Total Resources</b>	<b>817.096</b>	<b>(0.469)</b>	<b>-</b>	<b>816.627</b>	<b>3.990</b>	<b>820.617</b>	<b>100.704</b>	<b>921.321</b>
CFCR	-	0.874	-	0.874	-	0.874		
Loan Charges	30.320	-	-	30.320	-	30.320		
Corporate Items	(0.469)	0.469	-	-	-	-		
Council Tax	(148.958)	-	-	(148.958)	-	(148.958)		
General Revenue Grant	(254.817)	-	-	(254.817)	-	(254.817)		
Non Domestic Rates	(422.591)	-	-	(422.591)	-	(422.591)		
Transfer from Reserves (including CFCR)	(71.881)	-	71.881	-	-	-		
<b>Other Income and Expenditure</b>	<b>(898.247)</b>	<b>1.343</b>	<b>71.881</b>	<b>(795.172)</b>	<b>-</b>	<b>(795.172)</b>	<b>(30.368)</b>	<b>(825.540)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(51.300)</b>	<b>0.874</b>	<b>71.881</b>	<b>21.455</b>	<b>3.990</b>	<b>25.445</b>	<b>70.336</b>	<b>95.781</b>

### **Annual Accounts: Restatement of Monitoring Figures Reported**

This Appendix reconciles the monitoring figures reported to the Council's Executive Committee (21 June 2027) to the figures in the Council's Annual Accounts (in the Expenditure and Funding Analysis Statement and the Comprehensive Income and Expenditure Account). This is detailed below:

- The starting point for the Expenditure and Funding Analysis (col 1) is the year-end outturn position shown in Appendix 1 of the report to Executive Committee, 21 June 2023), and is the monitoring surplus of £51.300 million. An adjustment is made to move the Corporate Items from the Other Income and Expenditure to the Resources in Appendix 8 (col 2). This is where they are shown in the Annual Accounts.
- Appendix 2 (col 3) then takes this monitoring surplus of £51.300 million, and removes the Transfers from Reserves totalling £71.881 million, as the accounting requirements require us to remove both Transfers To and Transfers From Reserves, from these reported Committee figures.
- The table in Appendix 2 then adds the HRA outturn position (col 5) to give the Council's total position: a deficit on provision of services of £18.089 million. This represents the Council's outturn position (General Fund plus HRA) on an accounting basis before Transfers To / Transfers From Reserves and is the position shown in the Expenditure and Funding Analysis (col 6).
- Finally, the Expenditure and Funding Analysis position (col 7) is adjusted by adding the technical accounting transactions, including depreciation and pension accounting entries, which are outwith the normal Council monitoring process, to arrive at the figures in the Comprehensive Income and Expenditure Statement of a deficit of £94.768 million, before the entries to reverse out the accounting transactions and to add in transfers to and from reserves. These transactions are for accounting purposes and reflect the Council spend in line with accounting guidance. They do not change the final outturn position of the Council and have no impact on the actual position of the Council and the funds available.
- As detailed in above, the Expenditure and Funding Analysis shows the movement on the General Fund Reserve and HRA Reserve before any transfers to/from other reserves. These transfers relate to transfers from Other Reserves including the Repairs and Renewals Fund (including Winter Maintenance), the Insurance Fund and the IT Development Fund (Capital

Fund) to offset expenditure and commitments that have been charged to the Revenue Budget but where the funding to pay for these commitments sits in another Reserve and are shown in Table 3 below.

- These transfers need to be taken into account to arrive at the total movement in the General Fund Reserve and HRA Reserve included in the Balance Sheet (Table 2 below). Table 2 below shows that when these transfers totalling £60.424 million are taken into account (including the Transfer from Unusable Reserves for the implementation of Service Concessions), the total General Fund and HRA position for the year is an increase of £34.979 million. This increase takes account of the final year end position of breakeven as well as all transfers to and from all reserves, including those above.

<b>Table 2 - Total Movement in General Fund Reserve and HRA Reserve</b>	<b>General Fund £m</b>	<b>HRA £m</b>	<b>Total £m</b>
<b>Closing General Fund and HRA Balance</b>	<b>122.424</b>	<b>16.241</b>	<b>138.665</b>
(Surplus)/Deficit on General Fund per EFA	(21.455)	(3.990)	(25.445)
Transfer to/(from) Other Reserves (see Table 3)	59.814	0.610	60.424
<b>Total Movement in Year</b>	<b>38.359</b>	<b>(3.380)</b>	<b>34.979</b>
<b>Closing General Fund and HRA Balance</b>	<b>160.783</b>	<b>12.861</b>	<b>173.644</b>

<b>Table 3 - Transfers to/(from) Other Reserves</b>	<b>General Fund £m</b>
Repairs and Renewals (including Winter Maintenance)	1.114
Insurance Fund	0.116
Capital Fund (including IT Development Fund, Central Energy Efficiency Fund, Education Capital Items Replacement)	0.661
Capital Receipts Reserve	(2.582)
Housing Revenue Account	0.610
Transfer from Unusable Reserves (Service Concessions)	59.733
<b>Total Transfers to/(from) Other Reserves</b>	<b>59.814</b>







The Trustees present their annual report together with the financial statements and Independent Auditors' report for the year ended 31 March 2023.

### Reference and Administration Information

<b>Charity Name:</b>	South Lanarkshire Council Educational Trusts
<b>Charity Number:</b>	SC028135
<b>Principal Office:</b>	Finance Services Council Offices Almada Street Hamilton ML3 0AA
<b>Trustees:</b>	Finance and Corporate Resources Committee, South Lanarkshire Council
<b>Independent Auditors:</b>	Audit Scotland

### Structure, Governance and Management

#### Governing Document

South Lanarkshire Council Educational Trusts comprised 18 Charitable Trust Funds / Bequests established under previous local authorities. Each Trust Fund / Bequest is restricted for the purpose which it was set up.

#### Charity Trustees

The trustees of the charities are elected members (Councillors) of South Lanarkshire Council. Trustees are appointed through their election to the Finance and Corporate Resources Committee of South Lanarkshire Council. The current trustees of South Lanarkshire Council Educational Trusts are detailed below:

Councillor Alex Allison	Councillor Graeme Horne
Councillor Walter Brogan (Depute Chair)	Councillor Martin Hose
Councillor Matthew Buchanan	Councillor Katy Loudon
Councillor Andy Carmichael	Councillor Hugh Macdonald
Councillor Maureen Chalmers	Councillor Catherine McClymont
Councillor Margaret Cooper	Councillor Lesley McDonald (Chair)
Councillor Andrea Cowan	Councillor Elaine McDougall
Councillor Maureen Devlin	Councillor Mark McGeever
Councillor Colin Dewar	Councillor Gladys Ferguson-Miller
Councillor Mary Donnelly	Councillor Richard Nelson
Councillor Joe Fagan (Ex Officio)	Councillor Mo Razzaq
Councillor Grant Ferguson	Councillor John Ross
Councillor Celine Handibode (Depute Chair)	Councillor Graham Scott



## South Lanarkshire Council Educational Trusts Trustees' Annual Report – for the year ended 31 March 2023

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### **Organisational Structure**

The trustees delegate the day-to-day administration of the charities to officers of the Council through the Scheme of Delegation as approved by South Lanarkshire Council on 18 May 2022.

The trustees (as elected members of the Council) meet to consider and approve the Annual Accounts for South Lanarkshire Council which includes the financial statements for all South Lanarkshire Council Trust Funds. An annual report on Governance of Trust Funds is presented to the Finance and Corporate Resources Committee. This report details expenditure for the preceding financial year.

### **Related Parties**

Trustees hold this position because they are elected members of South Lanarkshire Council. South Lanarkshire Council provides administration services to the Trust.

### **Risk Management**

It is recognised that there is a risk that the funds of the Trusts are not used for the purpose that they were intended. To mitigate this risk, the governance arrangements in place ensure that the Finance and Corporate Resources Committee are advised of the balance and distribution of funds. In addition, OSCR also receive an annual report on the Trusts and their purpose.

### **Management of Funds and Investment Policy**

The trustees rely upon the expertise of South Lanarkshire Council to manage the investments to ensure the maximum return at least risk to the charity is achieved.

The funds of the charity are held with South Lanarkshire Council. The interest received from South Lanarkshire Council and HM Treasury is shown in the Statement of Receipts and Payments.

### **Trustee Indemnity Insurance**

No such insurance has been taken out.

### **Reorganisation of South Lanarkshire Council Trust Funds**

South Lanarkshire Council established The South Lanarkshire Educational Trust (Charity Number SC049823) in December 2019 for the purposes of reorganising existing trust funds, including those held under South Lanarkshire Council Educational Trusts (Charity Number SC028135).

The constitution of The South Lanarkshire Educational Trust (SC049823) is a Trust Deed granted by South Lanarkshire Council. It provides a modern constitution with appropriate purposes, powers and governance arrangements.

The process of transferring the funds from South Lanarkshire Council Educational Trusts (SC028135) to The South Lanarkshire Educational Trust (SC049823) was approved by OSCR during 2022/2023. Assets totalling £126,574 were transferred in 2022/2023.

### Objectives and Activities

The objectives of the funds are mainly to provide prizes for school prize givings. Many of the bequests relate to certain areas within South Lanarkshire Council and the schools within those catchment areas. A few of the bequests may be used to support educational projects during the school year, if meeting the specific requirements of the bequests.

### Achievements and Performance

During the year to 31 March 2023, the charity did not pay out any grants as a result of the ongoing reorganisation of the Trust (2021/2022: £0).

### Financial Review

#### Overview

There was no income received during 2022/2023 due to the transfer of the funds to the new charity (2021/2022: £58).

The trust held no cash and bank balances as at 31 March 2023 (2021/2022: £126,574), due to the transfer of assets to The South Lanarkshire Educational Trust (SC049823).

#### Reserves Policy

Following the transfer of assets to The South Lanarkshire Educational Trust (SC049823) the trust holds no reserves.

#### External Audit

The auditor with responsibility for the audit of the accounts of South Lanarkshire Council Educational Trusts for the year ended 31 March 2023 is:

Audit Scotland  
4<sup>th</sup> Floor  
102 West Port  
Edinburgh  
EH3 9DN



South Lanarkshire Council Educational Trusts  
Trustees' Annual Report – for the year ended 31 March 2023

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**Declaration**

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s):        LESLEY MCDONALD**

**Position:             CHAIR OF FINANCE AND CORPORATE RESOURCES  
COMMITTEE**

**Date:                   27 JUNE 2023**

### Appendix 3



#### South Lanarkshire Council Educational Trusts Statement of Receipts and Payments for the year ended 31 March 2023

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current year)	Total funds (last year)
		£	£	£	£	£	£
<b>Receipts</b>							
Grants and Donations	4	-	-	-	-	-	-
Income from investments other than land and buildings	5	-	-	-	-	-	58
<b>Sub Total</b>		-	-	-	-	-	<b>58</b>
<b>Receipts from Assets and Investments sales</b>							
Proceeds from sale of investments	5	-	-	-	-	-	0
<b>Sub Total</b>		-	-	-	-	-	<b>0</b>
<b>Total Receipts</b>		-	-	-	-	-	<b>60</b>
<b>Payments</b>							
External Audit Fee	7	-	-			-	616
Administration Charge	8	-	-	-	-	-	295
Grants and Donations	4	-	-	-	-	-	0
<b>Total Payments</b>		-	-	-	-	-	<b>911</b>
<b>Net (Payments) / Receipts</b>		-	-	-	-	-	<b>(853)</b>
<b>Surplus / (Deficit) for the year</b>		-	-	-	-	-	<b>(853)</b>

### Appendix 3



#### South Lanarkshire Council Educational Trusts Statement of Balances as at 31 March 2023

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current year)	Total funds (last year)
		£	£	£	£	£	£
<b>Cash and Bank Balances</b>							
Opening Balance		-	126,574	-	-	126,574	127,427
Deficit shown on receipts and payments account		-	-	-	-	-	(853)
<b>Transfer of funds to new Charity</b>			(126,574)			(126,574)	
<b>Closing Balance</b>		-	0	-	-	0	126,574
<b>Investments</b>							
Market Value of Investments in South Lanarkshire Council		-	-	-	-	-	-
Market Value of Government Bonds		-	-	-	-	-	-
<b>Total Investments</b>		-	-	-	-	-	-

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s):** LESLEY MCDONALD

**Position:** CHAIR OF FINANCE AND CORPORATE RESOURCES  
COMMITTEE

**Date:** 27 JUNE 2023

## Appendix 3



### South Lanarkshire Council Educational Trusts Notes to the Financial Statements

#### 1. **Basis of Accounting**

These financial statements have been prepared on the Receipts and Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### 2. **Fund Accounting**

Restricted funds are those funds that can only be applied for particular purposes.

#### 3. **Taxation**

The charity is not liable to income or capital gains tax on its charitable activities.

#### 4. **Grants and Donations**

In the year to 31 March 2023, no donations were received. In the year to 31 March 2023, no grants were paid out (2021/2022: £0).

#### 5. **Trustee Remuneration, Expenses and Related Party Transactions**

- No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year.
- No income was received during 2022/2023 (2020/2021: £58) from South Lanarkshire Council.
- There were no transactions between the charity and any trustee or any connected person during the year.

#### 6. **Cash and Bank Balances**

During the year the Trust's balances were held by South Lanarkshire Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the Trust for this administration. South Lanarkshire Council also acts as the banker for the charity and as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balance was transferred to The South Lanarkshire Educational Trust (SC049823) during 2022/2023.

#### 7. **External Audit Fee**

There was no charge for external audit fee for 2022/2023 (2020/2021: £616).

### **Appendix 3**

#### **8. Administration Charge**

There was no charge for administration of the Trust Fund for 2022/2023 (2021/2022: £295).



The Trustees present their annual report together with the financial statements and Independent Auditors' report for the year ended 31 March 2023.

## Reference and Administration Information

<b>Charity Name:</b>	South Lanarkshire Council Charitable Trusts
<b>Charity Number:</b>	SC025089
<b>Principal Office:</b>	Finance Services Council Offices Almada Street Hamilton ML3 0AA
<b>Trustees:</b>	Finance and Corporate Resources Committee, South Lanarkshire Council
<b>Independent Auditors:</b>	Audit Scotland

## Structure, Governance and Management

### Governing Document

South Lanarkshire Council Charitable Trusts comprises 2 Charitable Trust Funds / Bequests established under previous local authorities. Each Trust Fund / Bequest is restricted for the purpose which it was set up.

### Charity Trustees

The trustees of the charities are elected members (Councillors) of South Lanarkshire Council. Trustees are appointed through their election to the Finance and Corporate Resources Committee of South Lanarkshire Council. The current trustees of South Lanarkshire Council Charitable Trusts are detailed below:

Councillor Alex Allison	Councillor Graeme Horne
Councillor Walter Brogan (Depute Chair)	Councillor Martin Hose
Councillor Matthew Buchanan	Councillor Katy Loudon
Councillor Andy Carmichael	Councillor Hugh Macdonald
Councillor Maureen Chalmers	Councillor Catherine McClymont
Councillor Margaret Cooper	Councillor Lesley McDonald (Chair)
Councillor Andrea Cowan	Councillor Elaine McDougall
Councillor Maureen Devlin	Councillor Mark McGeever
Councillor Colin Dewar	Councillor Gladys Ferguson-Miller
Councillor Mary Donnelly	Councillor Richard Nelson
Councillor Joe Fagan (Ex Officio)	Councillor Mo Razzaq
Councillor Grant Ferguson	Councillor John Ross
Councillor Celine Handibode (Depute Chair)	Councillor Graham Scott

### **Organisational Structure**

The trustees delegate the day-to-day administration of the charities to officers of the Council through the Scheme of Delegation as approved by South Lanarkshire Council on 18 May 2022.

The trustees (as elected members of the Council) meet to consider and approve the Annual Accounts for South Lanarkshire Council which includes the financial statements for all South Lanarkshire Council Trust Funds. An annual report on Governance of Trust Funds is presented to the Finance and Corporate Resources Committee. This report details expenditure for the preceding financial year.

### **Related Parties**

Trustees hold this position because they are elected members of South Lanarkshire Council. South Lanarkshire Council provides administration services to the Trust.

### **Risk Management**

It is recognised that there is a risk that the funds of the Trusts are not used for the purpose that they were intended. To mitigate this risk, the governance arrangements in place ensure that the Finance and Corporate Resources Committee are advised of the balance and distribution of funds. In addition, the Office of the Scottish Charity Regulator (OSCR) also receive an annual report on the Trusts and their purpose.

### **Management of Funds and Investment Policy**

The trustees rely upon the expertise of South Lanarkshire Council to manage the investments to ensure the maximum return at least risk to the charity is achieved.

The majority of the funds of the charity are managed on behalf of the Council by Barclays Wealth. The investment objective is to provide a sustainable level of income, along with the prospect of growth in both capital and income through investment in a diversified portfolio of investments. The market value of these funds as at 31 March 2023 was £970,657 (2021/2022: £1,044,837).

The remaining fund of the charity is managed by South Lanarkshire Council. The interest received is shown in the Statement of Receipts and Payments.

During 2022/2023 income of £31,414 (2021/2022: £32,784) was received and is shown in the Statement of Receipts and Payments.

### **Trustee Indemnity Insurance**

No such insurance has been taken out.

### **Reorganisation of South Lanarkshire Council Trust Funds**

South Lanarkshire Council established The South Lanarkshire Charitable Trust (Charity Number SC049819) in December 2019 for the purposes of reorganising existing trust funds, including those held under South Lanarkshire Council Charitable Trusts (Charity Number SC025089).

The constitution of The South Lanarkshire Charitable Trust (SC049819) is a Trust Deed granted by South Lanarkshire Council. It provides a modern constitution with appropriate purposes, powers and governance arrangements.

The process of transferring the funds from South Lanarkshire Council Charitable Trusts (SC025089) to The South Lanarkshire Charitable Trust (SC049819) is ongoing. During 2022/23, OSCR approved the transfer of assets totalling £96,034. There are 2 Charitable Trust Funds / Bequests established under previous local authorities remaining.

### **Objectives and Activities**

The most significant fund is the Loudon Bequest Trust Fund which was used to help finance holidays for elderly people within 12 Local Authority areas in the West of Scotland.

The other Trust Fund was held by a previous District Council and provided financial assistance to organisations and individuals who met the terms set by the specific fund.

### **Achievements and Performance**

During the year to 31 March 2023, no grants were paid out.

### **Financial Review**

#### **Overview**

Income during 2022/2023 came from income on external investments of £29,453 (2021/2022: £26,283); interest calculated on the Trust Funds' revenue balances of £1,848 (2021/2022: £80).

Proceeds from the sale of investments of £2,931 (2021/2022: £6,351) were received.

The trust held cash and bank balances of £141,031 (2021/2022: £182,950) as at 31 March 2023 and investments with a book value of £820,639 (2021/2022: £823,458).

### **Reserves Policy**

The trusts are managed in order to allow the full potential benefit of the trusts to be realised. By ensuring distributed funds are of sufficient value to make a beneficial impact to recipients, there may be some erosion of capital. The Reserves of the Trust will be used in line with the specific requirements of the Trust.

### **External Audit**

The auditor with responsibility for the audit of the accounts of South Lanarkshire Council Charitable Trusts for the year ended 31 March 2023 is:

Audit Scotland  
4<sup>th</sup> Floor  
102 West Port  
Edinburgh  
EH3 9DN

### **Declaration**

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s):** LESLEY MCDONALD

**Position:** CHAIR OF FINANCE AND CORPORATE RESOURCES  
COMMITTEE

**Date:** 27 JUNE 2023

South Lanarkshire Council Charitable Trusts  
Statement of Receipts and Payments for the year ended 31 March 2023

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current year)	Total Funds (last year) Restated
		£	£	£	£	£	£
<b>Receipts</b>							
Donations		-	-	-	-	-	-
Income from investments other than land and buildings	4	-	31,301	-	-	31,301	26,363
<b>Sub Total</b>		-	<b>31,301</b>	-	-	<b>31,301</b>	<b>26,363</b>
<b>Receipts from Assets and Investments sales</b>							
Proceeds from sale of investments	4	-	2,931	-	-	2,931	6,351
<b>Sub Total</b>		-	-	-	-	-	<b>6,351</b>
<b>Total Receipts</b>		-	<b>34,232</b>	-	-	<b>34,232</b>	<b>32,714</b>
<b>Payments</b>							
External Audit Fee	8	-	1,808	-	-	1,808	4,680
Investment Management Costs	7		2,932			2,932	3,105
Administration Charge	9		2,377			2,377	4,212
Grants and Donations	5	-	0	-	-	0	0
Purchase of Investments	4		0			0	3,245
<b>Total Payments</b>		-	<b>7,117</b>	-	-	<b>7,117</b>	<b>15,242</b>
<b>Net Receipts</b>		-	<b>27,115</b>	-	-	<b>27,115</b>	<b>17,472</b>
<b>Surplus / (Deficit) for the year</b>		-	<b>27,115</b>	-	-	<b>27,115</b>	<b>17,472</b>



South Lanarkshire Council Charitable Trusts  
Statement of Balances as at 31 March 2023

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current year)	Total Funds (last year) Restated
		£	£	£	£	£	£
<b>Cash and Bank Balances</b>							
Opening Balance		-	182,950	-	-	182,950	200,335
Transfer of Assets to the South Lanarkshire Charitable Trust			(96,034)			(96,034)	(34,857)
Surplus shown on receipts and payments account		-	27,115	-	-	27,115	17,472
<b>Closing Balance</b>		-	<b>114,031</b>	-	-	<b>114,031</b>	<b>182,950</b>
<b>Investments</b>							
Market Value of Investments (Clydeport – transferred to The South Lanarkshire Charitable Trust)	7	-	-	-	-	-	-
Market Value of Investments (Managed by Barclays Wealth)	7	-	970,657	-	-	970,657	1,044,837
<b>Total Investments</b>		-	<b>970,657</b>	-	-	<b>970,657</b>	<b>1,044,837</b>

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s):** LESLEY MCDONALD

**Position:** CHAIR OF FINANCE AND CORPORATE RESOURCES COMMITTEE

**Date:** 27 JUNE 2023

**1. Basis of Accounting**

These financial statements have been prepared on the Receipts and Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

**2. Fund Accounting**

Restricted funds are those funds that can only be applied for particular purposes.

**3. Taxation**

The charity is not liable to income or capital gains tax on its charitable activities.

**4. Trustee Remuneration, Expenses and Related Party Transactions**

- No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year.
- The trust received income from external investments of £29,453 (2021/2022: £26,283) and £1,848 (2021/2022: £80) from South Lanarkshire Council. All transactions incoming and outgoing are made via South Lanarkshire Council's accounts.
- Proceeds from the sale of the Loudon Bequest investment of £2,931 (2021/2022: £6,351) were received.
- Purchase costs of the Loudon Bequest investment of £0 (2021/2022: £3,245) were incurred.
- There were no transactions between the charity and any trustee or any connected person during the year.

**5. Grants**

In the year to 31 March 2023, there were no grants were paid out as the process of transferring the funds from South Lanarkshire Council Charitable Trusts (SC025089) to The South Lanarkshire Charitable Trust (SC049819) was ongoing. During 2021/22 no grants were paid out.

**6. Cash and Bank Balances**

During the year the Trust's balances were held by South Lanarkshire Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the Trust for this administration. South Lanarkshire Council also acts as the banker for the charity and as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand and interest is payable on balances.

**7. Investments**

The charity has one investment managed by Barclays Wealth £970,657 (2021/2022: £1,044,837) on behalf of the Council with an objective of achieving a balance between income and capital growth subject to a medium level of risk. Barclays Wealth charged a portfolio management fee of £2,931 (2021/2022; £3,105).

**8. External Audit Fee**

The external audit fee for 2022/2023 £1,808 (2021/2022: £4,680) is paid to Audit Scotland.

**9. Administration Charge**

A charge for administration of the Trust Fund for 2022/2023 £2,377 (2021/2022: £4,212) is paid to South Lanarkshire Council.



The Trustees present their annual report together with the financial statements and Independent Auditors' report for the year ended 31 March 2023.

## Reference and Administration Information

<b>Charity Name:</b>	East Kilbride Information Technology Centre Trust
<b>Charity Number:</b>	SC015221
<b>Principal Office:</b>	Finance Services Council Offices Almada Street Hamilton ML3 0AA
<b>Trustees:</b>	Councillor Margaret Cowie, Councillor Graeme Horne, Councillor Grant Hose and Councillor Gladys Ferguson-Miller
<b>Independent Auditors:</b>	Audit Scotland

## Structure, Governance and Management

### Governing Document

East Kilbride Information Technology Trust is recognised as a Scottish charity. The Deed of Trust states that the charity should provide for young unemployed people living in East Kilbride, training and education appropriate to their needs in basic information technology and the opportunity to develop these skills.

### Organisational Structure

The trustees delegate the day-to-day administration of the Trust to officers of the Council through the Scheme of Delegation as approved by South Lanarkshire Council on 18 May 2022.

The trustees (as elected members of the Council) meet to consider and approve the Annual Accounts for South Lanarkshire Council which includes the financial statements for all South Lanarkshire Council Trust Funds. An annual report on Governance of Trust Funds is presented to the Finance and Corporate Resources Committee. This report details expenditure for the preceding financial year.

### Related Parties

Trustees hold this position because they are elected members of South Lanarkshire Council. South Lanarkshire Council provides administration services to the Trust.

### Risk Management

It is recognised that there is a risk that the funds of the Trust is not used for the purpose that they were intended. To mitigate this risk, the governance arrangements in place ensure that the Finance and Corporate Resources Committee are advised of the balance and distribution of funds. In addition, OSCR also receive an annual report on the Trusts and their purpose.

### **Management of Funds and Investment Policy**

The trustees rely upon the expertise of South Lanarkshire Council to manage the investments to ensure the maximum return at least risk to the charity is achieved.

The funds of the charity are internally deposited with South Lanarkshire Council. The interest received from South Lanarkshire Council is shown in the Statement of Receipts and Payments.

### **Trustee Indemnity Insurance**

No such insurance has been taken out.

### **Objectives and Activities**

To establish and operate the Centre in East Kilbride so as to provide for young unemployed people living in the East Kilbride District. To provide training and education appropriate to their needs in basic electronic assembly computing, electronic office and other work involving the use of new technology. To develop their skills in those fields and make these skills available as a community resource. Also, to take any action in furtherance of or ancillary to the foregoing, to enable the Trustees to fulfil the purposes of the Trust.

### **Achievements and Performance**

The fund was fully utilised during 2022/23. The funds were used to purchase laptops for South Lanarkshire College.

### **Financial Review**

#### **Overview**

There was no income during 2022/2023 (2021/2022: £12). The trust holds no cash and bank balances after utilisation of the funds (2021/2022: £26,677).

#### **Reserves Policy**

Following the full expenditure of the funds, the Trust holds no reserves.

#### **External Audit**

The auditor with responsibility for the audit of the accounts of East Kilbride Information Technology Centre Trust for the year ended 31 March 2023 is:

Audit Scotland  
4<sup>th</sup> Floor  
102 West Port  
Edinburgh  
EH3 9DN

## **Declaration**

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s):** COUNCILLOR GLADYS FERGUSON-MILLER

**Position:** TRUSTEE

**Date:** 27 JUNE 2023

East Kilbride Information Technology Centre Trust  
Statement of Receipts and Payments for the year ended 31 March 2023

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current year)	Total funds (last year)
		£	£	£	£	£	£
<b>Receipts</b>							
Income from investments other than land and buildings	4	-	-	-	-	-	12
<b>Sub Total</b>		-	-	-	-	-	<b>12</b>
<b>Payments</b>							
External Audit Fee	7	-	-	-	-	-	130
Administration Charge	8	-	-	-	-	-	62
Grants and Donations	5	-	26,677	-	-	26,677	0
<b>Total Payments</b>		-	<b>26,677</b>	-	-	<b>26,677</b>	<b>192</b>
<b>Net Receipts</b>		-	<b>(26,677)</b>	-	-	<b>(26,677)</b>	<b>(180)</b>
<b>Surplus / (Deficit) for the year</b>		-	<b>(26,677)</b>	-	-	<b>(26,677)</b>	<b>(180)</b>



East Kilbride Information Technology Centre Trust  
Statement of Balances as at 31 March 2023

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current period)	Total funds last period
		£	£	£	£	£	£
<b>Cash and Bank Balances</b>	6						
Opening Balance		-	26,677	-	-	26,677	26,857
Deficit shown on receipts and payments account		-	(26,677)	-	-	(26,677)	(180)
<b>Closing Balance</b>		-	0	-	-	0	26,677
<b>Investments</b>							
Market Value of Investments		-	-	-	-	-	-
<b>Total Investments</b>		-	-	-	-	-	-

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s):** COUNCILLOR GLADYS FERGUSON-MILLER

**Position:** TRUSTEE

**Date:** 27 JUNE 2023

**1. Basis of Accounting**

These financial statements have been prepared on the Receipts and Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

**2. Fund Accounting**

Restricted funds are those funds that can only be applied for particular purposes.

**3. Taxation**

The charity is not liable to income or capital gains tax on its charitable activities.

**4. Trustee Remuneration, Expenses and Related Party Transactions**

- No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year.
- The trust did not receive interest in 2022/2023 (2020/2021: £12) from South Lanarkshire Council.
- There were no transactions between the charity and any trustee or any connected person during the year.

**5. Grants and Donations**

The full balance on the fund was used to fund the purchase of laptops for South Lanarkshire College during the financial year to 31 March 2023.

**6. Cash and Bank Balances**

During the year the Trust's balances were held by South Lanarkshire Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the Trust for this administration. The full balance was utilised during 2022/2023.

**7. External Audit Fee**

There was no external audit fee charged to the Trust for 2022/2023 (2021/2022: £130).

**8. Administration Charge**

There was no charge for administration of the Trust Fund for 2022/2023 (2021/2022: £62).

# Report

6

Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **27 June 2023**  
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Internal Audit Activity as at 9 June 2023**

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update the Risk and Audit Scrutiny Committee (RASC) on progress of the Internal Audit service in the period 6 May to 9 June 2023

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that progress be noted.

## 3. Background

3.1. Findings from internal audit assignments are reported to the Committee throughout the year. The last progress report to the Committee was 23 May 2023 and reported on work completed in the period 18 February to 5 May 2023. This report covers all work completed in the period 6 May to 9 June 2023. Performance information is also included.

## 4. Delivery of the Internal Audit Plan: Progress

4.1. As at 9 June 2023, 94% of the 2022/2023 Audit Plan was complete with 3 assignments still work in progress at that date. Preparatory work has started on the 2023/2024 Plan.

4.2. Key performance indicators reflecting quality, on time and within budget for the 2022/2023 Internal Audit Plan are summarised in Appendix 1 together with explanations. 3 from 5 indicators exceeded targets with the other 2 indicators falling marginally behind target.

4.3. Appendix 2 lists all assignments completed in the period 6 May to 9 June 2023 together with a summary of overall assurances from each area of work.

## 5. Public Sector Internal Audit Standards - External Review

5.1. The external review is in progress and is expected to conclude by the end of this month. The Committee was advised in March 2023 that the findings from the review would be reported in June 2023. Members are being asked to note that, although this output is not available at the date of writing this report, it is anticipated that the review will conclude with the next 2 weeks (and the formal output reported to a subsequent meeting of the Committee). There have been no significant findings reported to date and the function is anticipated to be assessed as continuing to

generally conform with the requirements of the Public Sector Internal Audit Standards.

## **6. Progress against Strategy**

- 6.1. The Public Sector Internal Audit Standards (PSIAS) require progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting.
- 6.2. Delivery of the strategy in 2022/2023 has been evidenced by the material completion of the Internal Audit Plan in year monitored during the year by performance indicators which have been regularly reported to the Committee.

## **7. Employee Implications**

- 7.1. There are no employee issues.

## **8. Financial Implications**

- 8.1. The confirmed final financial position for the Internal Audit function for 2022/2023 is a marginal overspend that reflected lower than anticipated fees from external clients.

## **9. Climate Change, Sustainability and Environmental Implications**

- 9.1. There are no Climate Change, Sustainability and Environmental implications relating to this report.

## **10. Other Implications**

- 10.1. The main risks to the delivery of the Audit Plan are, generally, vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. These have been mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan. The risk of significant, subsequent amendments to the Plan, arising from a change in the Council's priorities or risks, were reduced given the approach in 2022/2023 that has allowed capacity and content to be reassessed mid-year.
- 10.2. There are no implications for sustainability in terms of the information contained in this report.

## **11. Equality Impact Assessment and Consultation Arrangements**

- 11.1. There is no requirement to equality assess the contents of this report.
- 11.2. Heads of Service are consulted on each and every audit assignment.

**Paul Manning**

**Executive Director Finance and Corporate Resources**

9 June 2023

## **Link(s) to Council Values/Priorities/Outcomes**

- ♦ Accountable, effective, efficient and transparent



**Previous References**

- ◆ Risk and Audit Scrutiny Committee - 2022/2023 Internal Audit Plan - 26 January 2022
- ◆ Risk and Audit Scrutiny Committee - Internal Audit Activity as at 5 May 2023 - 23 May 2023

**List of Background Papers**

- ◆ Figtree extracts of Action Plans

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Yvonne Douglas, Audit and Compliance Manager

Tel:- 01698 452618

E-mail:- [yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk)

## Key audit performance indicators as at 31 March 2023

## Appendix 1

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	30/38	79%	80%	Marginally below target.
Draft reports delivered within 6 weeks of file review	43/43	100%	80%	
2022/2023 Audit Plan completed to draft by 30 April 2023	45/48	94%	100%	The three outstanding audit assignments at this date related to a special investigation and two routine assignments covering petty cash and purchase cards.
Internal Audit recommendations delivered on time	15/15	100%	90%	
Client to agree findings and actions within 4 weeks of draft issue	38/38	100%	80%	

Job Number	Assignment name	Draft Issue	Final Issue	Assurance Info
<b>Current Year</b>				
I420085	Fraud Policies	07/02/2023	23/05/2023	Revised fraud policy presented to RASC.
I613198	Anti-fraud checks	31/03/2023	31/03/2023	Work deferred to release resources to assist with the implementation of Fusion.
I677204	Whistle Blowing concern	31/03/2023	31/03/2023	Investigated by Resource. No significant outcome and, therefore, not investigated by Internal Audit.
I410092	Follow-up Procurement	31/03/2023	31/03/2023	Work deferred to assess impact of implementation of Fusion.
I341105	Sustainability	12/04/2023	12/04/2023	Position Statement – see Appendix 3.

## Position Statement: Sustainability

### Objective

To provide a position statement of progress with the Sustainability agenda across the following areas; governance; risk management; detailed short and medium term action plans; net zero targets; longer term route maps; decision-making processes and tools and collaboration and community empowerment.

### Key Summary

SLC have clearly set out the Council's ultimate climate change goals.

The first being that SLC will no longer be generating any carbon emissions from its non-domestic buildings within the next 15 years, which is in line with the Scottish Government's expectations for the Scottish public sector. This effectively means a shift to heat and power from electricity (or other sustainable sources) for all buildings as opposed to gas and oil. This is a significant undertaking given the size of the Council's current non-domestic estate that still has gas or oil heating systems. It is essential that decisions taken now, in relation to SLC's buildings, support the future zero emission goals. Consideration needs to be given to what SLC's estate may need to look like in the future so that relatively limited funds can be spent in the best way in the short to medium-term.

The second goal is for fleet/pool cars to no longer be generating any carbon emissions within the next 15 years. Again, a significant undertaking which will require all Council transport decisions to fully reflect these objectives and the Scottish Government's expectations that the purchase of new petrol and diesel light commercial vehicles will begin to be phased out in the next couple of years.

In addition to these targets, which are directly within the Council's control, SLC have also now pledged to influence a reduction in the emissions generated from household waste and employee travel to progress towards to net zero emissions in the next couple of decades (through to 2045/2046).

A key assumption being used by the Council is that the electricity grid will be net zero by 2035 (i.e. derived from sustainable sources). This effectively means that by using electricity from the grid, the Council will achieve net zero for lighting and activities powered by grid electricity.

Once reviews and feasibility studies are complete, SLC can then agree a "route-map" with milestones for both direct and indirect emissions.

In addition to these key objectives are a myriad of other actions outlined within the current sustainable development and climate change strategy, including aims to manage the natural environment well; encourage sustainable production and use of food; embracing a zero-waste ethos; promoting a green economy and employment and sustainable procurement decisions and ensuring all planning/design decisions support a sustainable future.

It is clear that sustainable development and climate change needs to be a factor in all decisions made across the Council if SLC are to achieve their goals.

The Climate Change and Sustainable Development Committee are tasked with ensuring sufficient plans are in place; that actions are defined and clearly communicated to those accountable for contributing to achieving desired changes; that the progress is sufficiently tracked, and that, most importantly, progress is being made. The challenges and barriers to achievement need to be fully understood. The status quo may need to be challenged and difficult decision made.

Underlying all of the corporate decisions should be consistent consideration of the actual implications for the residents and communities in South Lanarkshire, in particular, the impact of decisions in areas of existing challenge, such as fuel and food poverty or other areas of inequality and this is recognised in SLC's strategy and action plan.

### Identification of Key Findings

- **Governance** General assurances were obtained re structure, accountabilities etc supporting the sustainability agenda with no significant issues to note.

- **Risk Management** Sustainability risks are reflected in the corporate risks register and top risk for some Resources as expected. The residual risks scores are very high corporately and increasing for some Resource risk registers (not decreasing with mitigations, but residual score going up). Mitigating actions are high level and involve many actions across the full span of the Sustainability agenda. Over time, how to fund might be one of the biggest risks. Mitigating actions are in place but these may need to be revised through time.

- **Action Plans** The review looked at the detailed short and medium term action plans now in place for next 5 years. Key assurance for 2022/2023 is that the 5-year action plan is now in place to support the strategy and SLC are also producing annual plans to support the 5-year plan. All actions should be tracked through IMPROVE and the actions be reflected in Resource/Service plans.

**Net zero targets** Key assurance is that SLC has now set these targets. These represent a significant undertaking with further work required to establish how indirect emissions not already measured will be measured.

**Route maps** The Council is committed to achieving zero emissions target for direct emissions for non-domestic buildings, but decisions need to be prioritised. The findings from the review work taking place are key to developing the route map. Also key, is how it will be funded and addressing the practical and logistical challenges that will hinder delivery.

**Decision-making** Underlying all of this will be the need to embed cultural change that puts sustainability and carbon/waste reduction at the forefront of all decision making.

**Collaboration and Community Empowerment** Likewise, working in partnership will be key to addressing issues around fully funding the agenda through to completion.



# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>27 June 2023</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>2022 National Fraud Initiative Exercise</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise the Committee of matches resulting from the 2022 National Fraud Initiative (NFI) exercise and of the proposed target number of investigations to be undertaken in 2023/2024

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendations:-

- (1) that results of the matching exercise and target number of investigations be noted.

## 3. Background

3.1. NFI is a counter fraud exercise which takes data from councils and other public bodies and cross matches to identify the potential for fraud. Councils are then informed of the resulting indicative matches. It is the responsibility of councils to investigate the data matches that are identified for their organisation. The Cabinet Office has responsibility for the NFI throughout the UK however Audit Scotland co-ordinates the exercise within Scotland.

3.2. South Lanarkshire Council has taken part in the NFI exercise since 2004/2005. The full exercise, that takes place every second year, involves Council wide comparisons including benefits, payroll, creditors, council tax, licences and blue badge holders. This data is matched to other benefits and payroll data as well as Department of Work and Pensions (DWP) deceased persons' records and the Electoral Register. Data extracts from Council systems were submitted by the due dates in 2022.

3.3. Within South Lanarkshire Council, Internal Audit co-ordinates the NFI exercise and uploads the relevant data sets. Each Resource is assigned responsibility for investigating matches relevant to them. Internal Audit prepared a project plan at the start of this exercise and will report progress against this to the Council's External Auditors on a periodic basis.

## 4. 2022 Match Results

4.1. There are 9 separate match areas covered in the 2022 exercise. These are listed in Appendix 1.

- 4.2. South Lanarkshire Council have been provided with a list of matches from the 2022 NFI exercise. Datasets continue to be refreshed and therefore the number of matches may change marginally going forward.
- 4.3. The totals recorded in Appendix 2 reflect South Lanarkshire Council matches as of 22 May 2023. At that date, there were a total of 26,036 matches. A comparison of matches across the 2020 and 2022 exercises is detailed at Appendix 2. One category from 2020, relating to COVID-19 grants, was not included in the 2022 exercise. For the 9 matches, 5 categories had a decrease and 4 an increase in matches.
- 4.4. The greatest decrease in the number of matches relates to Council Tax Reduction (CTR), namely to Pensions. There was also a reduction in the number of duplicate creditor payments.
- 4.5. The greatest increase in the 2022 NFI exercise is in the number of matches of Single Person Discount (SPD) to the Electoral Register (which indicates multiple residents). The number of blue badges to deceased persons has also increased which may be reflective of a timing issue. Work is underway to assess the underlying reasons for these movements as well as updating records and investigating specific cases.
- 4.6. Work to investigate matches identified within the NFI exercise will reflect the review work that is already ongoing to avoid any duplication and ensure investigation resources are used effectively.
- 4.7. A target number of investigations is determined based on risk and passed to Service personnel best placed to examine the match. Internal Audit facilitate and report on the outcome from the exercise. There is no obligation to investigate every match but the decision to restrict investigations must be risk based. In 2022, the target number of investigations was determined by a number of factors:-
- ◆ those that were denoted as high risk by NFI data analytics
  - ◆ those that were identified as a key report
  - ◆ those that were highlighted within the Fraud Report section
  - ◆ outcomes from previous exercises
- 4.8. This resulted in a total of 8,359 'high risk' matches (excluding SPD). A further risk analysis was then undertaken by Internal Audit, mainly of Creditor reports to refine targets further. A total of 3,065 matches have now been highlighted for investigation. A breakdown of the final match targets is provided at Appendix 3. These targets can be amended as investigations progress to reflect the outcomes of the reviews and ensure that resources are directed to areas that are likely to produce the most significant outcomes.
- 4.9. Investigations have a deadline for investigation of 31 December 2023. It is anticipated that most investigations will have been completed ahead of this date and further updates on progress will be reported to the Committee during 2023/2024.
- 4.10. As the Housing Benefit Fraud Section transferred to the DWP Fraud and Error Service (FES), housing benefit fraud is no longer investigated by the Council. Initial NFI investigations still require to be undertaken by the Council and, if this indicates a potential fraud, the case passed to FES for further investigation. An outcome will be recorded through the NFI website once FES have concluded their investigation. This may result in a delay in closing some investigations.



## **5. Employee Implications**

- 5.1. Internal Audit is responsible for co-ordinating the South Lanarkshire Council exercise which includes facilitating the issue and receipt of information requests from other public bodies in relation to NFI cases, undertaking a limited number of investigations and reporting on employee benefit fraud cases if required. A total of 50 days has been allocated in the 2023/2024 Internal Audit Plan. Further time can be allocated in 2023/2024 to monitor, investigate and record investigation outcomes as required.
- 5.2. In addition to the time allocated by Internal Audit, Resources are also required to allocate time to investigations. Based on previous years' exercises, it is anticipated that the time spent by Resources on investigations will not exceed a total of 50 days.

## **6. Financial Implications**

- 6.1. Other than employee time, there is no cost associated with NFI.

## **7. Climate Change, Sustainability and Environmental Implications**

- 7.1. There are no implications for climate change, sustainability or the environment in terms of the information contained within this report.

## **8. Other Implications**

- 8.1. Fraud Risk is recognised as one of the top risks facing South Lanarkshire Council. This risk is significant as it can adversely affect the delivery of Council objectives and erode valuable resources. It is therefore important that the risk of fraud is soundly managed.
- 8.2. The NFI exercise is a valuable counter fraud exercise which has continued to identify fraud and error within the Council.
- 8.3. When a fraud or overpayment occurs, steps will usually be taken to recover the loss. Services are expected to examine why the loss occurred and demonstrate a change in their processes and procedures accordingly.

## **9. Equality Impact Assessment and Consultation Arrangements**

- 9.1. As the risks associated with the NFI are carried by the Cabinet Office and the Council is bound by statute to participate, there is no need to undertake a separate equality impact assessment.
- 9.2. Employees and South Lanarkshire Council residents are informed of the commencement of the NFI exercise through a variety of sources. There is no requirement to undertake any further consultation in terms of the content of this report.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

12 June 2023

## **Link(s) to Council Values/Priorities/Outcomes**

- ♦ Accountable, effective, efficient and transparent

**Previous References**

- ◆ Risk and Audit Scrutiny Committee - 2020 National Fraud Initiative Exercise, - 15 September 2021
- ◆ Risk and Audit Scrutiny Committee - 2020 National Fraud Initiative Exercise - 27 September 2022

**List of Background Papers**

- ◆ None

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Yvonne Douglas, Audit and Compliance Manager

Ext:- 2618 (Tel: 01698 452618)

E-mail:- [yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk)

Match area	Match between	Purpose of Match/Fraud risk
Housing Benefits (HB)	HB to Student Loans	To identify individuals claiming benefits, whose student loan eligibility results in them being ineligible for those benefits.
	HB to HB (within SLC and between other authorities)	To identify an individual that is claiming housing benefit from one or more local authority at the same time.
	HB to Housing Tenants (within SLC and between other authorities)	To identify possible tenancy fraud and/or housing benefit fraud where an individual appears to be resident at two different addresses.
	HB to taxi drivers (within SLC and between bodies)	To identify where housing benefit claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to CTRS	To identify anyone claiming housing benefit and council tax reduction from one or more local authority at the same time.
	HB to DWP Deceased	To identify where a claimant has passed away and who was in receipt of DWP benefits which would not have stopped
	HB to Waiting List	To identify where an individual appears to be resident at two different addresses as the address on the waiting list application is different to the address on the benefit system
Council Tax Reduction Scheme (CTRS)	CTRS to Payroll (within SLC and between other bodies)	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTRS to pensions	To identify where CTRS claimants have failed to declare pension income that might remove entitlement to benefit or reduce benefit payable.
	CTRS to CTRS (within SLC and between other authorities)	To identify an individual claiming CTRS from one or more local authority.
	CTRS to HB (within SLC and between other authorities)	To identify where an individual is in receipt of council tax reduction and housing benefit from one or more local authority simultaneously that may remove or reduce entitlement to the reduction.
	CTRS to Housing Tenants (within SLC and between other authorities)	To identify possible cases of tenancy fraud and/or CTRS fraud where an individual appears to be resident at two different addresses.

Match area	Match between	Purpose of Match/Fraud risk
	CTRS to taxi drivers(within SLC and between bodies)	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTR Scheme to DWP deceased	To identify where a person has passed away but may be in receipt of CTR after the date of death
Payroll	Payroll to payroll (within SLC and between bodies)	To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time.
	Payroll to Creditors	To identify employees who are also creditors where there may be a conflict of interests or corruption.
	Payroll to Pensions	To identify employees who have gone back into employment after drawing a pension that could result in an abatement of pension.
Housing Tenants (HT)	HT (within SLC and between bodies)	To identify where an individual appears to be resident at two different addresses suggesting possible cases of subletting or dual tenancies.
	HT to HB	To identify possible cases of tenancy fraud and/or housing benefit fraud, where an individual appears to be resident at two different addresses.
	HT to CTR Scheme	To identify possible causes of tenancy fraud and/or incorrect claims for CTR where an individual appears to be resident at two different addresses.
	HT to State Benefits	To identify possible cases of tenancy fraud against the organisation i.e. where an individual appears to be resident at two different addresses.
	HT to DWP Deceased	To Identify where the tenant has died, but the DWP has not been informed.
Waiting Lists	Housing Waiting Lists to Housing Tenants (within SLC and between bodies)	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing rents system suggesting possible undisclosed changes in circumstances or that false information has been provided.
	Housing Waiting List to Housing Waiting List (within SLC and between bodies)	To identify where an individual appears to have registered on the waiting list using two different addresses.
	Housing Waiting Lists to Housing Benefit Claimants (within SLC and between bodies)	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing benefit system.
	Waiting List to DWP deceased	To identify an applicant who has died but is still shown on the waiting list.

Match area	Match between	Purpose of Match/Fraud risk
Blue Badges	Blue badge to blue badge	To identify individuals who hold more than one Blue Badge.
	Blue badge to DWP deceased person	To identify cases where a permit holder has died, but the local authority may not have been notified.
Procurement	Procurement – payroll to Companies House (Director)	To identify potential undeclared interests that have given a pecuniary advantage.
Creditors	Duplicate creditors by Duplicate creditor payments and details	To identify instances where the same supplier has been recorded against more than one reference number on the system thus increasing the potential for creditors to obscure fraudulent activity. To identify possible duplicate payments.
	VAT overpaid	This test identifies instances where VAT may have been overpaid.
Council Tax Single Person Discount	Council Tax to Electoral register	To identify where Single Persons Discount is being claimed and there is more than one person aged 18 or over registered within the property on the Electoral Register.
	Single Person discount award to other government bodies	To identify individuals who have declared they are living alone but have not declared they are living with a partner or non-dependant in the household.

	2022	2020	Increase/ - Decrease
Area	Total	Total	
Total Housing Benefits Matches	135	172	- 37
Total Council Tax Reduction Scheme Matches	1,272	2,005	- 733
Total Payroll Matches	159	134	25
Total Tenant Matches	488	685	- 197
Total Waiting List Matches	1,267	1,229	38
Total Blue badge Matches	1,339	1,114	225
Total Creditor Matches	4,488	4,981	- 493
Total Procurement Matches	202	259	- 57
Total Single Persons Discount Matches	16,686	15,126	1560
Total SBGF and RHLG matches	0	238	- 238
<b>Overall matches</b>	<b>26,036</b>	<b>25,943</b>	<b>93</b>

Area	Total	Target No.*	Anticipated Target Date
Total Housing Benefits Matches	135	97	31/12/2023
Total CTRS Matches *	1,272	265	31/12/2023
Total Payroll Matches	159	143	31/12/2023
Total Tenant Matches	488	377	31/12/2023
Total Waiting List Matches *	1,267	217	31/12/2023
Total Blue badge Matches	1,339	1,339	31/12/2023
Total Creditor Matches	4,488	425	31/12/2023
Total Procurement Matches	202	202	31/12/2023
Total Single Persons Discount Matches	16,686	tba	31/12/2023
<b>Total</b>	<b>26,036</b>	<b>3,065</b>	

\* This is an interim target. Depending on outcome and employee resources available, this number may be increased.





# Report

8

Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **27 June 2023**  
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Audit Scotland Report: Resourcing the benefit service – A Thematic Study**

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide the Risk and Audit Scrutiny Committee (RASC) with a summary of the Audit Scotland Report 'Resourcing the benefit service' – A Thematic Study released in February 2023

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the key messages and recommendations be noted.

## 3. Background

- 3.1. The Housing Benefit scheme helps customers pay their rent if they are unemployed, on a low income, or claiming benefits. It is administered by councils on behalf of the Department for Work and Pensions (DWP).
- 3.2. Since the DWP introduced Universal Credit in 2013, there have been many changes to councils' benefit services. As more claims for housing costs were processed by the DWP, to protect jobs and retain knowledge and expertise, most councils expanded the remit of the benefit service to carry out other financial assessments such as Free School Meals, School Clothing Grants, Education Maintenance Awards, and applications to the Scottish Welfare Fund.
- 3.3. With a focus on resourcing and the work of the benefit service in addition to Housing Benefit claims processing, this study aims to highlight and provide wider context on the impact on service delivery and performance levels.
- 3.4. Audit Scotland invited all 32 Scottish councils to participate in the study by completing an online questionnaire. South Lanarkshire Council (SLC) was one of 28 councils to participate in the study. The data and analysis in the Audit Scotland report is based on questionnaire responses and has not been independently validated, except for claims processing performance and caseload information, which have been obtained from DWP published data.

## 4. Report Content and Key Messages

- 4.1. Since 2011, the performance of a council's Housing Benefit service has primarily been assessed by Audit Scotland using the DWPs Speed of Processing performance indicator. This is the average number of days that councils take to process new claims

and change events. The impact on claims processing performance of additional workloads, resource levels and other activities carried out by benefit service staff have not previously been considered.

- 4.2. It is vital that councils have sufficient resources within the benefit service to manage increased workloads and staff absences, as customers are often in urgent need of financial support and avoidable delays in claims processing can seriously impact their ability to support their household and sustain their tenancy. The report analyses the resourcing of council benefit services under 5 main headings:-

- ◆ Workloads
- ◆ Resources
- ◆ Caseloads
- ◆ Call handling and personal callers
- ◆ Speed of Processing

#### Workloads

- 4.3. This section looks at the breadth of processing activities undertaken by the benefits service in Scottish councils in 2022/2023 illustrating the difficulty in directly comparing Housing Benefit claims processing performance based solely on the DWP's Speed of Processing indicator, highlighting that:-

- ◆ almost all Scottish councils (27 of the 28 who responded) carry out other assessment and processing activities in addition to benefit claims processing, ranging from one additional processing activity to 10
- ◆ 3 councils carried out 10 additional processing activities within their benefits service with SLC carrying out 9. The majority of councils carried out 5 or less. The additional processing activities carried out by the benefits service in SLC are Free School Meals, Scottish Child Payment (Bridging Payment), School Clothing Grants, Scottish Welfare Fund, Discretionary Housing Payments, Education Maintenance Allowance, Blue Badge Scheme, Cost of Living Award and COVID-19 Self Isolation Support Payments. Since the report the benefits service has also administered the national energy support schemes to provide financial support to households who did not receive financial support directly from their energy provider and households who used alternative fuels.

#### Resources

4.4. This section looks at benefit service staffing levels, sickness absence and flexible location working arrangements and their impact on benefit processing times highlighting that:-

- ◆ Across Scotland, benefit staffing levels have reduced by 10% since 2019/2020 against a 26% reduction in the housing benefit caseload suggesting that benefit service diversification into other financial assessments has helped retain staff. In SLC the reduction has been 7% and this has been managed through the non-filling of vacancies.
- ◆ The majority of councils (15 of the 25 that provided the required data) were found to be retaining suitably experienced staff. This is an important factor in maintaining strong performance as a new benefit officer would require approximately 18 months of training and support to have sufficient knowledge and experience to work independently. SLC was one of the 15 councils.
- ◆ The most significant factor that can affect a council's Speed of Processing performance is the availability of staff during the year. Audit Scotland analysis of 2021/2022 found that sickness absence, including leave attributed to COVID-19, accounted for most staff absences during the year. The sickness absence rate

across the 25 respondent councils ranged between 1% and 22%. In 14 of the 25 councils (56 per cent) the sickness absence rate was more than double the UK average of 2.2%. SLC was one of the 14 councils, with sickness absence during 2021/2022 recorded at 6%. COVID-19 was a factor in this rate with SLC having robust sickness recording procedures in place for absences relating to this. The report notes that SLC was still able to maintain new claims processing times in 2021/2022.

- ◆ The report recognises that flexible location working is now prevalent for benefit staff since the COVID-19 pandemic. Prior to the pandemic, in 2019/2020, 16 (59%) of the 27 respondent councils' benefits services were 100% office based, including SLC. In 2022/2023 none of the 27 councils were 100% office based, with the vast majority of councils operating a predominantly hybrid working model, as is the case in SLC. An identified trend from this change in work location is a reduction in short-term sick leave, with 10 councils, including SLC, seeing a year-on-year reduction since remote working was introduced.
- ◆ To determine the effectiveness of flexible location working on claims processing times, Audit Scotland compared Speed of Processing performance in 2019/2020 and in 2022/2023 (at 30 June). This highlighted that 21 of the 27 councils (78 per cent) experienced a decline in new claims processing performance, 24 of the 27 councils (89 per cent) experienced a decline in change events processing performance, and 19 of the 27 councils (70 per cent) experienced a decline in both new claims and change events processing performance, when compared to 2019/2020. From an already strong processing performance position, SLC new claims performance improved by 1 day over the period to 13 days with change events processing times declining by 1 day to 4 days. The range in processing times across all 27 respondent councils in 2022/2023 (at 30 June) was between 12 days and 64 days for new claims and 4 days and 13 days for change events.

#### Audit Scotland Recommendations:-

- ◆ Where the benefit service is operating below complement, councils should investigate the reasons for this and seek to address the shortfall, with a view to improving service delivery and claims processing performance.
- ◆ Councils should investigate the reasons for sickness absence levels that are above the national average and have sufficient contingency arrangements in place to manage unexpected staff shortages.
- ◆ To ensure that benefit services are delivering an optimum level of performance, management should regularly review flexible location working arrangements to determine the impact on claims processing performance and service delivery.

#### 4.5. Caseloads

This section analyses the impact of caseloads on claims processing, highlighting that:-

- ◆ Claims processing is only part of the work carried out by benefit services that can affect Speed of Processing performance. Other key factors to consider include claim complexity and the caseloads attributed to other processing work.
- ◆ Claim complexity is dependent on the claim type and the level of additional information required to assess an application and, therefore, the makeup of a council's caseload can impact on average processing times. As an example, customers living in social rented sector accommodation are not required to provide the same level of information as a private sector tenant in support of a claim, as this information can be available from other IT systems. Consequently, claims from this customer type can take less time to process than claims from customers in the private rented sector. This is also the case for claimants who are in receipt of passported DWP benefits e.g. Income Support and Job Seekers

Allowance (Income based), whose claims are normally quicker to process as they have an automatic entitlement to Housing Benefit and their income has already been verified by the DWP. Of 28 councils, Audit Scotland rank SLC's benefits caseload 5<sup>th</sup> least complex.

- ◆ Many councils have adapted their benefit service to carry out other financial assessments as Housing Benefit caseloads have reduced year-on-year. Despite accounting for a proportion of the service's resource, and potentially having an impact on the Speed of Processing indicator, this other work is not considered when assessing claims processing performance. As highlighted at section 4.3, SLC's benefits service carried out 9 additional processing activities including COVID-19 support payments. The average time taken to process each application type was not within the scope of this study.

#### 4.6. Call handling and personal callers

This section looks at the effect that dealing with customers directly has on available processing resources. The report highlights that:-

- ◆ In 13 of the 28 councils (46 per cent), benefit officers were responsible for dealing with telephone enquiries. In SLC, the benefits service has a dedicated call handling service and, therefore, benefit processors are not required to take calls.

Recommendation:-

- ◆ When benefit services are primarily responsible for call handling and/or dealing with personal callers, complete and accurate data should be recorded to allow management to assess the impact on resources and the time taken to process Housing Benefit claims.

#### 4.7. Speed of Processing

The average time taken to process new claims and change events, the Speed of Processing indicator, has been used by the DWP since 2011 as the key indicator of a council's claims processing performance, and is published quarterly on its website. In this section the report recognises that the work of the benefits service needs to be considered more holistically to get a better understanding of performance highlighting that:-

- ◆ Between 2020/2021 and 2022/2023 (as at 30 June), 17 out of 28 councils (61%) experienced a decline in benefits processing performance for new claims and 24 out of 28 (86%) for change events. This included SLC where performance declined by 1 day to 13 days for new claims and by 2 days to 4 days for change events. This is unsurprising given the additional assessment and processing activities undertaken by council benefits services in addition to benefits processing as highlighted at section 4.3. SLC processing times still compare favourably with all other councils ranking 2<sup>nd</sup> for new claims and 1<sup>st</sup> for change events.
- ◆ Councils are being innovative, leading to improvements in service delivery and customer experience. Achieving increased automation of processes is a focus in many councils to maintain benefit processing performance levels whilst carrying out additional assessment and processing activities. This is the case in SLC where automation has been introduced and is now embedded within council tax for applications for discounts, notification of address changes and setting up Direct Debits and in relation to clothing grants and free school meals where more than 80% of awards are made without the need for an application. SLC has also introduced 'SMS quick chat' within the benefits and revenues call centre which allows the call handler to send the customer an SMS containing a direct link to

the appropriate online form during the call. This has promoted self-service and reduced the number of requests for assistance to claim benefits.

- 4.8. The Audit Scotland report contains several **recommendations** which are listed below, together with an assessment of the position in South Lanarkshire Council:-

Audit Scotland: - Recommendations	SLC position
<ul style="list-style-type: none"> <li>Where the benefit service is operating below complement, councils should investigate the reasons for this and seek to address the shortfall, with a view to improving service delivery and claims processing performance.</li> </ul>	<p>The Council continually assesses benefits resource requirements and priorities ensuring adequate staffing levels as demonstrated by continued excellent benefit processing performance whilst also taking on additional assessment and processing activities.</p>
<ul style="list-style-type: none"> <li>Councils should investigate the reasons for sickness absence levels that are above the national average and have sufficient contingency arrangements in place to manage unexpected staff shortages.</li> </ul>	<p>The Council has robust absence management procedures, ensuring absences are effectively managed and employees receive the support they need. The councils continued excellent processing performance demonstrates the effectiveness of the Council's contingency arrangements and the continued focus on achieving efficiencies.</p>
<ul style="list-style-type: none"> <li>To ensure that benefit services are delivering an optimum level of performance, management should regularly review flexible location working arrangements to determine the impact on claims processing performance and service delivery.</li> </ul>	<p>The benefits service has a hybrid working model in operation with dedicated days for each team to work at home and in the office. Performance monitoring has highlighted continued strong benefits processing performance under this model both in terms of throughput and accuracy.</p>
<ul style="list-style-type: none"> <li>When benefit services are primarily responsible for call handling and/or dealing with personal callers, complete and accurate data should be recorded to allow management to assess the impact on resources and the time taken to process Housing Benefit claims.</li> </ul>	<p>In SLC, the benefits service has a dedicated call handling service and, therefore, benefit processors are not required to take calls. There is, therefore, no impact on the resources dedicated to processing benefit claims.</p>

## 5. Employee Implications

- 5.1. There are no direct employee implications.

## 6. Financial Implications

- 6.1. There are no direct financial implications.

## 7. Climate Change, Sustainability and Environmental Implications

- 7.1 There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

## **8. Other Implications**

8.1. There are no other implications.

## **9. Equality Impact Assessment and Consultation Arrangements**

9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

9.2. There is no requirement for consultation on the content of the report.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

1 June 2023

## **Link(s) to Council Values/Priorities/Outcomes**

- ◆ Accountable, effective, efficient and transparent
- ◆ Ambitious, self-aware and improving
- ◆ We will work to recover, progress and improve

## **Previous References**

- ◆ None

## **List of Background Papers**

- ◆ Audit Scotland Report – Resourcing the benefits service – A Thematic Study

## **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Craig Fergusson, Head of Finance (Transactions)

Ext 4951 (01698 454951)

# Report

9

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>27 June 2023</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Forward Programme for Future Meetings</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise members of the forward programme for the meetings of the Risk and Audit Scrutiny Committee to 11 June 2024
- ◆ invite members to suggest topics for inclusion in the Committee's forward programme

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the report and the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 11 June 2024, attached as an Appendix to the report, be noted.

## 3. Background

3.1. As part of a range of improvement measures introduced as a result of Audit Scotland's report on the Audit of Best Value and Community Planning (2009), an Action Plan was prepared. One of the actions was to include, as a standard agenda item, a list of items proposed for consideration at subsequent meetings of this Committee to provide an opportunity for members to inform future agendas. The outline forward programme to 11 June 2024 is attached, for members' information, as an Appendix to the report.

## 4. Employee Implications

4.1. There are no employee implications.

## 5. Financial Implications

5.1. There are no financial implications.

## 6. Climate Change, Sustainability and Environmental Implications

6.1. There are no Climate Change, Sustainability or Environmental implications in terms of the information contained within this report.

## 7. Other Implications

7.1. There are no risk implications in terms of the information contained within this report.

## **8. Equality Impact Assessment and Consultation Arrangements**

- 8.1. The report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 8.2. There was no requirement to undertake any consultation in terms of the information contained in this report.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

2 June 2023

### **Link(s) to Council Values/Priorities/Outcomes**

- ◆ Accountable, Effective, Efficient and Transparent

### **Previous References**

- ◆ Executive Committee 8 July 2009

### **List of Background Papers**

- ◆ Audit Scotland Audit of Best Value and Community Planning

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Elizabeth-Anne McGonigle, Administration Officer

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## APPENDIX – RASC OUTLINE FORWARD PROGRAMME

<b>Meeting Date</b>	<b>Item</b>	<b>Responsibility</b>
<b>22 August 2023</b>	Internal Audit Activity Report	Audit and Compliance Manager
	Year End Insured Risks Report 2022/2023	Head of Finance (Transactions)
	Fraud Statistics Annual Report 2022/2023	Audit and Compliance Manager
<b>26 September 2023 (special)</b>	External Auditor's Annual Report to South Lanarkshire Council 2022/2023	External Audit
	Audited Annual Accounts 2022/2023	Head of Finance (Strategy)
<b>31 October 2023</b>	Internal Audit Activity Report	Audit and Compliance Manager
	Year End Risk Management Report 2022/2023 and Review of Council's Top Risks 2023/2024	Head of Finance (Transactions)
	Audit Scotland Report – Local Government in Scotland 2022	Head of Communications and Strategy
<b>30 January 2024</b>	Internal Audit Activity Report	Audit and Compliance Manager
	Performance and Review Scrutiny Forum Annual Update	Head of Communications and Strategy
	Fraud Statistics Six Monthly Update 2023/2024	Audit and Compliance Manager
<b>26 March 2024</b>	Good Governance Update	Head of Administration and Legal Services
	Internal Audit Activity Report	Audit and Compliance Manager
	2022 NFI Exercise	Audit and Compliance Manager
	2024/2025 Internal Audit Plan	Audit and Compliance Manager
<b>11 June 2024</b>	Internal Audit Assurance Report 2023/2024	Audit and Compliance Manager
	Annual Governance Statement for	Head of Administration and

2023/2024 and Significant Governance Areas Quarter 4 Progress Report	Legal Services
Unaudited Annual accounts 2023/2024	Head of Finance (Strategy)
Interim Management Report	External Audit
Internal Audit Activity Report	Audit and Compliance Manager
Audit Scotland – Financial Bulletin 2022/2023	Head of Finance (Strategy)
Financial Resources Scrutiny Forum Activity	Head of Finance (Strategy)

N.B:-. Audit Scotland national studies and reviews will appear as a recurring item but the frequency and subject matter will vary according to their programme.