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SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTE of Meeting of the AUDIT AND SCRUTINY COMMITTEE held in Council Chambers. Council Headquarters, Newtown St Boswells on Monday, 10 February 2020 at 10.15 am

Present:- Councillors S. Bell (Chairman), H. Anderson, J. A. Fullarton, S. Hamilton (Vice-Chairman), N. Richards, H. Scott, E. Thornton-Nicol and for Audit Business Mr M.Middlemiss

Apologies:- Councillors K. Chapman, S. Scott, Ms H. Barnett
In Attendance:- Executive Director Finance and Regulatory, Chief Officer Audit and Risk, Clerk to the Council, Democratic Services Officer (F. Henderson); Ms G. Woolman, Mr G Samson and Mr S Cowan (Audit Scotland).

1. **ORDER OF BUSINESS.**

The Chairman varied the order of business as shown on the agenda and the Minute reflects the order in which the items were considered at the meeting.

2. **MINUTE.**

There had been circulated copies of the Minute of the Meeting held on 25 November 2019.

DECISION

APPROVED for signature by the Chairman.

3. **ACTION TRACKER**

There had been circulated copies of the Action Tracker for the Audit and Scrutiny Committee. It was noted that in terms of the Treasury Management Mid-Year Report 2019/20 on the review of the Corporate Capital Strategy and its delivery process this would be presented to the Executive Committee on 11 February 2020. It was agreed that in terms of the request that the corporate management determine an escalation process to address those internal Audit recommendations not completed within the agreed timescale, Ms Stacey would report back to Corporate Management Team. Ms Stacey advised that following today's meeting any items marked as completed would be removed from the action tracker.

DECISION

NOTED the Action Tracker.

AUDIT BUSINESS

4. **RISK MANAGEMENT IN SERVICES**

4.1 The Executive Director Finance and Regulatory, Mr David Robertson, was in attendance to brief the Committee on the strategic risks facing the various sections within Finance and Regulatory Services and to explain the internal controls and governance in place to manage and mitigate those risks. Mr Robertson explained the areas of service he managed, namely: Financial Services, Legal and Protective Services, ICT Client Services; Commercial & Commissioned services, and Pension, Investment and Treasury. Risk Registers for each of the services were developed through Financial, People and

Business Planning processes and were owned by Service Managers within that service. Risks were regularly reviewed by the Services Management Team and when necessary, were escalated to Corporate Management Team (CMT).

- 4.2 Mr Robertson referred to the key overarching issues facing Finance and Regulatory Services namely ongoing financial pressures, recruitment and retention, new legislation, customer demand and expectations, IT reliance, and changes to service delivery models. Mr Robertson then went on to give a brief overview of the risks within each service. With regard to IT Infrastructure, a red risk had been identified as ongoing delays with a number of ICT infrastructure projects which were fundamental to the Council's Transformation programme. Focus on the Peebles High School fire had diverted resources away from transformation activity to enable disaster recovery. The delivery of the Transformation programme would be reviewed with CGI and projects which delivered the most benefit would be prioritised. In terms of IT Data and System Security, there were ongoing discussions with CGI about PSN accreditation renewal with the Cabinet Office as the Council's status was under review. There was a likelihood that the risk would increase from 2 to 4. In terms of Budgetary control, a red risk was identified in respect of the ongoing issue in the current financial year with management of the SBC budget and non-delivery of financial plan savings. There was dialogue with budget managers, reporting to CMT and identifying compensating actions elsewhere in order to balance overspends in H&SC. In terms of Government Funding, the LG Finance Settlement published on 6 February 2020 allowed the Council to set the budget for 20/21. In 19/20 an enhanced reconciliation had been provided by COSLA to track specific funding streams from Settlement to Settlement. The uncertainty with regard to the overall quantum of the LGFS and potential Council Tax flexibility remained a risk. There had been no changes in respect of Pension Fund instability, Legislative Compliance and Elected Members. Mr Robertson explained that management of risk was an integral part of the Council's Financial Strategy and included regular monitoring of both corporate and operational risks within Services. Mr Robertson responded to Members' questions on flu injections for staff, the extensive IT programme, the use of process mapping, the relationship between SBC, NHS and the IJB, and the Pension Fund. The Chairman thanked Mr Robertson for his presentation and advised that the Social Work Department would present next.

DECISION

NOTED the presentation on risk management in Finance and Regulatory Services

5. SCOTTISH BORDERS EXTERNAL AUDIT PLAN FOR 2019/20

There had been circulated copies of a report by Audit Scotland for the year ended 31 March 2020 providing an overview of the planned scope and timing of the external audit of Scottish Borders Council which would be carried out in accordance with the International Standards on Auditing Code of Audit Practice and other relevant guidance. The Plan identified Audit Scotland's work to provide an opinion on the financial statements and related matters and met the wider scope requirements of public sector audit, including the audit of Best Value. The wider scope of public audit contributed to conclusions on financial management, financial sustainability, governance and transparency and value for money. Ms Woolman, Audit Scotland, explained that a number of risks to the Council had been identified and that these had been categorised into either financial or wider dimension risks along with the planned audit work for each and were detailed in the report. Ms Woolman went on to summarise the 2019/20 audit outputs, materiality values and referred to the financial statements timetable which took account of submission requirements and planned Audit and Scrutiny Committee dates. Ms Woolman advised that the review of Internal Audit had concluded that the Internal Audit function operated in accordance with the Public Sector Internal Audit Standards and had sound documentation standards and reporting procedures in place. Ms Woolman highlighted that their planned work for Scottish Borders Council this year would focus on the Council's progress towards implementing the recommendations made in the 2018/19 BVAR, the Council's arrangements for demonstrating Best Value in Sustainability and Equalities and Fairness.

The results of this would be reported in the Annual Audit Report. The Chairman thanked Ms Woolman for the input from, and advice given, by Audit Scotland.

DECISION

NOTED the report.

6. SCOTTISH BORDERS PENSION FUND EXTERNAL AUDIT PLAN FOR 2019/20

There had been circulated copies of a report by Audit Scotland providing an overview of the planned scope and timing of the external audit of Scottish Borders Pension Fund which would be carried out in accordance with the International Standards on Auditing Code of Audit Practice and other relevant guidance. The Plan identified Audit Scotland's work to provide an opinion on the financial statements and related matters and met the wider scope requirements of public sector audit. The wider scope of public audit contributed to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability. Ms Woolman of Audit Scotland explained that a number of risks to the Scottish Borders Pension Fund had been identified and that these had been categorised into either financial or wider dimension risks along with the planned audit work for each and were detailed in the report. Ms Woolman went on to summarise the 2019/20 audit outputs and advised that the Audit Scotland fee for 2019/20 in relation to the Scottish Borders Pension Fund was £21,040. In determining the fee, the risk exposure of the Fund, the planned management assurance in place and the level of reliance taken from the work of internal audit, had been taken into account. The audit approach assumed receipt of the unaudited annual accounts, with a complete set of working papers received on 29 June 2020. Materiality values and a financial statements timetable were detailed in the report, which took account of Audit and Scrutiny Committee dates. Mr Robertson responded to questions relating to the Pension Fund. The Chairman thanked Ms Woolman for the input from and advice given on behalf of Audit Scotland.

DECISION

NOTED the report.

7. TREASURY MANAGEMENT STRATEGY 2020/21

With reference to paragraph 5 of the Minute of 14 February 2019, there had been circulated copies of a report by the Executive Director, Finance and Regulatory, presenting the proposed Treasury Management Strategy for 2020/21, enabling the Committee to undertake their scrutiny role in relation to the Treasury Management activities of the Council, prior to Council approval. The Treasury Management Strategy was the framework which ensured that the Council operated within prudent, affordable limits in compliance with the CIPFA Code. The Strategy for 2020/21 to be submitted to Council on 26 February 2020 was included at Appendix 1 to the report. The Strategy reflected the impact of the Administration's draft Financial Plans for 2020/21 onwards on the prudential and treasury indicators for the Council. Mr Robertson explained that due to a delay in the notification of the grant from Scottish Government there had been a delay in the drafting of the updated 10-year Capital Plan applicable from financial year 2020/21. This had impacted on the drafting of the Treasury Strategy. Mr Robertson highlighted the significant changes from the 2019/20 Strategy being the increase in the Capital Financing Requirement (CFR) during the budget period due to the Council's understanding of the revised financing arrangements that would apply to the development of a Galashiels Academy and a new Hawick High school. The CFR also included provision for the reconfiguration and upgrade of Peebles High School and additional investment required in the care estate. Also impacting on the CFR movement, was the anticipated capital borrowing implications associated with the re-phasing of projects and block programmes within the 10-year capital plan and timing movements from 2019/20 into 2020/21 and future years, as well as movements in the scheduled debt amortisation projections for the year; and an increase in the Authorised Limit from 2020/21 onwards which was associated with the increase in external borrowing resulting from the capital plan. During discussion, Mr Robertson responded to Members requested clarification on a number of

points contained in the Appendix regarding Council Tax increase, internal Council resources, and the LGFS.

DECISION

AGREED the report for presentation to Council for approval.

8. LOCAL GOVERNMENT IN SCOTLAND - FINANCIAL OVERVIEW 2018/19

8.1 There had been circulated copies of a report published in December 2019 by the Accounts Commission which provided an outline of the overall financial health of Local Government and the significant challenges for local government finance that pervade. The key messages in terms of Councils were that in 2018/19 Scottish Council revenue income totalled £17.7 billion, an increase from 2017/18 (£17.3billion). Scottish Government revenue funding remained the most significant source of income and this increased by 1.1 per cent in cash terms in 2018/19, a 0.7 per cent decrease in real terms. Since 2013/14, Scottish Government funding to councils had reduced by 7.6 per cent in real terms. In 2018/19, the funding gap was three per cent of total budget. Councils planned to manage this primarily through savings, though a shortfall in savings achieved meant that more of the funding gap was met from reserves than planned. Councils were increasingly drawing on their revenue reserves. The net draw on revenue reserves in 2018/19 was £45 million. In total 23 councils had reduced their general fund reserves over the last three years. Capital expenditure increased by £62 million (2.3%) to £2.75 billion, with more spent on housing and less on education. All Councils had medium-term financial planning covering three years or more. Long-term financial planning had not improved since last year and more progress was needed. Councils had made preparations for EU withdrawal but there were many potential implications that could not be anticipated in financial planning.

8.2 In terms of Integration Joint Boards (IJBs) a majority of IJBs struggled to achieve break-even in 2018/19, either recording a deficit or relying on additional funding from partners and around a third of the IJBs failed to agree a budget with their partners for the start of the 2019/20 financial year. Medium-term financial planning was improving but no IJB had a financial plan which extended for more than five years, so a focus on developing longer-term financial planning was required by IJBs. Over a third of IJB Senior Staff had changed during 2018/19. During discussion, Members requested clarification on a number of points contained in the Appendix and these were answered by officers.

DECISION

AGREED to RECOMMEND that the Chief Executive, in conjunction with the NHS Chief Executive and IJB Chief Officer, undertakes a review of the arrangements for the IJB carrying forward a surplus/deficit.

9. INTERNAL AUDIT WORK TO JANUARY 2020

There had been circulated copies of a report by the Chief Officer Audit and Risk which provided members of the Audit and Scrutiny Committee with 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 during the period 2 November 2019 to 31 January 2020 was detailed in the report. During the period, a total of four Final Internal Audit reports had been issued, with nine recommendations made. 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 detailed in Appendix 1 to the report.

DECISION

(a) NOTED:-

- (i) **The final assurance reported issued in the period from 2 November 2019 – 31 January 2020 associated with the delivery of the approved Internal Audit Annual Plan 2019/20; and**
 - (ii) **The Internal Audit Assurance work in progress and Internal Audit Consultancy and other work carried out in accordance with the approved Internal Audit Charter.**
- (b) **AGREED to acknowledge the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit Work.**

SCRUTINY BUSINESS

10. SCRUTINY WORK PROGRAMME

- 10.1 With reference to paragraph 2 of the Minute of 22 August 2019, there had been circulated copies of a report by the Service Director Customer and Communities which presented an update on subjects for Scrutiny review and information as part of the future Scrutiny work programme, to be approved by Council. There were 13 subjects which were due to be taken forward and these were detailed in the appendix to the report. In addition, at the Council meeting held on 19 December 2019, Members agreed that the Audit and Scrutiny Committee would undertake regular monitoring of the implementation of the Best Value Action Plan which had been drafted in response to the findings of the Best Value assurance audit of the Council and this work would be undertaken separately from the Scrutiny Work Programme. With the publication of the information from the Local Government Benchmarking Framework 2018/19 at the end of January 2020, the Chairman had also suggested that the Audit & Scrutiny Committee carry out a follow-up scrutiny of the Council's performance after 6 months of those areas where performance had slipped. However, there were quarterly performance reports provided to the Executive Committee which over a year would cover these indicators. The format of these performance reports was evolving but the Q3 performance report being presented to the Executive Committee on 11 February identified which were LGBF indicators and on what frequency they were being reported.
- 10.2 Given the number of subjects for review, it was unlikely that the Audit & Scrutiny Committee would have time over the coming year to deal with every subject. It was therefore suggested that these should be placed in priority order. When identifying that list, Members also bore in mind the Services which were being covered so that there was an even spread. Councillor Hamilton suggested that with regard to the Grass Cutting regime information, this should also include the effectiveness of any biodiversity measures and this was unanimously accepted.

DECISION

- * (a) **AGREED TO RECOMMEND to COUNCIL the subjects to be included in the Scrutiny Work Programme, as detailed in the Appendix to this Minute, with the subjects to be dealt with in 2020/21 prioritised as follows:-**
- (i) **Child Poverty**
 - (ii) **Common Ridings and Festivals In-kind support;**
 - (iii) **Police Community Action Teams**
 - (iv) **Recycling and Waste Policy**
 - (v) **Public transport and communities; and**
 - (vi) **Balance between 20mph speed limits and street architecture.**
- (b) **AGREED that the first update to the Audit & Scrutiny Committee on progress with the implementation of the Best Value Action Plan would be brought to the meeting on Thursday 4 June 2020.**

The meeting concluded at 12.45 pm

PROPOSED SCRUTINY WORK PROGRAMME

	SUBJECT	SCOPE & APPROACH	LEAD OFFICER
1.	Child Poverty	Scope: An evaluation of the actions the Council is taking to tackle Child Poverty including Pupil Equity Fund, free school meals, etc.	Stuart Easingwood, Interim Service Director Children & Young People
		Approach: Initial Scrutiny hearing to determine best methodology and reporting	
2.	Common Ridings and Festivals In-kind support	Scope: Review the in-kind support provided to Common Ridings and Festivals by SBC services. <i>(Note: funding of Common Ridings and Festivals is part of the current review of the Community Fund)</i>	Martin Joyce, Service Director Assets & Infrastructure
		Approach: Initial Scrutiny hearing to determine best methodology and reporting	
3.	Police Community Action Teams	Scope: Receive information on the current arrangements for the Police Community Action Teams – governance, management, community engagement.	Stuart Easingwood, Chief Social Work & Public Protection Officer
		Approach: Scrutiny information briefing	
4.	Recycling and Waste Policy	Scope: An evaluation of the effectiveness of the Recycling and Waste Policy	Martin Joyce, Service Director Assets & Infrastructure
		Approach: Scrutiny hearing	
5.	Public transport and communities	Scope: An evaluation of the current situation and future plans	Rob Dickson, Executive Director
		Approach: Initial Scrutiny hearing to determine best methodology and reporting	
6.	Balance between 20mph speed limits and street architecture	Scope: An evaluation of the current situation and future plans	Martin Joyce, Service Director Assets & Infrastructure
		Approach: Scrutiny hearing	
7.	Income Management Policy	Scope: Review the Income Management Policy established in 2012 and benchmark current charges against other areas of Scotland.	David Robertson, Executive Director (Finance & Regulatory)

	SUBJECT	SCOPE & APPROACH	LEAD OFFICER
		Approach: Initial Scrutiny hearing to determine best methodology and reporting	
8.	Grass Cutting Regime & Biodiversity	Scope: Receive information on the existing grass cutting regime and the effectiveness of biodiversity plans.	Martin Joyce, Service Director Assets & Infrastructure
		Approach: Scrutiny information briefing	
9.	Responsible Dog Ownership Policy	Scope: Review the implementation of the policy and establish its level of success	David Robertson, Executive Director (Finance & Regulatory)
		Approach: Scrutiny hearing	
10.	Rural Proofing Policy	Scope: Review of the effectiveness of the current Rural Proofing Policy.	Rob Dickson, Executive Director
		Approach: Scrutiny hearing	
11.	Council resources on Roads, including white lining	Scope: A review of the effectiveness of the application of Council resources to the roads network to provide a benchmark for future years for the national Roads Condition Index.	Martin Joyce, Service Director Assets & Infrastructure
		Approach: Scrutiny hearing	
12.	Following the Public Pound – grant evaluations	Scope: An evaluation of the process for grant monitoring and evaluation	Jenni Craig, Service Director Customer & Communities
		Approach: Scrutiny hearing	
13.	Management and Maintenance of Public Halls	Scope: An evaluation of the community contribution to the management and maintenance of public halls, including those managed by Live Borders.	Rob Dickson, Executive Director
		Approach: Scrutiny hearing	
14.	Welfare Fund	Scope: An evaluation of how SBC manages applications alongside other funds	Jenni Craig, Service Director Customer & Communities
		Approach: Scrutiny hearing	