

SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTE of Meeting of the AUDIT AND SCRUTINY COMMITTEE held Via Microsoft Teams on Monday, 15 February 2021 at 10.15 am

Present:- Councillors S. Bell (Chairman), H. Anderson, J. A. Fullarton, J. Greenwell, N. Richards (Vice-Chairman), E. Robson, H. Scott, S. Scott, E. Thornton-Nicol; and Mr M Middlemiss.

Apologies:- Ms H Barnett.

In Attendance:- Executive Director Finance & Regulatory, Service Director HR & Communications (para 3), Chief Officer Audit & Risk, Clerk to the Council, Democratic Services Officer (F. Walling); Ms G. Woolman and Mr J. Steen – Audit Scotland.

1. **MINUTE.**
There had been circulated copies of the Minute of the Meeting held on 14 January 2021.

DECISION
APPROVED for signature by the Chairman.

2. **ACTION TRACKER**
There had been circulated copies of the Action Tracker for the Audit and Scrutiny Committee.

DECISION
NOTED the updated Action Tracker.

3. **RISK MANAGEMENT IN SERVICES**
 - 3.1 The Service Director HR & Communications, Clair Hepburn, was in attendance to give a presentation on the strategic risks facing her service and the internal controls and governance in place to manage/mitigate those risks, to demonstrate how risk management was embedded within services. With the aid of slides, which had been circulated to Members prior to the meeting, Ms Hepburn firstly gave a summary of the Corporate Risks which she managed for the Corporate Management Team. Included for each risk area was a description of the risk, detailed assessment, internal controls and scoring. The six Corporate Risks were identified as: Negative Media; Change Management; Staff Recruitment and Retention; Staff Behaviour; Transformation Programme; and a new Equality and Diversity Risk, which was in the process of being evaluated. In terms of communications and the risk of Negative Media, Ms Hepburn referred to the impact of Covid-19 and significant challenges facing the Council in that certain services had been placed under far greater scrutiny. This had led to an increase in social media and press interest which was difficult to manage. Additional measures were being introduced including the launch of Yammer - the Council's very own social media platform which would help to strengthen relationships with colleagues, work together more efficiently and improve work culture. In terms of change management, staff had adapted well to changes needed to cope with the pandemic and to homeworking in particular. In a survey, 70% staff would like a blended approach to office/home based working in the future. This linked into the opportunities and risks around the

Transformation Programme. Ms Hepburn moved on to summarise the Service Risk Registers which she oversaw within HR and Communications. An additional Risk Register which sat under her responsibility and which was in progress, related to the Fit for 2024 (FF2024) programme. A series of risks had been identified/formulated between December 2020 and February 2021, relating to effective governance, change management, communication, programme planning and adequate resourcing.

- 3.2 Members discussed the presentation. When asked for more information about the red risk identified within the FF2024 of inadequate/stretched resources, Ms Hepburn explained that this related to the provision of specific skills. For example, project support teams, currently deployed to the Covid-19 response, needed to be brought back into the FF2024 programme in order to deliver on outcomes and planned timescales. In terms of support for new employees in the circumstances of the move to home working and increased reliance on digital communication, Ms Hepburn gave assurance that for new employees there would be a blended approach with a proper induction programme in place to build team relationships. People Plans contained measures for succession planning, avoidance of Single Points of Failure and handover to new staff usually taking the form of hands-on shadowing. With regard to effective communication to staff and the fact that a large proportion of frontline staff still did not have access to the Council's IT network, Ms Hepburn advised that solutions were currently being looked at within the digital strand of FF2024. The Chairman thanked Ms Hepburn for her attendance and presentation.

DECISION

NOTED the presentation.

4. BEST VALUE ACTION PLAN

- 4.1 With reference to paragraph 6 of the Minute of 28 September 2020, Jason McDonald, Senior Manager Business Strategy & Resources, was in attendance to give a presentation and progress update relating to the Best Value Audit Implementation Plan. A copy of the presentation slides had been included with the papers circulated with the agenda. Mr McDonald explained that, as requested, the update focussed on actions by exception and presented 12 of the 40 actions which made up the Implementation Plan. Many of the officers responsible for progress of the Plan were heavily involved in the Council's Covid-19 response. Senior managers had noted where progress had been halted or delayed and would endeavour to move these forward quickly. Since the last update there had been completion of a further 3 actions with many more continuing to make progress. A pie-chart within the presentation illustrated the current progress of all 40 actions compared with the progress shown on 28 September 2020. Mr McDonald went on to summarise progress relating to each of the 12 actions under focus and as detailed within the slides, providing further information where requested by Members.
- 4.2 With regard to the actions under the audit recommendation to 'seek to improve partnership working with NHS Borders in order to support the strategic objectives of the Integration Joint Board (IJB)', Mr McDonald referred to the Covid-19 related crisis which had pulled people together within the locality hubs and that this had been used to progress actions. He advised that work was ongoing to determine local demand, resource requirements and structures. The next steps were to re-establish What Matters Hubs, standardise approach across localities and finalise staffing structure. A question was asked about accountability and transparency relating to IJB governance arrangements and specifically about how the Council and NHS IT systems could work more closely together. Mr McDonald explained that there was a new digital joint working group to look at information sharing between health and social care and that information around governance reporting would feature within that. In response to a question about the level of detail provided on the action relating to discussions within Area Partnerships and implementation of the Community Empowerment Act, Mr McDonald suggested that this action could be focussed on in the next update. With regard to Members' training, although the specific action to develop a Members' section of SBLearn had been delayed

Members development of digital skills had progressed through MS Teams training, as a result of remote working during the pandemic. As external auditor to the Council, Ms Woolman welcomed the detailed progress report. She reassured the Committee that Audit Scotland was conscious of the challenging context in terms of timescales and that an independent review would be provided at an appropriate time. The Chairman thanked Mr McDonald for his attendance and presentation.

DECISION

NOTED the update on progress with actions on the Best Value Audit Implementation Plan.

5. INTERNAL AUDIT WORK TO DECEMBER 2020

With reference to paragraph 6 of the Minute of 23 November 2020, 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 report also provided the conclusions of the External Quality Assessment (EQA) of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS). The work Internal Audit had carried out in the period from 1 November to 31 December 2020 associated with the delivery of the approved Internal Audit Annual Plan 2020/21 was detailed in this report. During this period, a total of 3 Final Internal Audit Reports had been issued, on the following subjects: Schools Financial and Business Administration Processes; Foster and Kinship Carer Payments; and Education Maintenance Allowances Process. There was a total of 5 recommendations made associated with 2 of the reports (4 Medium Risk; 1 Low Risk). An Executive Summary of the final Internal Audit reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit & 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. The report also detailed current Internal Audit Assurance work in progress. The Chief Officer Audit & Risk, Jill Stacey, drew attention to the section of the report explaining that the findings of the SBC EQA concluded by North Lanarkshire Council in early January 2021 assessed the function as 'fully conforms' in line with the SBC Internal Audit self-assessment 2019/20. A small number of recommendations had been raised, based on areas for further improvement. These had been accepted for implementation and had been included in the Quality Assurance and Improvement Plan (QAIP). In a discussion of the report Members asked for further information about the Internal Audit report on Education Maintenance Allowances Process where 3 Medium Risk recommendations had been made. Ms Stacey explained that the weaknesses identified related to some inconsistencies across the High Schools, which led to inefficiencies. It was recommended that a single set of guidance rules and structured procedures were developed across the schools. There were however examples of good practices and, with the recent appointment of a senior business manager, work was in progress to bring these together.

DECISION

AGREED to:-

- (a) note the final assurance reports issued in the period from 1 November to 31 December 2020 associated with the delivery of the approved Internal Audit Annual Plan 2020/21;**
- (b) 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;**
- (c) acknowledge the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work; and**

- (d) **note the conclusions and improvement actions from the External Quality Assessment of the Internal Audit service against the Public Sector Internal Audit Standards.**

6. **DIGITAL PROGRESS IN LOCAL GOVERNMENT**

- 6.1 There had been circulated copies of a publication entitled 'Digital Progress in Local Government' prepared by Audit Scotland in January 2021. Audit Scotland Manager Jonny Steen gave an overview of the findings outlined within the document, which were based on case study work looking at the role that key national stakeholders played in supporting councils to transform. The report set out the six key characteristics of a Digital Council and provided examples that demonstrated how some councils were transforming, although councils were at different stages of digital transformation. The pace of change had increased as digital technologies had played a vital role in the public sector's response to the Covid-19 pandemic. Covid-19 had accelerated digital plans; provided recognition of the potential of digital technologies; prompted a review of digital plans and strategies; and encouraged adaptation of elected members to virtual tools including video-conferencing, virtual surgeries and virtual council meetings. Councils were adopting a 'digital first' strategy but it was emphasised that they must understand the needs of those experiencing digital exclusion and put in place a strategy to ensure equity in customer experiences. Attached to the report was a checklist to help Elected Members scrutinise and challenge digital progress within the council. A further supplement set out the Audit Methodology used to produce the report.
- 6.2 In discussion of the report, a question was asked about the Digital Maturity Assessment tool, developed by the Digital Office and referred to in the report, which could be used by councils to assess their progress and inform their digital plans. Mr Steen agreed to email this assessment tool to members of the Committee. The Chairman suggested that the report and supplements would be a useful reference for all Elected Members when discussing the Council's digital strategy and asked for a Members' briefing on Digital Transformation to promote a practical understanding of a Digital Council. The Executive Director Finance & Regulatory agreed that such a briefing could be provided, adding that Scottish Borders Council was in fact ahead, compared with other councils, in terms of digital transformation in relation to Education and Customer Access. It was agreed that there may be a lack of recognition amongst Elected Members about where the Council was in terms of digital progress and that a Members' briefing would be useful.

DECISION

- (a) **NOTED the report.**
- (b) **AGREED that a Members' Briefing be provided to promote a practical understanding of a Digital Council and to provide an update on Scottish Borders Council's Digital Transformation Programme.**

7. **LOCAL GOVERNMENT IN SCOTLAND FINANCIAL OVERVIEW 2019/20**

There had been circulated copies of two reports prepared by Audit Scotland, in June 2020 and January 2021 respectively, presenting a Financial Overview of Local Government in Scotland. Ms Woolman presented the overview, emphasising that the financial impact of the Covid-19 pandemic on public services was extreme. At the same time the country had seen the strength and resilience of many communities highlighted as they had worked with public service partners to provide support to those who needed it most. The report noted that more Councils added to their useable reserves than in previous years. Council reserves could be a key tool to manage the medium term financial impacts of Covid-19. Significant challenges were presented in 2020 to the preparation and audit of councils' pension funds although Ms Woolman noted the comparatively good performance of Scottish Borders Council's pension fund. Although there were no specific recommendations, the report outlined a number of key messages and summarised

councils' income, financial position and financial outlook. The overview also looked at the financial performance of Integration Joint Boards and the outlook moving forward. In a discussion of the report, attention was drawn to the wider consequences of Covid-19, which were noted in respect of delays in growth deals - in particular the impact of Covid-19 in delaying some of the progress in establishing governance structures and formal sign off of the Borderlands' Collaboration Agreement.

DECISION

NOTED the report

8. FOLLOWING THE PUBLIC POUND CODE OF PRACTICE UPDATE

There had been circulated copies of a report by the Executive Director Finance & Regulatory presenting the Council's updated Following the Public Pound code of practice for review ahead of the 16 March 2021 Executive Committee. As noted by Audit Scotland as part of the 2019/20 statutory audit, the Council's Following the Public Pound guidance had not been refreshed since 2006 resulting in a risk that the existing guidance was no longer relevant and the Council was not ensuring it was delivering value for money. The guidance had now been updated as attached in Appendix 1 to the report, as per the Audit Scotland national guidance on Following the Public Pound. Adherence to the guidance would ensure the Council followed the principles of good governance in expending public money. It was noted that in refreshing the guidance it was confirmed that current practices within Scottish Borders Council were in line with guidance and no operational changes would be required as a result of this update. On approval the guidance would be made available on the Council's intranet to ensure all staff had access to it. The Executive Director Finance & Regulatory summarised the principle changes included in the Code of Practice subsequent to its review. He confirmed that, whilst the update was overdue, no aspects of the previous Code were found to be deficient.

DECISION

AGREED that, following its review of the updated Code of Practice on Following the Public Pound, the Audit & Scrutiny Committee had no comments ahead of its presentation to the Executive Committee on 16 March 2021.

9. LOANS CHARGES AND PRIVATE FINANCE ACCOUNTING TREATMENT

With reference to paragraph 3.2 of the Minute of 23 November 2021, there had been circulated copies of a Briefing Paper by the Executive Director Finance & Regulatory providing the requested background and information on loans charges and the accounting treatment of the capital element of the Private Partnership (PPP)/Private Finance Initiative (PFI) funded schools. It was explained that the debt reflected in the Council's balance sheet was made up of two main separate elements. These were the external loans held directly by the Council and the outstanding debt element of the PPP/PFI contracts. The external loans costs held directly were charged against the loans charges budget in-year. The budget to fund PPP/PFI debt costs was included in the unitary charge budget within the Education revenue budget. The loans charges purpose was to recognise the cost of capital financed by external borrowing undertaken by the Council. The loans charges budget consisted of two main elements, these were payment of actual interest and notional charges representing the principle repayment calculated on a prudent basis. Scottish Borders Council calculated notional charges on an annuity basis over the asset life. The Council currently had 3 PPP/PFI contracts for 5 secondary schools. The funding for these was provided by third parties and recharged over the life of the contracts as part of the unitary charge held within the Education service. The asset value of the schools was included on the Council's balance sheet with a corresponding long term debt. The current guidance required Local Authorities to write the payment of this debt to be written down over the life of the PPP contract. This was undertaken as a technical adjustment as part of the year end accounting process. There was currently work ongoing with COSLA and Scottish Government to allow this guidance to be amended to bring PPP/PFI in line with the methodology used for the Councils loans charges. If the change to guidance was agreed, the repayment element of the unitary would be charged over the life of the asset

rather than the contract which would result in the period of charges moving from 25 years to 50 years. This would have significant benefits for Local Authorities at a time when budgets were under extreme pressure for costs of Covid-19 without directly affecting service provision. The Department of Finance was of the opinion that this change was within the powers of Scottish Ministers as it related to guidance issued by them in 2010. However to date a satisfactory solution to this issue had not been achieved.

DECISION

NOTED the briefing

The meeting concluded at 12.45 pm