

SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTE of Meeting of the AUDIT AND SCRUTINY COMMITTEE held in the Council Chamber, Council Headquarters, Newtown St Boswells on Monday, 25 November 2019 at 10.00 am

Present:- Councillors S. Bell (Chairman), H. Anderson, S. Hamilton (Vice-Chairman), N. Richards, H. Scott, S. Scott, and for Audit Business Ms H. Barnett and Mr M Middlemiss.

Apologies:- Councillors K. Chapman, J. A. Fullarton and E. Thornton-Nicol
Also present:- Councillor J. Brown
In Attendance:- Service Director Customer & Communities, Lead Education Officer (L. Munro) Jane Hogg, Director of Commercial Services, Live Borders, Clerk to the Council, Democratic Services Officer (F. Walling).

ADJOURNEMENT

Due to misunderstanding about the time that the Petition, under Item 5 of the agenda, would be heard, the petitioner was not present. After a brief discussion the Chairman postponed the start of the meeting to 10:45 am.

1. MINUTE

- 1.1 There had been circulated copies of the Minute of the Meeting held on 24 October 2019.

DECISION

APPROVED for signature by the Chairman.

- 1.2 The Chairman referred to the subject of the petitions heard at the meeting on 24 October 2019 and in particular to the decision under paragraph 3.6 of the Minute. He explained that a third petition, about a playpark at Chirnside, had been received by the Council. In accordance with the Petitions Procedure, the Chairman advised that it would be inappropriate to for this petition to be heard by the Committee, as it was similar in content to the Kelso and Hawick playpark petitions which had already been heard. The decision of the Audit & Scrutiny Committee would be considered by Council on 19 December 2019 and the third playpark petition referred to officers to follow up in parallel.

DECISION

NOTED

SCRUTINY BUSINESS

2. PETITION

2.1 Petitions Procedure

There had been circulated copies of an extract from the Audit and Scrutiny Committee Petitions procedure and the Chairman asked for this to be noted. The Chairman welcomed to the meeting lead petitioner Dr Marianne Bampkin and also Ms Georgiana Craster. He apologised for the confusion about the start time and thanked them for their flexibility.

2.2 Petition – Jedburgh Library and Contact Centre

There had been circulated copies of a petition entitled “The retention of a Library Service and Contact Centre at the Carnegie Library in Jedburgh”, which had received 157 signatures and was in response to the Council’s proposal to relocate the Library Service and Contact Centre to the new Jedburgh Grammar Campus. There had also been

circulated copies of a briefing note by the Service Director Customer & Communities in response to the petition. It was stated within the petition that the people of Jedburgh wished to retain the library service and contact centre in the current building rather than re-locating to Jedburgh Grammar Campus (JGC). The reasons given were that:

- the proposed location was unsuitable, being hard to access for many council residents;
- the proposed space was too small to comply with Scottish Library and Information Council's (SLIC) public library strategy;
- the current heritage building was given to the town as a library for every resident; and
- left vacant, the building would become a liability.

It was suggested that the consequences of relocation would be: detrimental to the health and social welfare of residents; the economic health of the town would be impaired; Scottish Borders Council would not be delivering an excellent public service; and culture and creativity would be impaired. The statement went on to say that each resident of Jedburgh had a right to access information and Council services but that right would be withdrawn from them if the library was removed from the town centre. Vehicular access to the JGC was limited and pedestrian access to the steep hillside location would not be possible for older and vulnerable people. It was suggested that the proposed space with limited access to books and computers left little opportunity for residents to increase their knowledge and improve their health, social welfare and well-being. Footfall in both the library and the High Street would drop and ultimately the Council would incur costs spent on health and social welfare and the safety of the vacant building.

2.3 The Chairman invited the petitioners to present the petition. Dr Bampkin introduced herself as an expert in library and librarian information and a resident of Jedburgh. She said she was representing the views of residents of the town and surrounding villages. She explained that although there had been a consultation on the plans to establish a campus, the proposal to move the contact centre and library services from the town centre to the campus came as a surprise to local residents. There were three main causes for concern: the Council would be moving services that were currently central, integrated and easy to access; local shops and businesses were worried about drop in foot fall in the town centre; and Jedburgh was proud of the Carnegie building and was concerned about it going out of use. Dr Bampkin also felt that there may be a psychological barrier for older people to go out of the town centre to a school campus where they may not feel welcome. Ms Craster explained that there had also been on-line names and comments in support of the petition making a total of 354 signatories. She referred to an ageing population in Jedburgh and the proximity of retirement homes to the existing library and a sentimentality about the Carnegie building. When the Council was looking for ways to keep the High Street open she believed it was a contradiction to move these services to the campus. Ms Craster referred to a feasibility study, proposed by the Council, into finding a sustainable future for the building and asked for a delay in the move, of at least a year. This would enable the Community Council, which was interested in the building, to come up with ideas, look for volunteers to run the library and enable an appropriate solution to be found.

2.4 In response to Members' questions on the geographical location of the campus in relation to residential areas and the suggestion that there were more residents in the area of the proposed new location for the library than around the existing location, the petitioners accepted that the campus was nearer to houses on the east side of the Jed Water but maintained that the way the campus was laid out did not make it easy for people to walk there. In terms of any background consultation to the petition, Dr Bampkin referred to the on-line petition and explained that she had spoken to people in villages out-with the town who had a preference for the Jedburgh library over libraries in other nearby towns. Dr Bampkin referred again to the social aspect of the library and the concept of a safe space to which anyone could go. There was more to a library than the physical aspects and groups of all ages often required help to work digitally. The petitioners agreed that the Contact Centre was also important, even if available just once a week for people in the town. In answer to a question from the Service Director about the advantage of longer

availability of access to these services in the new campus, Dr Bampkin was concerned that there may be times when access for adults would be restricted due to other activities and that organisation of books may lead to a dispersal of material which was beneficial to the school at the expense of the community.

- 2.5 In attendance to present the Council's response to the petition were Jenni Craig, Service Director Customer & Communities and Lesley Munro, Lead Education Officer. Also present was Jane Hogg, Director of Commercial Services, Live Borders, who was working on a future vision for libraries. With reference to the Briefing Note which had been circulated, Mrs Craig highlighted the drivers for change behind Scottish Borders Council's Fit for 2024 programme. Within a five-year financial plan, the challenge was how to deliver services in a different way whilst making the best use of combined resources. Customer demand and expectations were also changing and there were huge opportunities to grasp. There had been significant investment in the Jedburgh Grammar Campus and this presented an opportunity to redesign services. For instance it was expected that the demand for the Contact Centre would diminish and there would be increased demand for digital services within the library. If it continued to operate separately, the library service in Jedburgh would be vulnerable in terms of resourcing and opening hours. In addition to longer hours, integration offered access to social interaction and complementary services from the Council and partners, for example there would be an integrated café. Mrs Craig then summarised the response outlined in the paper to the four specific points contained within the petition statement. With regard to the campus location, the project delivery team was specifically looking at access which included a review of transport routes and seeking opportunities to enhance provision. The property engagement event highlighted that for some residents the new location would be easier to access. The expansion of opening hours and further promotion of digital services would also improve accessibility. In terms of space the SLIC did not have guidance on the design of libraries. A short video giving a virtual tour of the entrance and relevant area of the new campus was shown. It was emphasised that the library and contact centre services would not be restricted to only the fixed areas shown on the plans but there were large, flexible areas within the campus that the community could use. It was acknowledged that the current heritage building was important to the town but there were no restrictions on title and the property could be sold by the Council. Through engagement with the community and via a feasibility study the Council was trying to find a sustainable future for the building. Ms Hogg, whilst recognising the concern expressed around maintaining adult engagement in the library, highlighted opportunities presented at the new location based around the breadth of services on offer, for example around mental health and well-being. It was stressed that the public would also have access to subject specific books and material located around school departments.
- 2.6 Officers answered questions from the Members and from the petitioners and Members discussed what they had heard. With regard to mobile library services, Ms Hogg explained that digital services were being introduced into the mobile service and a review was being carried out with the aim of better utilising the vans available. With regard to whether the current building was fit for purpose, it was pointed out that it was not fully accessible and that the new building could facilitate more in terms of the breadth of services offered from a modern and evolving library service. Borrowing facilities would be available at all times that the new campus building was open which was potentially 7 days per week and 50 weeks of the year. The public consultation around proposals for the JGC was referenced. Mrs Munro explained that the vision statement included the aim of a 'one-stop shop' and a shared understanding to offer all Council and partner services from the same location. However, Ms Craster emphasised that residents had not been aware that this implied closure of the Town Hall and library. Members agreed that the consultation with the community appeared to lack clarity in some specific areas and that this was regrettable. In terms of timescale the construction of the campus was well underway with opening scheduled for April 2020.

- 2.7 After further discussion Councillor Anderson, seconded by Councillor Harry Scott, proposed that the petition be referred to the Service Director Customer and Communities with the recommendation that during the months of January to March 2020 a consultation be carried out with the Jedburgh Community Council and local community to address the concerns raised. Councillor Hamilton asked if, as an amendment, the re-location of the services could be delayed until 1 July 2020 to allow a longer period for consultation. The Clerk to the Council advised that, due to the impact of such a delay on the budget and staffing, a proposal to delay beyond the campus opening date would require approval from full Council. Councillor Hamilton withdrew his amendment. Councillor Sandy Scott proposed that the issues raised in the petition did not require further action but there was no seconder to this proposal.
- 2.8 The Chairman thanked Dr Bampkin and Ms Craster for presenting the petition and the officers for their input.

DECISION

AGREED to refer the petition to the Service Director Customer and Communities with the recommendation that, during the months of January to March 2020 and prior to the opening of the JGC, a consultation be carried out with the Jedburgh Community Council and local community to address the concerns raised.

AUDIT BUSINESS

Ms H. Barnett and Mr M. Middlemiss, the Chief Financial Officer, Chief Officer Audit & Risk and Pensions & Investment Manager joined the meeting.

ADJOURNEMENT

The meeting was adjourned at 12.20 pm for an informal briefing seminar on Treasury Management delivered by Richard Dunlop, prior to consideration of the Mid-Term Treasury Management Performance Report 2019/20 at Item 3 below.

The meeting re-convened at 1:30 pm

3. TREASURY MANAGEMENT MID-YEAR REPORT 2019/20

There had been circulated copies of a report by the Chief Financial Officer presenting the mid-year report of treasury management activities for 2019/20 in line with the requirements of the CIPFA Code of Practice, including Prudential and Treasury Management Indicators, and seeking comments from Audit and Scrutiny Committee prior to consideration of the report by Council. This provided a mid-year report on the Council's treasury activity during the six month period to 30 September 2019 and demonstrated that Treasury activity in the first six months of 2019/20 had been undertaken in full compliance with the approved Treasury Strategy and Policy for the year. Appendix 1 to the report contained an analysis of the performance against the targets set in relation to Prudential and Treasury Management Indicators, and proposed revised estimates of these indicators in light of the 2018/19 out-turn and experience in 2019/20 to date for Council approval. The Pensions & Investment Manager referred to summaries of the Council's Capital Expenditure and Financing outlined in the report. The current approved budget for 2019/20 (£62.2m) was higher than the original budget (£52.7m) due to adverse timing movements from February 2019 to 31 March 2019 in areas of the capital plan and additional grant received. Detailed explanations of the movements within the planned expenditure had been reported in the ongoing monitoring reports. The summary went on to list the key drivers for the 2019/20 changes. The Capital Financing Requirement (CFR) had been re-calculated in light of the changes to the capital plan and the fixed asset and reserve valuations in the Council's accounts for the year ending 31 March 2019 resulting in a variance of £11.4m in the CFR. In terms of actual external debt the figures provided showed that the Council's actual debt levels were well within the operational boundary. This was primarily driven by the tactical measures which used the Council's surplus cash-

flows to finance capital expenditure minimising the need to enter into additional debt financing arrangements. Members asked questions and expressed some concern about the slippage within the capital programme. It was noted that the adverse timing movements may result in less than optimal use of the capital resource available. In terms of revision of the capital programme, the Chief Financial Officer referred to the opportunity to make adjustments when quarterly monitoring reports were presented to the Executive Committee and also advised that a review of the capital process and delivery of the capital plan was currently being carried out.

DECISION

AGREED:-

- (a) **to note that treasury management activity in the six months to 30 September 2019 was carried out in compliance with the approved Treasury Management Strategy and Policy;**
- (b) **that the Treasury Management Mid-Year Report 2019/20, as contained in Appendix I to the report, be presented to Council for approval of the revised indicators; and**
- (c) **to note that there would be a report to Council in January 2020 on the review of the Corporate Capital Strategy and its delivery process.**

4. RISK MANAGEMENT IN SERVICES

The presentation by the Chief Financial Officer was deferred and would be rescheduled to take place at the start of the next Audit Committee meeting.

DECISION

NOTED

5. INTERNAL AUDIT MID-TERM PERFORMANCE REPORT 2019/20

With reference to paragraph 10 of the Minute of 11 March 2019, there had been circulated copies of a report by the Chief Officer Audit & Risk to inform of the progress Internal Audit had made, in the first 6 months of the year to 30 September 2019, towards completing the Internal Audit Annual Plan 2019/20. It also summarised the statutory obligations for Internal Audit and requirements of the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Annual Plan 2019/20 that was approved by the Audit and Scrutiny Committee on 11 March 2019 set out the audit coverage for the year utilising available Internal Audit staff resources to enable the Chief Officer Audit and Risk (the Council's Chief Audit Executive (CAE)), to provide the statutory annual Internal Audit opinion regarding the adequacy and effectiveness of internal control within the Council. Internal Audit assurance services and annual opinions were also provided to the Board of SB Cares, the Scottish Borders Pension Fund Board and Committee, and the Scottish Borders Health and Social Care Integration Joint Board to meet their obligations. Appendix 1 to the report provided details of the half-yearly progress by Internal Audit with the delivery of its programme of work. Internal Audit had made good progress in the first half of the year, despite extraordinary staff sickness absence during that period, and was currently on target to complete its Annual Plan 2019/20 subject to full staff attendance in the second half of the year. In response to a question the Principal Internal Auditor confirmed that where there was pressure on staffing levels the Internal Audit work was prioritised according to risk to the Council. The Chief Officer Audit & Risk also referred to an External Quality Assessment every five years, required by PSIAS, by which the Council's internal self-assessment would be subject to a peer review process in 2020.

DECISION

AGREED to note the progress Internal Audit had made towards completing the Internal Audit Annual Plan 2019/20 and to confirm satisfaction with the Performance of the Internal Audit service.

6. PROGRESS WITH IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

With reference to paragraph 5 of the Minute of 27 November 2019, there had been circulated copies of a report by the Chief Officer Audit & Risk providing an update to Members of the Audit and Scrutiny Committee on the status of the implementation by Management of audit recommendations made and agreed in Internal Audit reports during 2019/20 and previous years. A table within the report highlighted the current status of Internal Audit recommendations from current and previous years and further details on those recommendations not yet fully implemented were shown in Appendix 1 to the report. A further update on progress with the implementation of Internal Audit recommendations would be included within the Internal Audit Annual Assurance Report 2019/20 for Scottish Borders Council which was scheduled for presentation to the Audit and Scrutiny Committee in May 2020. Members received answers to their questions about particular recommendations which were overdue, as detailed in the Appendix to the report. A general comment was also made about the notes against each recommendation in terms of the value of information provided to the Committee. The Chief Financial Officer confirmed that there was a corporately agreed process in place for the implementation of Internal Audit recommendations and that this was expected to be followed by managers. It was agreed that there should also be an escalation process in place with respect to critical audit recommendations that were not followed up within the agreed timescale.

DECISION

AGREED:-

- (a) to acknowledge the progress made by Management in implementing Internal Audit recommendations to improve internal controls and governance, and mitigate risks;**
- (b) that the Committee was not particularly satisfied with the progress;**
- (c) to request that the Corporate Management Team determine an escalation process to address those Internal Audit recommendations not completed within the agreed timescale; and**
- (d) to note that Internal Audit would continue to monitor for completion of the outstanding recommendations and would provide update reports to the Audit & Scrutiny Committee.**

7. INTERNAL AUDIT WORK TO OCTOBER 2019

With reference to paragraph 7 of the Minute of 23 September 2019, there had been circulated copies of a report by the Chief Officer Audit & Risk providing details of the recent work carried out by Internal Audit and the recommended Audit actions agreed by Management to improve internal controls and governance arrangements. The work Internal Audit had carried out in the period from 3 August to 1 November 2019 associated with the delivery of the approved Internal Audit Annual Plan 2019/20 was detailed in this report. During this period a total of 3 Final Internal Audit Reports had been issued. There were 2 recommendations made associated with 1 of the reports. An Executive Summary of the final Internal Audit reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit and Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, was shown in Appendix 1 to the report. On request by the Chief Executive, as part of its Consultancy work, Internal Audit had examined and evaluated at a high level the objectives, benefits and expected outputs from the original

business case for SB Cares, identified and evaluated the mechanisms in place to review how SB Cares was performing and how it fit with Council and communities' priorities, and considered any changes in the operating context from the assumptions made in the original business case. In response to a question about any change expected in resource commitment from Internal Audit to the provision of Adult Social Care Services once these services were integrated back into the Council, the Chief Officer Audit & Risk expected some but not significant change. The officers answered questions about the key findings and two recommendations relating to Attendance Management outlined within the Appendix. In terms of the recommendations Members suggested that the responsibility to implement the necessary training to reflect current systems and practices in place for attendance management, particularly in relation to Business World, should not be just the responsibility of HR. The Principal Internal Auditor was asked to arrange for support to the Service Director HR in implementing the recommendations by ensuring that attendance procedures were followed up at Department Management Team level.

**AGREED:-
DECISION**

- (a) to note the final assurance reports issued in the period from 3 August to 1 November 2019 associated with the delivery of the approved Internal Audit Annual Plan 2019/20;**
- (b) to note the Internal Audit Assurance work in progress and Internal Audit Consultancy and other work carried out in accordance with the approved Internal Audit Charter; and**
- (c) to acknowledge the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

8. ANNUAL ASSURANCE STATEMENT 2018/19 TO SCOTTISH HOUSING REGULATOR

There had been circulated copies of a report by the Service Director Customer & Communities seeking approval of an Annual Assurance Statement 2018/19 in respect of landlord services provided by the Council for submission to the Scottish Housing Regulator. Homelessness Services Manager, David Kemp, joined Mrs Craig to present the report. In 2019, the Scottish Housing Regulator revised its Regulatory Framework. This placed a new requirement on all social landlords to submit an Annual Assurance Statement to the Regulator by the end of October each year. Mrs Craig explained that as Scottish Borders Council was a housing stock transfer local authority, it was subject to submitting a Statement that was considerably less involved than an asset-owning authority. However, the Council was responsible for Homelessness Services provision in the Scottish Borders and must give assurance in this area. The Annual Assurance Statement 2018/19, at Appendix 1 to the report, was designed to meet this new requirement of the Regulator. The Annual Assurance Statement was informed by a Summary Statement of Self-Assessment of Compliance against Regulatory Framework, included as Appendix 2 to the report. It was the opinion of the Service Director that, although there were a few areas of work to be completed for full compliance with the revised Regulatory Framework, the overall arrangements in respect of landlord services provided by the Council were operating satisfactorily. Mr Kemp referred to Appendix I where it was noted that, in terms of the provision of Minimum Site Standards for Gypsy/Traveller sites, Scottish Borders Council was one of a number of local authority areas that did not meet the standards by the deadline of June 2018, however there was a Remedial Plan in place for meeting the Standards in full and the Council was liaising with the Scottish Housing Regulator with regard to progress on this.

**DECISION
AGREED:-**

- (a) to note the details of the Annual Assurance Statement 2018/19 in respect of landlord services provided by the Council, as detailed in Appendix 1; and to acknowledge the actions identified by management to improve arrangements; and
- (b) to approve that the Annual Assurance Statement 2018/19 be submitted to the Scottish Housing Regulator.

9. **SB CARES LLP & SB SUPPORTS LLP ANNUAL ACCOUNTS 2018/19**

With reference to paragraph 5.2 of the Scottish Borders Council Minute of 26 September, 2019, there had been circulated copies of a report by the Chief Operating Officer, SB Cares, presenting copies of the SB Cares LLP and SB Supports LLP audited annual accounts for 2018/19, which were attached as Appendices. Chief Operating Officer, Jen Holland, was in attendance and explained that the SB Cares accounts approved by Council were unsigned at that point due to KPMG, the LLP's External Auditors, identifying a consistency issue with actuarial valuation of the pension fund liabilities for SB Cares late in the audit process. A further actuarial report was requested from Hymans Robertson and the accounts were subsequently signed on 30 October 2019. There was no adjustment to the consolidated Council accounts as reported. The annual reports narratives had been updated to reflect the decision of Scottish Borders Council on 26 September 2019 to reintegrate SB Cares back into Scottish Borders Council. To that end, in line with accountancy standards, the accounts were prepared on a not going concern basis in light of the decision that SB Cares would cease and not operate for another 12 months from the date of signing the accounts. KPMG had identified five recommendations requiring action and these were outlined in the covering report. These had been accepted by Management and would be dealt with as a result of the transfer to SBC.

DECISION

NOTED:-

- (a) the SB Cares LLP audited Annual Accounts for the year to 31 March 2019;
and
- (b) the SB Supports LLP audited Annual Accounts for the year to 31 March 2019.

The meeting concluded at 2.50 pm