

Notice of Meeting and Agenda

Renfrewshire Health and Social Care Integration Joint Board Audit, Risk and Scrutiny Committee

Date	Time	Venue
Friday, 11 September 2020	10:00	Remotely by MS Teams ,

KENNETH GRAHAM
Clerk

Membership

Councillor Lisa-Marie Hughes: Councillor Jennifer Adam-McGregor; Margaret Kerr: Dorothy McErlean: Alan McNiven: David Wylie

Margaret Kerr (Chair): Councillor Lisa-Marie Hughes (Vice Chair)

Recording of Meeting

This meeting will be recorded for subsequent broadcast via the Council's internet site. If you have any queries regarding this please contact Committee Services on 0141 618 7111. To find the recording please follow the link which will be attached to this agenda once the meeting has concluded.

Recording of Meeting

<https://www.youtube.com/watch?v=9NqZltmmnso&feature=youtu.be>

Items of business

Apologies

Apologies from members.

Declarations of Interest

Members are asked to declare an interest in any item(s) on the agenda and to provide a brief explanation of the nature of the interest.

- | | | |
|----------|---|----------------|
| 1 | Minute | 3 - 10 |
| | Minute of meeting of the IJB Audit, Risk and Scrutiny Committee held on 19 June 2020. | |
| 2 | Rolling Action Log | 11 - 12 |
| | IJB Audit, Risk and Scrutiny Committee rolling action log. | |
| 3 | Revised Annual Internal Audit Plan 2020/21 | 13 - 20 |
| | Report by Chief Internal Auditor. | |
| 4 | Review of Renfrewshire IJB's Existing Risk Management Framework | 21 - 26 |
| | Report by Chief Officer. | |
| 5 | Guide for Audit and Risk Committees | 27 - 38 |
| | Publication by Audit Scotland. | |
| 6 | Implications for Public Finances in Scotland | 39 - 66 |
| | Publication by Audit Scotland. | |
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| | Report by Head of Administration. | |



Minute of Meeting

Renfrewshire Health and Social Care Integration Joint Board Audit, Risk and Scrutiny Committee

Date	Time	Venue
Friday, 19 June 2020	10:00	Remotely by Skype,

Present

Councillor Lisa-Marie Hughes (Renfrewshire Council); Margaret Kerr and Dorothy McErlean (both Greater Glasgow & Clyde Health Board); Alan McNiven (third sector representative); and David Wylie (Health Board staff member involved in service provision).

Chair

Margaret Kerr, Chair, presided.

In Attendance

Ken Graham, Head of Corporate Governance (Clerk), Andrea McMahon, Chief Internal Auditor and Tracy Slater, Senior Committee Services Officer (all Renfrewshire Council); David Leese, Chief Officer, Sarah Lavers, Chief Finance Officer, Jean Still, Head of Administration; Carron O'Byrne, Head of Health and Social Care Services, Antoni Anderson, Service Manager for Care Homes and Extra Care Housing and James Higgins, Project Officer (all Renfrewshire Health and Social Care Partnership); and John Cornett, Audit Director, Mark Ferris, Senior Audit Manager, Adam Haahr, Senior Auditor (all Audit Scotland).

Apology

Councillor Jennifer Adam-McGregor (Renfrewshire Council).

Declarations of Interest

There were no declarations of interest intimated prior to the commencement of the meeting.

Members of the public were not able to attend this meeting of the IJB as it was being held remotely by Skype.

1 Minute

The Minute of the meeting of the Integration Joint Board (IJB) Audit Committee held on 31 January 2020 was submitted.

DECIDED: That the Minute be approved.

2 Rolling Action Log

The rolling action log for the IJB Audit, Risk and Scrutiny Committee was submitted.

DECIDED: That the rolling action log be noted.

3 Unaudited Annual Governance Statement 2019/20

The Chief Finance Officer submitted a report relative to the Unaudited Annual Governance Statement 2019/20, a copy of which was appended to the report.

The report advised that the Integration Joint Board (IJB) was responsible for ensuring that its business was conducted in accordance with the law and appropriate standards, and that public money was safeguarded, properly accounted for, and used economically, efficiently and effectively. The IJB also fostered a culture of continuous improvement in the performance of its functions and worked to ensure Best Value. To do this, the Chief Officer relied on NHS Greater Glasgow and Clyde and Renfrewshire Council's systems of internal control which supported compliance with both organisations' policies and promoted achievement of each organisations' aims and objectives, together with those of the IJB.

The report intimated that the IJB had adopted governance arrangements consistent with the six principles of CIPFA and the Society of Local Authority Chief Executives' (SOLACE) framework, "Delivering Good Governance in Local Government", where appropriate. The Annual Governance Statement explained how the IJB had complied with these governance arrangements and met the requirements of the Code of Practice on Local Authority Accounting in the UK, which included the requirement for an Annual Governance Statement. In addition, the Annual Governance Statement, which formed a key part of the annual accounts, provided assurance that the governance framework was fit for purpose.

The Annual Governance Statement will be subject to statutory audit by the Council's External Auditors as part of their review of the annual accounts.

DECIDED: That the draft Annual Governance Statement, as appended to the report, be approved.

4 Internal Audit Annual Report 2019/20

The Chief Internal Auditor submitted a report relative to the Internal Audit Annual Report 2019/20, a copy of which was attached as Appendix 1 to the report.

The report advised that the Public Sector Internal Audit Standards (PSIAS) required the Chief Internal Auditor to deliver an annual internal audit opinion on the overall reasonable level of assurance of the internal control environment that could be used by the organisation to inform its governance statement. The internal audit opinion must

also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Annual Report, which included the Chief Internal Auditor's independent and objective opinion as to the overall reasonable level of assurance of the internal control environment, outlined the work carried out for the year ended 31 March 2020. In forming the opinion, the Chief Internal Auditor conducted a review of the internal audit reports issued to the IJB in the year, the internal audit report from Renfrewshire Council and internal audit progress reports from NHS Greater Glasgow and Clyde.

DECIDED: That the Internal Audit Annual Report 2019/20 be noted.

5 Summary of Internal Audit Reports

The Chief Internal Auditor submitted a report providing a summary of internal audit reports issued.

The report advised that a risk-based Internal Audit Plan for 2019/20 had been approved by the IJB Audit Committee at its meeting on 25 January 2019 and, in line with the Public Sector Internal Audit Standards, Internal Audit must report the results of each engagement.

Appendix 1 to the report provided details of those audit engagements completed with the overall assurance rating and the number of recommendations in each risk category. The committee summary for each report was also appended. Where recommendations had been made, relevant managers had put action plans in place to address the issues raised.

DECIDED: That the report be noted.

6 Summary of Internal Audit Activity in Partner Organisations

The Chief Internal Auditor submitted a report providing a summary of internal audit activity undertaken in partner organisations during 1 January to 31 May 2020.

The report intimated that the IJB directed both Renfrewshire Council and NHSGG&C to deliver services that enabled the IJB to deliver on its strategic plan. Both Renfrewshire Council and NHSGG&C had internal audit functions and conducted audits across each organisation, the findings of which were reported to the respective audit committees. Members of the IJB had an interest in the outcomes of the audits at both Renfrewshire Council and NHSGG&C that impacted upon the IJB's ability to deliver the strategic plan or support corporate functions.

In relation to internal audit activity within Renfrewshire Council, the report provided detail on reports submitted to Renfrewshire Council which were relevant to the IJB: information security – adult services; general ledger; and cloud services.

In relation to internal audit activity within NHSGG&C, the report provided detail on reports submitted to the NHSGG&C Audit Committee: IJB financial information and reporting; medicines reconciliation in hospital; sickness absence follow-up; and statutory and mandatory training.

DECIDED: That the report be noted.

7 Compliance with the Local Code of Corporate Governance

The Chief Internal Auditor submitted a report relative to the local governance arrangements that had been developed to ensure compliance with the 'Delivering Good Governance in Local Government: Framework', published in 2016 by CIPFA in association with Solace, which set the standard for local authority governance in the UK.

The report advised that the Chief Internal Auditor had a responsibility to review independently and report to this Committee annually, to provide assurance on the adequacy and effectiveness of the Local Code of Corporate Governance and the extent of compliance with it. This annual review supported the Chief Internal Auditor's opinion included in the Internal Audit Annual Report and the Governance Statement included in the Annual Accounts. Based on the checks undertaken, as detailed in the report, it was confirmed that the IJB complied with the requirements of the Local Code of Corporate Governance.

The report intimated that the Local Code had been subject to review and updating in line with developments in best practice and no changes to the Code had been identified to maintain it and ensure its effectiveness in practice.

It was proposed that the information contained in this report be included in the Summary of Internal Audit report submitted to this Committee annually. This was agreed.

DECIDED:

(a) That the report be noted; and

(b) That it be noted that in future years the information contained in this report would be included in the Summary of Internal Audit Report submitted to this Committee annually.

8 Local Code and Sources of Assurance for Governance Arrangements

The Head of Administration submitted a report relative to the updated Local Code and Sources of Assurance for Governance Arrangements, a copy of which was appended to the report.

The report advised that Renfrewshire IJB operated through a governance framework based on legislative requirement, governance principles and management processes. The IJB had worked to ensure that its governance arrangements were robust and based on good practice.

At its meeting on 22 March 2019, the IJB agreed that the review of the Local Code of Governance arrangements would be undertaken by the IJB Audit Committee, now known as the IJB Audit, Risk and Scrutiny Committee, prior to being submitted to the IJB for approval. It was noted that some evidence of assurances contained in the appendix were the responsibility of NHSGG&C and/or Renfrewshire Council and this would be noted with ongoing monitoring arrangements.

Following discussion, it was proposed that the Local Code and Sources of Assurance for Governance Arrangements be approved, subject to clarification at sections B2.1 and B3.1 in relation to the term 'stakeholders'.

DECIDED: That the Local Code and Sources of Assurance for Governance Arrangements, which was appended to the report, be submitted to the IJB for approval, subject to clarification at sections B2.1 and B3.1, as agreed.

9 Review of Integration Joint Board Financial Governance Arrangements

The Chief Finance Officer submitted a report relative to the review of the IJB's financial governance arrangements.

The report advised that, in accordance with the Public Bodies (Joint Working) (Scotland) Act 2014, the IJB was required to have its own set of financial governance arrangements. These were first approved by the Shadow IJB on 18 September 2015 for implementation from 1 April 2016, with a revised Reserves Policy being approved on 24 November 2017.

Following a review, a number of changes had been made to the Financial Regulations and Reserves Policy, attached as appendices 1 and 2 to the report, respectively, which reflected the maturity of the IJB and the updated management reporting arrangements, as these had evolved since the IJB was first established. In addition, to provide greater clarity, the Chief Finance Officer had taken the opportunity to amalgamate the previous set of Financial Regulations and Financial Governance Manual to form the revised Financial Regulations.

As part of the review, the Chief Finance Officer had carried out an in-depth benchmarking exercise against other IJBs to ensure best practice, the results of which had been used to inform the revised Financial Regulations and Reserves Policy.

DECIDED:

(a) That the updated IJB Financial Regulations, attached as Appendix 1 to the report, be approved; and

(b) That the updated IJB Reserves Policy, attached as Appendix 2 to the report, be approved.

10 Inspection of Care at Home Services by Care Inspectorate

The Chief Officer submitted a report relative to the inspection of Care at Home Services undertaken by the Care Inspectorate on 31 October 2019.

The report advised that social care services were subject to a range of audit and scrutiny activities to ensure that they were undertaking all statutory duties and were providing appropriate care and support to vulnerable individuals and groups. Information was provided on the work that was undertaken by the Care Inspectorate during an inspection, the quality themes that services were assessed against and the grading scale used to award grades.

The report confirmed that Renfrewshire's Care at Home Services were inspected against three quality themes: quality of care and support; quality of staffing; and quality of management and leadership. The service was graded as 'good' for quality of care and support and quality of staffing, and 'adequate' for quality of management and leadership. One recommendation had been made in relation to the quality of care and support, which had been met immediately following the inspection. One requirement

had also been made in relation to the quality of management and leadership and work to ensure that this requirement was met was ongoing. The measures put in place from this work were being closely monitored and kept under review through a detailed action plan. The results of any inspections across Adult Services would be considered and inform the developing service delivery models, supporting structure and governance arrangements.

Following discussion, it was proposed that an update report on the areas for improvement and action plan progress, be submitted to the next meeting of this Committee. This was agreed.

DECIDED:

(a) That the performance of Renfrewshire Health and Social Care Partnership's Care at Home Service, with services graded as 'adequate' for quality of management and leadership and 'good' for quality of care and support of staffing, be noted; and

(b) That an update report be submitted to the next meeting of this Committee on the areas for improvement and action plan progress.

11 Inspection of Care Home Services by Care Inspectorate

The Chief Officer submitted a report relative to the inspection of Care Home Services undertaken by the Care Inspectorate at Renfrew Care Home on 27 January 2020 and Hunterhill Care Home on 6 February 2020.

The report advised that social care services were subject to a range of audit and scrutiny activities to ensure that they were undertaking all statutory duties and were providing appropriate care and support to vulnerable individuals and groups. Information was provided on the work that was undertaken by the Care Inspectorate during an inspection, the quality themes that services were assessed against and the grading scale used to award grades.

The report confirmed that Renfrewshire's Care Home Services were inspected against two quality themes: quality of care and support; and supporting people's wellbeing. The services were graded as 'good' for both quality of care and support and supporting people's wellbeing. No recommendation had been made, however, some areas for improvement had been identified. Care Home services acknowledged the areas for improvement identified by the Care Inspectorate and were taking action to address these, where possible. The measures put in place would be closely monitored and kept under review through a detailed action plan.

DECIDED: That the outcome of the inspection of Renfrewshire Health and Social Care Partnership's Care Home Services undertaken at Renfrew Care Home and Hunterhill Care home, with both services graded as 'good' for quality of care and support and supporting people's wellbeing, be noted.

12 Integration Joint Board and Health and Social Care Partnership Risk Registers

The Chief Officer submitted a report relative to the risk registers being maintained by Renfrewshire Health and Social Care Partnership (HSCP).

The report provided an update on the Renfrewshire IJB Risk Register as at 31 March 2020 and Renfrewshire HSCP Risk Register as at 31 May 2020, attached as appendices to the report. The report also advised that from March 2020, a specific COVID-19 Risk and Issues Log had been maintained and reviewed by the Senior Management Team on a weekly basis.

Following discussion, it was proposed that an update on the risk registers be submitted to this Committee prior to its meeting in December 2020 and that future dates be reviewed due to changes in reporting timescales. This was agreed.

DECIDED:

- (a) That the report be noted;
- (b) That the IJB Risk Register be approved;
- (c) That the Renfrewshire HSCP Risk Register be noted; and
- (d) That an update on the risk registers be submitted to this Committee prior to its meeting in December 2020 and that future meeting dates of the IJB Audit, Risk and Scrutiny Committee be reviewed due to changes in reporting timescales.

13 Date of Next Meeting

DECIDED: That it be noted that the next meeting of the IJB Audit, Risk and Scrutiny Committee would be held at 10.00 am on 11 September 2020, to be held remotely.

IJB Audit, Risk and Scrutiny Committee Rolling Action Log

Date of Board	Report	Action to be taken	Officer responsible	Due date	Status
	Annual Internal Audit Plan 2020/21	Meet with Audit Scotland and the Chief Internal Auditor to discuss the risk register and that the Chief Officer submit a report to the next meeting of the Audit Committee in relation to risk.	Chief Officer and Chief Finance Officer	12 June 2020 delayed due to covid-19 priorities	Report to be submitted to meeting in November 2020
19/06/20	Local Code and Sources of Assurance for Governance Arrangements	Clarification of sections B2.1 and B3.1 in relation to the term 'stakeholders' to be provided to members	Head of Administration	11 September 2020	Provided to members in July 2020
	Inspection of Care at Home Services by the Care Inspectorate	Submit update report to the next meeting on the areas for improvement and action plan progress	Chief Officer	11 September 2020	Report to be submitted to meeting in November 2020
	Integration Joint Board Health and Social Care Partnership Risk Registers	Submit update to this Committee prior to its meeting in December 2020. Review future meeting dates of the IJB Audit, Risk and Scrutiny Committee due to changes in reporting timescales.	Head of Administration Chief Finance Officer	September /October 2020 11 September 2020	Ongoing Report submitted to this meeting

To: Renfrewshire Health and Social Care Integration Joint Board Audit Risk and Scrutiny Committee

On: 11 September 2020

Report by: Chief Internal Auditor

Heading: Revised Annual Internal Audit Plan 2020/21

1. Summary

- 1.1 The Joint Board Audit Committee approved the annual internal audit plan for 2020/21 on 31 January 2020. The current plan is detailed at Appendix 1 of this report.
 - 1.2 At the time of approval it was noted that the plan may be subject to amendment during the course of the year due to the emergence of issues of greater priority, or other unforeseen circumstances.
 - 1.3 The global Covid 19 pandemic has necessitated a review of the plan in light of emerging risks arising from new or revised duties placed on the Integration Joint Board. The proposed revised plan is detailed at Appendix 2 of this report.
 - 1.4 The plan still provides for 35 days of audit resource and proposed to replace the main assurance review of budget monitoring with a review of providers sustainability payments. The review is proposed to commence during quarter 3 (September – December 2020),
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2. Recommendations

- 2.1 That the Audit, Risk and Scrutiny Committee approves the revised Internal Audit Plan for 2020/21.
 - 2.2 That the Audit, Risk and Scrutiny Committee notes that the revised Internal Audit Plan will be shared with the Local Authority and the Health Board.
 - 2.3 That the Audit, Risk and Scrutiny Committee notes the proposed timescale for commencement of the audit review.
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3. Background

- 3.1 The Internal Audit Plan for 2020/21 was approved by the Joint Board on 31 January 2020. Plans need to remain flexible during the year to respond to and provide assurance over emerging risks and priorities.
- 3.2 The impact of COVID-19 has put unprecedented pressure on many suppliers to public bodies to meet their contractual obligations. This can put their financial viability, ability to retain staff and their supply chains at risk. Public bodies should have been urged to support suppliers so they are better able to cope with the current crisis and to resume normal service delivery and fulfil their contractual obligations when the outbreak is over. The Scottish Government has agreed that they will meet all reasonable additional provider costs that are aligned to mobilisation plans.
- 3.3 As the anticipated costs could be significant it is proposed that internal audit replace the current planned budget monitoring review with an assurance review of provider sustainability payments. It is also proposed that the audit fieldwork for this review should commence during quarter 3 (September to December).
- 3.4 In drafting the revised internal audit plan, consideration has been taken of consultations with members of the health and social care partnership senior management team;

Implications of the Report

1. **Financial** - none.
 2. **HR & Organisational Development** - none.
 3. **Community Planning** - none.
 4. **Legal** - none.
 5. **Property/Assets** - none.
 6. **Information Technology** - none.
 7. **Equality & Human Rights** – none
 8. **Health & Safety** - none.
 9. **Procurement** - none.
 10. **Risk** - The subject matter of this report is the risk based Audit Plan for 2020 – 2021.
 11. **Privacy Impact** - none.
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List of Background Papers – none.

Author: Andrea McMahon, Chief Internal Auditor

Annual Audit Plan – 2020/21 Renfrewshire Integrated Joint Board

Audit Category	Engagement Title	No. of days	Detailed work
Assurance	Financial Management – Budget Monitoring	20	<ul style="list-style-type: none"> The purpose of the audit is to review the arrangements in place for monitoring and reporting on the delegated financial resources.
Governance	Local Code of Corporate Governance	5	<ul style="list-style-type: none"> Annual review of the adequacy and compliance with the Local Code of Corporate Governance to inform the governance statement.
Planning & Reporting	Annual Plan, Annual Report and Audit Committee reporting & Training	7	<ul style="list-style-type: none"> The Chief Internal Auditor is required to prepare an annual plan and annual report for the Audit Committee, summarising the work undertaken by Internal Audit during the year and using this to form an opinion on the adequacy of the control environment of the IJB.
Contingency	Ad-hoc advice and Consultancy	3	<ul style="list-style-type: none"> Time for advice and consultancy on relevant priorities and risks or change related projects.

Revised Annual Audit Plan – 2020/21 Renfrewshire Integrated Joint Board

Audit Category	Engagement Title	No. of days	Detailed work
Assurance	Financial Management – Provider Sustainability Payments	20	<ul style="list-style-type: none"> The purpose of the audit is to review the arrangements in place for agreeing and paying additional costs to contracted providers arising from Covid 19 mobilisation plans.
Governance	Local Code of Corporate Governance	5	<ul style="list-style-type: none"> Annual review of the adequacy and compliance with the Local Code of Corporate Governance to inform the governance statement.
Planning & Reporting	Annual Plan, Annual Report and Audit Committee reporting & Training	7	<ul style="list-style-type: none"> The Chief Internal Auditor is required to prepare an annual plan and annual report for the Audit Committee, summarising the work undertaken by Internal Audit during the year and using this to form an opinion on the adequacy of the control environment of the IJB.
Contingency	Ad-hoc advice and Consultancy	3	<ul style="list-style-type: none"> Time for advice and consultancy on relevant priorities and risks or change related projects.



To: Renfrewshire Integration Joint Board Audit, Risk and Scrutiny Committee

On: 11 September 2020

Report by: Chief Officer

Heading: Review of Renfrewshire IJB's existing risk management framework

1. Summary

1.1. The report provides detail on the IJB's risk management framework, which was most recently approved in November 2017. It sets out the significant changes in the IJB's operating context over the last six months as a result of COVID-19 and the commencement of recovery and renewal programme activity, factors which act as drivers for a review of this framework.

1.2. The report also sets out the HSCP's proposal for a review process to be undertaken, with the objective of agreeing a revised risk management framework for implementation from 1 April 2021. The HSCP will work with IJB members throughout this process to ensure that a robust and flexible framework is in place to manage risks arising from the current and future complex and challenging environment.

2. Recommendation

It is recommended that the IJB Audit, Risk and Scrutiny Committee

- Note the status of the existing risk management framework and external context; and
 - Approve the proposal for a review of the risk management framework.
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3. The IJB's existing risk management framework

3.1. The IJB approved its risk management framework in September 2015. This framework set out the principles by which the HSCP and IJB would identify and manage strategic and operational risks impacting

upon the organisation. This framework forms a key strand of the IJB's overall governance mechanisms. In particular, the framework sets out the approach to:

- Identifying, assessing and managing emerging risks;
- Defining risks as strategic or operational (including several sub-categories of risk included within these definitions);
- Accountabilities for risk management, covering governance, roles and responsibilities including those of the IJB, the Chief Officer and Chief Financial Officer, the HSCP's Senior Management Team, and individual risk owners where these differ from those listed;
- The approach to be adopted for resourcing the implementation of risk control measures;
- The provision of training, learning and development associated with risk management policies and procedures; and
- Risk monitoring and performance reporting to the IJB

3.2. An updated version of the risk management framework (version 2) was approved by the IJB Audit Committee in November 2017. This revised framework set out an updated approach to reporting risks, whereby the existing risk register at that time would be split into (i) a separate IJB risk register tracking strategic risks specifically relating to the Board in respect of financial sustainability and accountability for the Strategic Plan; and (ii) an HSCP risk register tracking operational risks arising from the activities of an individual service areas of team operating with the scope of the the IJB's activities. Where necessary, operational risks are escalated to the IJB risk register where these apply across multiple service areas and require more strategic leadership.

3.3. The HSCP has continued to bring regular updates to the IJB Audit Committee (now the Audit, Risk and Scrutiny Committee) on strategic and operational risks.

4. Drivers for review of the risk management framework: COVID-19 and increasing system complexity

4.1. The IJB has operated the existing risk management framework since November 2017. However, the impact of the COVID pandemic over the last six months and the changes this has necessitated, including the need for rapid service changes to be put in place, has accelerated the need to review existing risk management measures.

4.2. During the COVID-19 response, the HSCP implemented additional risk management measures to quickly identify and manage emerging

risks related to the pandemic and local responses. These risks were reviewed and updated frequently and reported to the HSCP's Local Response Management Team. Additional governance structures were also created by our partner organisations.

- 4.3. These governance structures continue through the HSCP's Recovery and Renewal Steering Group, NHS Greater Glasgow and Clyde's Strategic Executive Group and supporting tactical and planning groups and Renfrewshire Council's CMT Recovery Planning Group. In addition to our existing governance through the IJB, these linkages add greater complexity within the health and social care system and are expected to be part of business as usual activity for the foreseeable future.
- 4.4. As recovery and renewal activity progresses, the interim measures adopted by the HSCP will continue but will need to be adapted to align further with existing risk management arrangements. The degree of service transformation work planned as part of the recovery and renewal programme alongside the ongoing COVID response, which necessitates ongoing operational flexibility, will need to be embedded in risk management activity.
- 4.5. It is also important the HSCP and IJB assess and build upon the lessons learned through the COVID response. In particular, the HSCP's ability to operate flexibly and respond at pace and the IJB's ability to tolerate and manage increasing levels of risk as has been necessary are influencing factors which should now be considered within risk management procedures.
- 4.6. Consequently, the HSCP believes that a review and update of the risk management framework is now necessary to reflect the impact of COVID-19 and to ensure that the IJB's approach to risk management suitably addresses the complexity of the current and future environment.

5. Review proposal

- 5.1. This paper proposes a review of the existing risk management framework, with the objective of bringing an updated framework to the Audit, Risk and Scrutiny Committee for approval in March 2021. This would enable implementation of the new framework from April 2021.
- 5.2. It is proposed that the review considers:
 - The significantly changed external context and necessary changes required to ensure that risks associated with COVID-19, transformational activity and external system complexity

are effectively identified and managed, bringing all current and interim risk management activity into a single flexible framework;

- The existing risk escalation procedures and roles, responsibilities and accountabilities to ensure that risks are effectively managed at service level, the Senior Management Team and IJB as appropriate;
- Lessons learned on risk management through the COVID response and review of other organisational approaches to risk management;
- The necessary tools and resources required to most effectively manage increasing levels of risk complexity; and
- In light of the above and the observed impact of COVID-19, the consideration of an update to the IJB's existing risk appetite statement. A future development session will be identified for a facilitated session with IJB members to take forward these considerations.

5.2. Further updates on progress will be brought to both the Audit, Risk and Scrutiny Committee and the IJB.

Implications of the Report

1. **Financial** – There are no financial implications arising from the submission of this paper.
2. **HR & Organisational Development** – There are no HR and Organisational Development implications arising from the submission of this paper.
3. **Community Planning** – There are no Community Planning implications arising from the submission of this paper.
4. **Legal** – Supports the implementation of the provisions of the Public Bodies (Joint Working) (Scotland) Act 2014.
5. **Property/Assets** – There are no Property/Assets implications arising from the submission of this paper.
6. **Information Technology** – There are no ICT implications arising from the submission of this paper.
7. **Equality and Human Rights** – There are no Equality and Human Rights implications arising from the submission of this paper.
8. **Health & Safety** – There are no Health & Safety implications arising from the submission of this paper.
9. **Procurement** – There are no Procurement implications arising from the submission of this paper.
10. **Risk** – This paper sets out recommendations for the review of the IJB's existing risk management framework. The implications of these recommendations are set out in further detail in the paper however they will support the IJB in continuing to ensure that a robust, flexible and suitable risk management framework is in place as part of overall governance arrangements.
11. **Privacy Impact** – None

List of Background Papers – Risk Management Policy & Strategy (IJB Audit Committee, 24 November 2017)

Author: Jean Still, Head of Administration
David Fogg, Change and Improvement Manager

Any enquiries regarding this paper should be directed to Jean Still, Head of Administration (jean.still@ggc.scot.nhs.uk / 0141 618 7659)

Covid-19

Guide for audit and risk committees

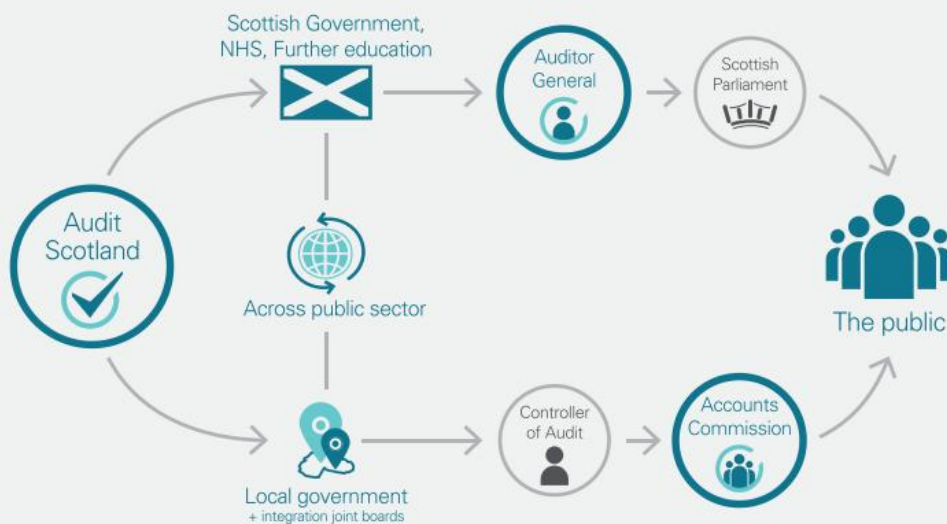


Prepared for public bodies and auditors
August 2020

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Introduction

1. Covid-19 has already had a significant impact on every aspect of society in Scotland. It has affected individuals and communities, public services and the economy.
2. The response of public-sector bodies has been strong, and the pandemic has highlighted some of their key strengths, such as agility and partnership working. But Covid-19 has also exacerbated many pre-existing risks and challenges facing public bodies in areas such as financial sustainability and service demand pressures. A difficult road lies ahead as public bodies move from response to recovery and renewal.
3. Audit and risk committees have a crucial role to play in providing effective scrutiny and challenge. They help public bodies focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements. As public bodies manage their business during this global pandemic, the role of audit and risk committees becomes even more important.
4. This guide for audit and risk committees draws on our recent experience of auditing public bodies during the pandemic. It also refers to key sources of guidance such as the Scottish Government's [Scottish Public Finance Manual](#) and [On Board: a guide for members of statutory boards](#) and the Chartered Institute of Public Finance and Accountancy's *Audit Committees: Practical Guidance for Local Authorities and Police*.

Key issues for consideration by audit and risk committees during the Covid-19 pandemic

5. There are a wide range of short, medium and long-term risks and issues emerging from Covid-19 for public bodies to consider. This guide focuses on the short-term challenges facing public bodies in the response phase of the pandemic. During this phase, key areas that audit and risk committees will need to focus on include:
 - internal controls and assurance
 - financial management and reporting
 - governance
 - risk management.
6. This guide provides audit and risk committee members with suggested questions to help them effectively scrutinise and challenge in these key areas. Answering the questions in this guide will help audit and risk committees better understand how their organisation is responding to the pandemic and managing both the immediate and longer-term challenges that it creates.
7. Audit and risk committees must assure themselves that they are engaged and well-informed about the changes that are occurring and affecting their organisation due to Covid-19. For example, they should be informed of changes to internal reporting arrangements, and policy and legislative changes and the impact they are likely to have on the organisation. They should also be apprised of any fraud and error risks arising from the response to Covid-19.¹

¹ [Covid-19: Emerging fraud risks](#), Audit Scotland, July 2020.

Internal controls and assurance

8. Public-sector staff are working under extreme pressure as a consequence of the scale and pace of change created by the pandemic and the need to respond rapidly to unfolding events. This may mean that some internal controls are suspended or relaxed. For example, the segregation of duties between colleagues for completing tasks and subsequent checks may not be possible due to unforeseen capacity issues or the lack of availability of more senior or experienced staff. Staff transfer between departments, for example, to new areas such as those responsible for distributing funding to support people and businesses most affected by Covid-19, may also leave some areas under-staffed. Furthermore, inexperienced staff may be working remotely without a full understanding of the required procedures and controls.

9. Internal audit provides independent assurance on governance arrangements, risk management and internal control processes. As the landscape changes, internal audit will have to consider its approach to audit planning and how it continues to deliver its assurance activities while balancing the workload created by new risks emerging from Covid-19.

10. As staff work remotely, there may also be potential security risks such as an increase in cyber-crime. For example, fraudsters may try to access public-sector systems by claiming to be legitimate technical support services or through phishing emails and scams.

11. [Exhibit 1](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 1

Internal controls and assurance – questions to consider

What changes to internal controls have been required due to Covid-19?

- Has internal audit assessed the design, implementation and operational effectiveness of revised internal controls?

What new controls have been established to account for the distribution of any additional funds received?

- Have officers identified any weaknesses in new controls and if so, how are these being addressed?

To what extent has your organisation assessed the impact of working remotely on the control environment and working practices?

Has internal audit reviewed their audit plan and assessed which projects might need to be cancelled, postponed or accelerated as your organisation navigates its way through the pandemic?

How is management supporting internal audit to balance its 'routine' programme of work and that required to respond to Covid-19-related audit work?

What impact has Covid-19 had on the annual reporting and accounting process?

- Has your organisation's timetable for the annual reporting process been considered for 2019/20 and 2020/21? If so, have the timetables been revised and updated accordingly?
- Has the external auditor's annual audit plan been updated to assess and address new risks?

To what extent has your organisation considered work undertaken by other organisations (via professional networks and bodies), or where appropriate, engaged with external experts to inform decision-making around significant areas of change in response to the pandemic?

How have IT services performed during the pandemic?

- To what extent have cyber security controls been considered?
-

To what extent has management assessed the impact of Covid-19 on overall staff capacity?

- What areas have been identified as being under resourced and how is this being addressed?

What is your organisation doing to support its staff during the pandemic?

- To what extent have workload and working practices been adjusted to allow for the challenges that people may face when working remotely?
- What guidance, advice or signposting has your organisation put in place to support staff wellbeing?

What opportunities and risks have arisen as staff are deployed across departments?

How is your organisation capturing the learning and opportunities that arise from new ways of working?

Financial management and reporting

12. Public bodies face considerable uncertainty during the pandemic and as they plan for the future. Having robust financial management and transparent reporting arrangements in place is critical to ensuring that an organisation can manage its finances and deliver services effectively, identify issues and challenges early and act on them promptly.

13. Financial impacts of the pandemic could include a reduction in income generated from business rates and council tax non-payments as well as a reduction in fees and charges from, for example, leisure, public transport and parking. Organisations may also face increased costs such as higher staff costs to cover the delivery of services. The economic uncertainty and market volatility caused by the pandemic also make it difficult for public bodies to value, for example, property portfolios, inventories and pension schemes.

14. A number of factors will affect how well an organisation can report on and manage its financial position at a time where it is facing significant pressure and challenge. For example, there is likely to be competing pressures on finance staff, significant changes in financial processes and procedures and the introduction of financial systems in new areas, such as those for Covid-19-related government relief, assistance and stimulus packages. [Exhibit 2](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 2

Financial management and reporting – questions to consider

Is financial (and performance) information received in a timely manner, with sufficient detail, to inform the fast-paced changes that are required due to Covid-19?

How is management assessing the financial impact of Covid-19 on income and expenditure?

- What processes or procedures have been put in place to assess, for example, new demands, new expenditure streams, savings from activity foregone and lost income?

What information has been used in determining the value of assets and liabilities?

- To what extent have estimated valuations been impacted by Covid-19, for example, disruption to the revaluation of properties or market volatility impacting on investments?
- What is the likely impact of Covid-19 on pension deficits and what does this mean for your organisation?

What commitments and guarantees have been made to third parties, and how are these being monitored?

- Where relevant, how is your organisation ensuring that the impacts of the pandemic on its arm's-length external organisations (ALEOs) are being appropriately monitored?
-

What impact has Covid-19 had on savings plans?

- Is your organisation on track to deliver these savings and if not, what plans are your organisation putting in place to help with this?

What impact has Covid-19 had on transformational activity?

- If there has been or will be significant delays to activity or a failure to meet savings targets, what are the financial implications and how is management preparing for this?

Is there sufficient capacity within the finance team to deal with competing pressures, such as preparing annual accounts, at a time when working practices are having to be adapted due to Covid-19?**Governance**

15. The pace and scale of change is unprecedented, and changes in governance arrangements are likely to have taken place. This may mean that there has been less opportunity for scrutiny and due diligence as public bodies respond rapidly to the challenges arising from Covid-19. For example, urgent procurement decisions and changes to delegated authority arrangements may have impacted on the level of scrutiny.

16. Governance and accountability arrangements around collaborative working may be increasingly complex but when done effectively, allows for better planning, design and coordination of services. Many aspects of public bodies' responses to the pandemic can only be done in partnership with others.

17. Recent changes to governance arrangements due to Covid-19 may include basic alterations such as documenting authorisation processes through to oversight of the overall running of the business. [Exhibit 3](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 3**Governance – questions to consider****What impact has Covid-19 had on governance arrangements?**

- How is your organisation ensuring that effective oversight and scrutiny of key decisions is maintained as it responds rapidly to the challenges it faces during the pandemic?
- Have any significant changes been made to governance arrangements due to the pandemic, for example, suspension of committees or increased use of delegated decision-making powers?
- Where decisions are being made using delegated or emergency powers, how are these being recorded, made public and subjected to scrutiny by the relevant committee(s)?
- Have changes to processes and procedures made in response to Covid-19 been reviewed and documented appropriately to comply with overall governance arrangements?

Are governance arrangements being reviewed regularly to ensure they remain fit for purpose?**Are non-executive directors providing appropriate levels of support, scrutiny and challenge to your organisation as it responds to the current environment and new risks?****What barriers, if any, have affected your organisation's ability to continue to provide services for individuals and communities during the pandemic?**

- How have these barriers been overcome?
- What was the impact on service users?

What impact has Covid-19 had on your organisation achieving its stated objectives?

- Does performance reporting highlight any changes on your organisation's ability to meet its objectives as a consequence of Covid-19?

- Has the pandemic caused new risks to achieving your organisation's objectives? If so, how are these being addressed?

What impact has Covid-19 had on collaborative working?

Risk management

18. While public bodies will have risk management processes in place, the likelihood and impact of existing risks and the emergence of new risks will need to be monitored carefully. There may also be a change in the risk appetite during the pandemic to allow for services to operate effectively and respond to issues in a timely manner. Some changes may be significant therefore officers and audit and risk committee members need to consider how sustainable these changes will be in the longer term.

19. Public bodies were already facing risks and challenges around, for example, financial sustainability, outcomes and inequalities. These risks and challenges have become greater due to Covid-19. They are also heightened further because of the uncertainty around the UK's exit from the European Union and increasing budget pressures.

20. [Exhibit 4](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 4

Risk management – questions to consider

Are there new expenditure or procurement streams, or delivery methods arising from Covid-19 that introduce new risk?

- What indicators does management have to support informed decisions on risk and is this data available in real time?
- Is your organisation's risk management strategy up-to-date to include risks associated with Covid-19?
- What risks have emerged that need to be addressed and what protocols are in place to report and analyse emerging risks as the situation evolves?
- Are risks being reported to the relevant committee?

Has your organisation's risk register been updated to reflect new risks arising from Covid-19?

Is there a need for management's risk appetite framework to be reviewed to ensure it is appropriate in this rapidly evolving environment?

- If so, when will the committee be informed of the outcome and any next steps?

How does Covid-19 impact on any financial risks already facing your organisation and how does this affect short, medium and long-term financial plans?

What impact does Covid-19 have on any scenario planning that your organisation has in place for events such as EU withdrawal and increasing budget uncertainty?

Looking ahead

21. This is the second in a series of Covid-19 guides prepared for public bodies and auditors. Our first publication, [Covid-19 Emerging fraud risks](#), sets out a range of fraud risks that may arise due to the pandemic. By drawing on our position as external auditors across the public sector in Scotland, we have used our recent experience to develop these Covid-19 outputs. We will be issuing further guidance to public bodies to support them as they move beyond the response phase of the pandemic into recovery and renewal.

22. We invite feedback on how the role of external audit can further support public bodies as they respond to the challenges Covid-19 presents.

Further reading

- [*Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19*](#), National Audit Office, June 2020.
- Financial scrutiny practice guide, The Chartered Institute of Public Finance and Accountancy, June 2020.
- <https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/implications-audit-committees-arising-covid-19>
- <https://www.iaa.org.uk/covid-19-hub/covid-19-guidance/>

Covid-19

Guide for audit and risk committees

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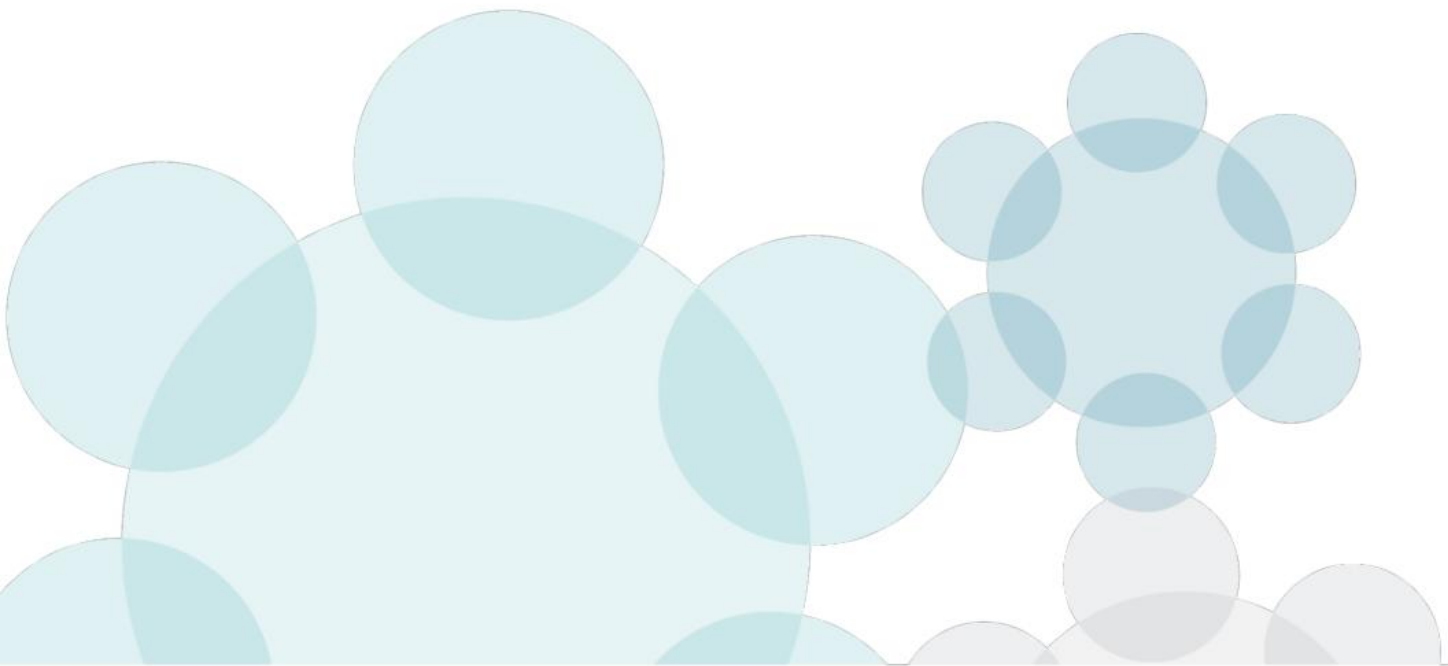
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Covid-19

Implications for public finances in Scotland



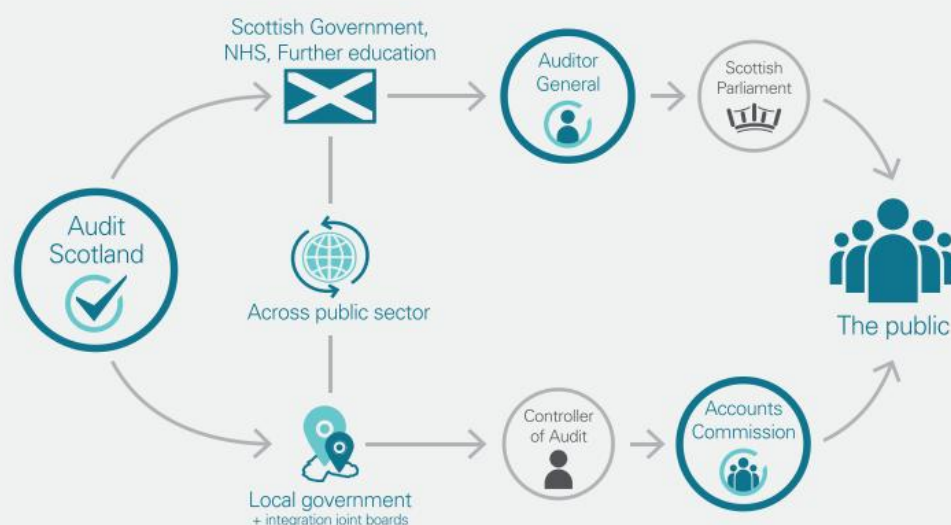
 AUDIT SCOTLAND

Prepared by Audit Scotland
August 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Team

The core team for this briefing consisted of Richard Robinson, Fiona Diggle, Lucy Carter and Daniel Melly, with support from other colleagues and under the direction of Mark Taylor.

Introduction

1. The public health crisis caused by Covid-19 has had a significant and profound effect on every aspect of Scottish society. At the heart of this are the personal tragedies of the thousands of people who have died or lost loved ones.
2. The pandemic has had wide consequences for public health in Scotland, including the impact on both physical and mental wellbeing. For many, this means dealing with increased financial uncertainty alongside health concerns. Public services have been drastically affected, requiring immediate changes to the way that services are provided to people in Scotland. For the economy, the lockdown has disrupted businesses and household incomes, leading to an economic downturn of a scale not seen in recent times.
3. The impact on the public finances is unprecedented. The crisis has required the Scottish and UK governments to respond quickly, providing substantial additional funding for public services and support for individuals, businesses and the economy.
4. The pandemic is not over, and it is unclear how the impact of the virus will develop over time. It is likely that further financial measures will be needed and that the effects on individuals, public services and the economy will last many years into the future.
5. For the Scottish Government the challenges of managing public finances within this environment are significant and varied. The levels of spending required to meet future demands for services and necessary government interventions is unclear, as are the levels of funding and revenues available to support it.
6. The fast-changing nature of government spending and funding related to the pandemic makes keeping track of how money is being spent a complex and difficult task. Alongside this, the financial and performance risks that the Scottish Government must manage are also developing quickly.
7. This briefing brings together our analysis of the latest position of how public money is being spent and funded in Scotland, before considering the key financial and performance risks facing the Scottish Government. It has three sections:
 - Part 1 highlights the fiscal response to Covid-19 to the end of July 2020, setting out the tax and spending commitments made by the Scottish Government and how these have been funded, as well as summarising the UK Government policies that apply in Scotland.
 - Part 2 sets out the emerging financial and performance risks that the Scottish Government is facing as a result of Covid-19 and its economic consequences.
 - Part 3 considers what this means for Audit Scotland's work in providing assurance and aiding scrutiny of the Scottish Government's response during the current crisis.
8. Public audit has a key role in providing scrutiny of how well public money is being spent to support people in Scotland. Audit Scotland will continue to audit public finances and the performance of services throughout the pandemic. More information is provided in [Covid-19: How public audit in Scotland is responding.](#)

Part 1

The fiscal response to date

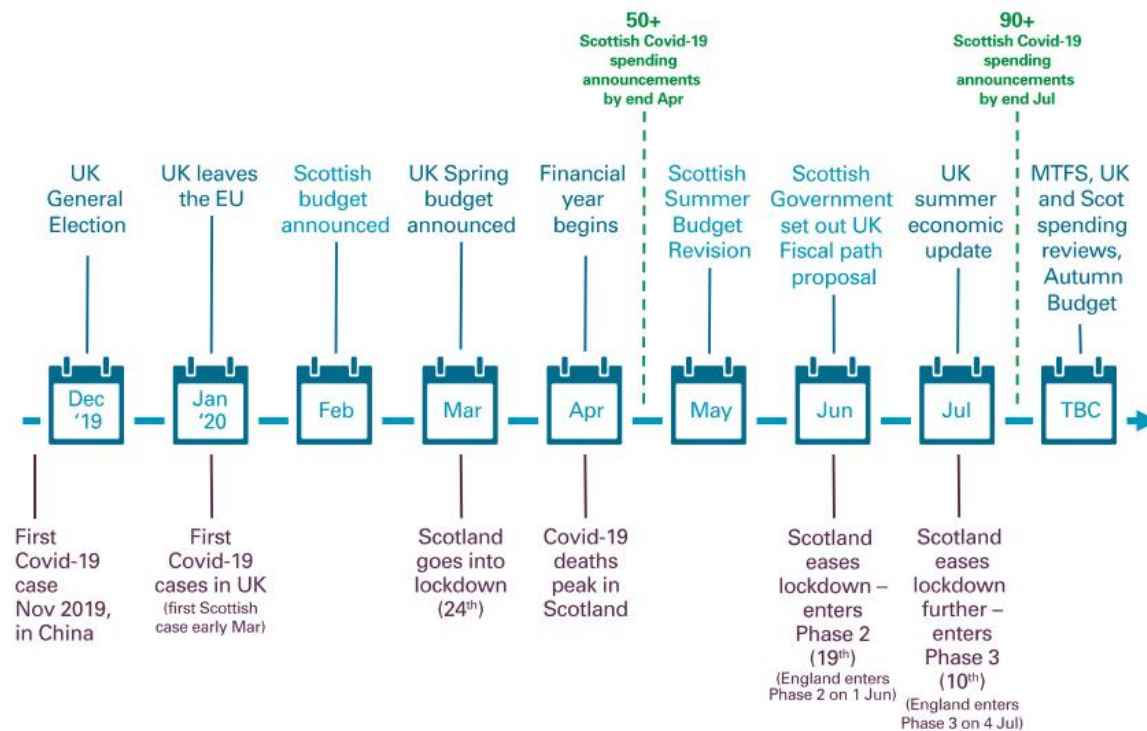
The impact on Scottish public finances is unprecedented

9. The Covid-19 pandemic has been the biggest fiscal and policy challenge facing the Scottish Government over the past two decades of devolution. Expected devolved public spending has increased by around 15 per cent since the 2020/21 Scottish budget was first agreed in February 2020 and is subject to significant and continuing revision.¹ Before the pandemic hit, the budget had faced unusual uncertainty with the UK budget being delayed due to the general election, and remains subject to unprecedented uncertainty, volatility and complexity ([Exhibit 1](#)).

Exhibit 1

Fiscal events and Covid-19 timeline

The Scottish and UK governments have had to respond quickly to the emerging pandemic.



Source: Audit Scotland analysis

10. The speed at which financial changes have had to be made due to Covid-19 is highlighted by the fact that the Scottish budget, announced 6 February, included no reference to the pandemic. The UK budget, on 11 March, included spending of £12 billion to tackle Covid-19.² Significant additional spending was announced later in March once the UK entered lockdown, including the Coronavirus Job Retention and Self-Employment Income Support Schemes, forecast to cost £65 billion this

¹ Barnett consequentialities related to Covid-19 as share of original consolidated budget for 2020/21.

² Chancellor delivers Budget 2020 – press release, HM Treasury, 11 March.

year.³ The Scottish Government announced spending of over £2.5 billion in March, including £2.2 billion of business support and £350 million for supporting communities.

11. Since then, both the UK and Scottish governments have made over 150 spending and tax announcements to respond to and manage the changing picture. The Scottish Government introduced a Summer Budget Revision on 15 May, adding an extra £4 billion to the Scottish budget at that point. The UK Government's summer economic update on 8 July announced spending of £30 billion to support economic recovery across the UK.⁴

Responding to the pandemic comes when the Scottish budget is already increasingly complex, volatile and uncertain

12. As a result of the new tax, social security and borrowing powers devolved to Scotland in recent years, the Scottish Government now has more choice over tax and spending. While this creates opportunities for the Scottish Government, it means the Scottish budget has become increasingly complex, and subject to more volatility and uncertainty.

13. At the start of 2020/21, nearly 60 per cent of the Scottish budget was funded by the block grant from the UK Government, driven by UK fiscal policy and spending decisions. The Scottish budget is also linked to Scotland's economic performance relative to the rest of the UK. This affects tax revenues from the devolved taxes and the corresponding Block Grant Adjustments (BGAs) which reflect the performance of the equivalent UK taxes. We explain this process in Part 1 of [*Scotland's new financial powers, Operation of the Fiscal Framework 2018/19*](#).

14. The Scottish Government is required to maintain a balanced budget, matching its spending to available funding each year. This can be challenging because funding can fluctuate significantly within the year:

- The total grant from the UK Government (the block grant) increases or decreases through the Barnett formula, based on UK department spending announcements. The total Barnett consequentials for any year are usually not confirmed until late in the year.
- Revenues for the fully devolved taxes (Land and Buildings Transaction Tax [LBTT] and Scottish Landfill Tax) impact on the budget in real time, as does spending on demand-led social security benefits. BGAs for the devolved taxes and social security are also updated in-year.
- Revenues are fixed for the year when it comes to the largest of the devolved taxes, Scottish income tax (SIT). The forecasts for SIT and its corresponding BGA are locked in for the course of the year, and a reconciliation between the forecast and outturn applies to the budget three years later once tax receipts are known.

15. In 2020/21, maintaining a balanced budget will be more difficult than in previous years because of increased volatility in some tax revenues and funding, and significantly increased demands on Scottish Government spending due to the Covid-19 pandemic.

The Scottish Government has announced over 90 spending and tax measures to tackle the pandemic, which total £5.3 billion

16. Between 18 March and 31 July, the Scottish Government has announced over 90 spending and tax measures to help support business, public services and individuals during the pandemic. A summary of all Scottish Government

³ Coronavirus policy monitoring database, OBR, 14 July 2020.

⁴ Policy paper: A Plan for Jobs 2020, UK Government, 8 July 2020.

announcements made as at 31 July is provided in [Exhibit 2](#), with more details in the Appendix. These announcements include:

- grants to businesses and charities (for example, the Small Business Support Grant)
- additional resource spending to support public bodies' day-to-day services
- capital spending (such as digitisation and construction projects)
- loans (for example, for farmers, housebuilders and private landlords)
- tax cuts and reliefs (such as business rates relief and temporarily raising the zero-rate threshold for LBTT).

Exhibit 2

Scottish Government spending announcements as at 31 July 2020

Spending announcements	£m
Business support <ul style="list-style-type: none"> • £1.202 billion for the £10,000 Small Business Support Grant and the £25,000 Retail Hospitality and Leisure Support Grants • £875 million to cover the cost of business rates relief • £824 million for 14 other grant and loan schemes for a range of businesses including small and medium sized enterprises (SMEs), creative, tourism and hospitality businesses, farmers, housebuilders, private landlords, oil, gas and energy businesses, the fishing industry and zoos. • £230 million 'Return to work' package to support construction, low carbon projects, digitisation and business support. • £31 million for the tourism and cultural sectors including hotels and self-catering businesses, cultural and sporting events and venues and museums. • £110 million for the third sector including charities, voluntary organisations, community-controlled housing associations and social enterprises that are supporting local responses. 	3,272
Public Services <p>Health and social care</p> <ul style="list-style-type: none"> • As of 16 June, the Scottish Government had committed to directly passing on £780 million Barnett consequential for health and social care. On 15 May the Scottish Summer Budget Revision outlined how £620 million of this would be allocated. <p>Local authorities</p> <ul style="list-style-type: none"> • As of 23 June, Parliament had approved £489 million additional funding for Local Government and communities. This included crisis grants, funding free school meals and council tax reduction schemes, as well as funding to support the return to school. <p>Other support for public services includes funding for transport operators, homebuyers, university research and employment support.</p>	2,019
Other support for individuals <ul style="list-style-type: none"> • In addition to the support for vulnerable individuals provided through local government and third sector grants, specific Scottish Government support packages for individuals include the Unpaid Carers Allowance supplement, hardship payments for students and discretionary housing payments for tenants. 	45
Total	5,336

Source: Audit Scotland using Scottish Government funding announcements; Summer Budget Revision, Scottish Government, 15 May 2020; Local Government Finance Circular No.12/2020, 24 June 2020; and information provided by the Scottish Government

The Scottish Government currently expects to spend around £4.8 billion on Covid-19 related measures in 2020/21

17. The Scottish Government expects that additional spending on Covid-19 related measures will be at least £4.8 billion in 2020/21. The expected spending in-year is different to the total cost of the announcements in [Exhibit 2, page 7](#) because:

- spending against some announcements depend on demand; any underspends can be used for other purposes. For example, lower than expected take-up for some business grants has meant that around £54 million can be reallocated to other support funds. This includes a £10 million fund for performing arts venues.⁵
- some announcements will be spent over more than one year. For example, the £100 million fund for school attainment is due to be spent over 2020/21 and 2021/22, and the energy transition fund is due to be spent over the next five years, with just over half of the £62 million fund committed for 2020/21.

18. The Scottish Government is required to manage spending against a balanced budget. The Summer Budget Revision is the latest balanced budget approved by the Scottish Parliament. £4.0 billion of the £4.8 billion expected additional in-year spending is set out in the Summer Budget Revision.

19. The Scottish Government will produce an Autumn Budget Revision later in the year which will incorporate changes since the Summer Budget Revision in a revised balanced budget for approval. Currently, the Scottish Government expects spending for announcements made since the Summer Budget Revision to be £571 million of day-to-day spending and £230 million of capital spending in 2020/21. These amounts will continue to be reviewed as the Autumn Budget Revision is prepared.

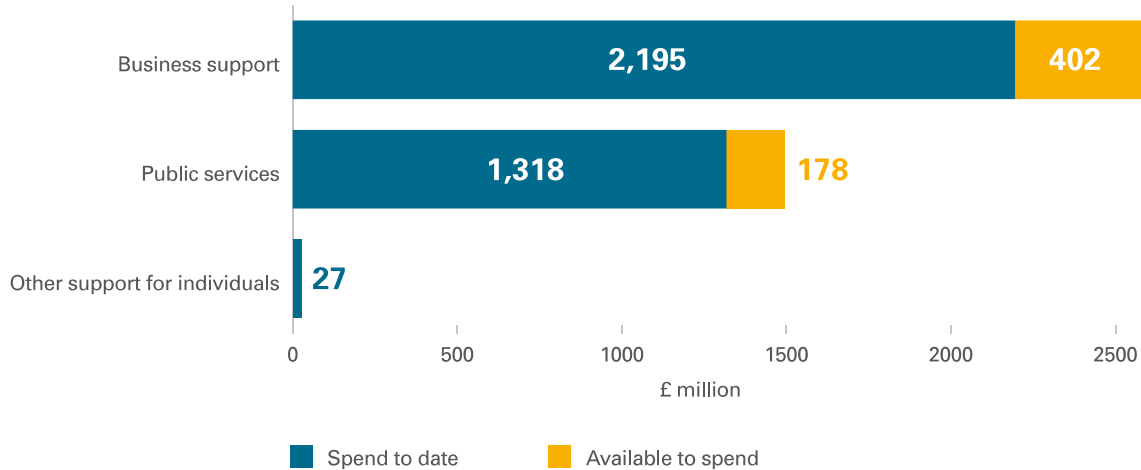
20. The Scottish Government has shared available information with us about how much of the Covid-19 spending announced in the Summer Budget Revision has already been committed as at the end of July – that is paid out or transferred to other public bodies. This indicates that of revised total spending of £4.11 billion now expected in relation to these measures, £3.53 billion (86 per cent) has been committed to date ([Exhibit 3, page 9](#)).

⁵ Lifeline support for Performing Arts Venues, Scottish Government, 3 July 2020.

Exhibit 3

Actual Scottish Government spend to date against announcements incorporated in the Summer Budget Revision – snapshot at end of July

Scottish Government data suggests most of the funding in the Summer Budget Revision has been spent.



Note: Based on information provided by the Scottish Government on 28 July 2020. Spending here includes spending committed to programmes, and spending transferred to other public sector bodies. For example, the £75 million spending for academic research has been passed from the Scottish Government to the Scottish Funding Council for onward transmission to the sector.

Source: Audit Scotland analysis based on information provided by Scottish Government

21. As at the end of July, comprehensive information on the amounts paid out to third parties by public bodies was not available to us. In some key areas the current levels of actual spending reported include:

- 89,000 grants valuing over £998 million (out of nearly £1.2 billion) have been awarded through two Business Grant Schemes⁶
- £160 million of grants have been distributed through the funds for the Pivotal Enterprises Resilience Fund, the Creative, Tourism and Hospitality Enterprises and Hardship Fund and the Newly Self-employed Hardship Fund.⁷ Originally worth £144 million at the time of the Summer Budget Revision, this has since increased to £184 million
- all £620 million of the Health and Social Care spending included in the Summer Budget Revision has now been committed.

Additional spending has been funded for the most part by Barnett consequentials

The Scottish Government has spent Barnett consequentials broadly in line with the UK, targeting some aspects to meet specific needs in Scotland

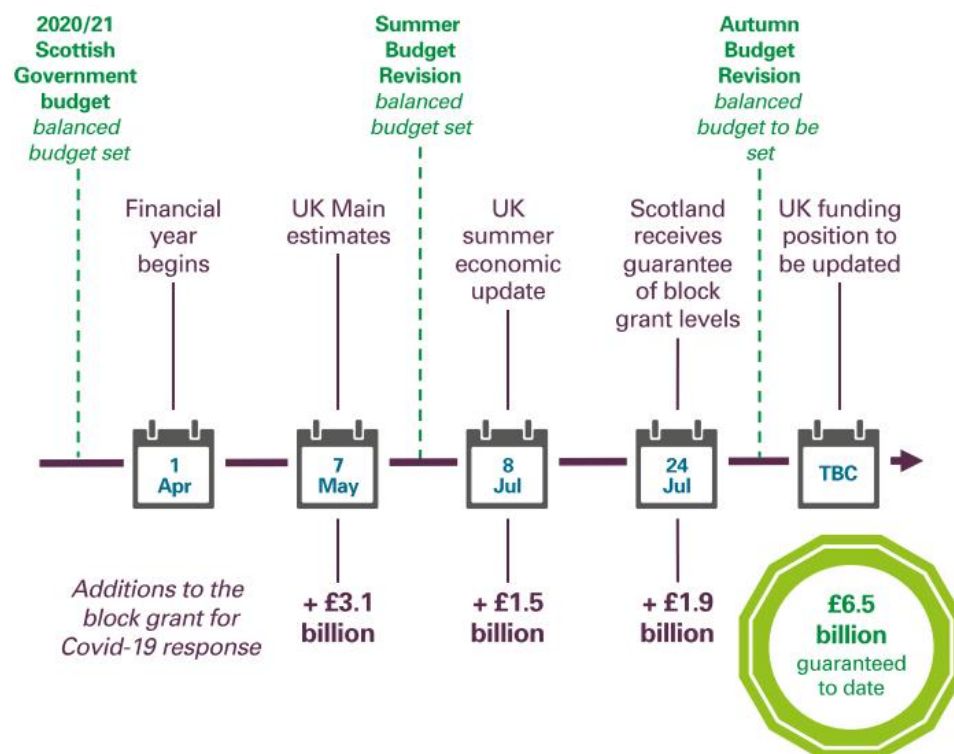
22. Most of the Scottish Government's spending and tax measures in response to Covid-19 have been funded by Barnett consequentials from the UK Government ([Exhibit 4, page 10](#)).

⁶ Coronavirus (COVID-19): business support fund grant statistics, Scottish Government, 4 August 2020.

⁷ Letter from Cabinet Secretary for the Economy, Fair Work and Culture to Convener of Committee on Economy, Energy and Fair Work, 6 August 2020.

Exhibit 4

Timeline for additions to the Scottish block grant in response to Covid-19



Source: Audit Scotland analysis

23. The Scottish Government decides how it spends Barnett consequentials. Our analysis suggests the Scottish Government's spending announcements broadly reflect those made by the UK Government. For example, £1.2 billion of Barnett consequentials for business support grants have been passed directly to fund business support in Scotland and £780 million so far has been passed directly to health and social care services.^{8,9}

24. In total, the UK Government has committed at least £6.5 billion additional funding for the Scottish Government since the UK Spring budget.¹⁰ There are often timing differences between the confirmation of UK funding and Scottish spending announcements. For example, in May 2020 the Scottish Government anticipated £518 million of funding in the Summer Budget Revision that had not yet been added to the block grant. The UK Government then confirmed Barnett consequentials of £1.532 billion on 8 July 2020 in its summer economic update.

25. Since then, the UK Government has confirmed a further £1.915 billion of funding. The majority of this is funding for health services but also includes an additional £800 million not attached to any specific spending announcement. This is the first time the UK Government has provided guarantees of block grant levels in advance of spending commitments being made, and it is unclear how this guarantee will align with eventual Barnett consequentials. The funding position will be updated when UK Supplementary Estimates are confirmed later in 2020/21.

26. At the time of publication, the Scottish Government had not announced specific spending plans for all funding recently confirmed by the UK Government. In many of the areas concerned (such as supply of Personal Protective Equipment and the

⁸ Budget Revision, Scottish Government, 15 May 2020.

⁹ Official report, Scottish Parliament, 16 June 2020.

¹⁰ UK Government news, 24 July 2020.

Test and Protect programme) activity is well under way, with costs already being incurred by the Scottish Government. The Scottish Government's spending position will be set out in the Autumn and Spring Budget Revisions later in the year.

27. The Scottish Government has taken a different approach to the UK Government for some of its detailed measures, including:

- In addition to UK-wide business rates relief and the £1.2 billion for business support grants, the Scottish Government's £185 million business support fund provides support for SMEs, creative, tourism and micro hospitality companies as well as newly self-employed people.¹¹
- The Scottish Government's package of support for the fishing industry is £22.5 million, compared to UK Government funding of £10 million based on its own support measures.¹²
- the UK Government temporarily raised the threshold for Stamp Duty to £500,000, the Scottish Government temporarily raised the zero-rate threshold for Land and Buildings Transaction Tax to £250,000 and added £50 million to the First Home Fund.¹³

Some planned spending has been reprioritised to support Covid-19 programmes

28. In addition to using Barnett consequentials to fund its spending commitments, the Scottish Government has identified a total of £855 million from the 2020/21 budget that could be redeployed for Covid-19 related spending.¹⁴ Of this, £255 million was confirmed in the Summer Budget Revision, including:

- **Repurposing funding:** £124 million of passenger subsidies for bus, rail and ferry operators repurposed to cover operators' revenue losses due to reduced services and passenger numbers in lockdown.
- **Transferring funding:** Due to anticipated reduced demand for energy efficiency projects, £105 million of Financial Transactions funding for domestic energy efficiency loans was transferred to fund emergency loans for housebuilders (£100 million) and private sector landlords (£5 million).
- **Delayed spending:** Following a re-planning exercise (resulting in a delay to the introduction of planned changes to some disability assistance benefits), £26 million for the Social Security Programme (mainly for staffing costs) was redeployed to provide additional funding for the Unpaid Carers Allowance supplement and the Scottish Welfare Fund.¹⁵

29. Following the Summer Budget Revision, the Cabinet Secretary for Finance identified £600 million from the 2020/21 budget that could be redeployed for Covid-19 support, including £450 million of capital and financial transactions.¹⁶ To date, £230 million of capital and financial transaction investment has been reallocated to fund the 'Return to work' package ([Exhibit 2, page 7](#)).¹⁷

¹¹ Help for businesses, Scottish Government, 20 May 2020.

¹² Support for Scottish seafood industry worth £22.5 million, Scottish Government, 17 April 2020.

¹³ Help for homebuyers and employment support, Scottish Government, 9 July 2020.

¹⁴ Letter from the Cabinet Secretary for Finance to the UK Chief Secretary to the Treasury, 24 June 2020.

¹⁵ Budget Revision, Scottish Government, 15 May 2020.

¹⁶ Letter from the Cabinet Secretary for Finance to the UK Chief Secretary to the Treasury, 24 June 2020.

¹⁷ Official report, Scottish Parliament, 16 June 2020.

The Scotland Reserve has been used to support the Scottish Government's response but remaining budget flexibility is limited

30. The Scottish Government can use the Scotland Reserve or borrow to help manage the budget. The Fiscal Framework sets out the rules and limits that apply to the borrowing and reserves powers. Audit Scotland has published briefing papers in the past setting out how the Fiscal Framework is operating.¹⁸

31. Before the pandemic hit, the Scottish Government had planned to use its borrowing and reserve powers to support its spending in the 2020/21 budget ([Exhibit 5](#)):

- The 2020/21 budget committed to drawing down £168 million from the Scotland Reserve.
- £207 million of resource borrowing, against a limit of £300 million available, has been used to account for forecasting error relating to 2017/18 Scottish Income Tax. This resource borrowing power can only be used to cover forecast errors.
- The Scottish Government had committed all £450 million of available capital borrowing in the budget.

32. Any additional drawdowns from the Scotland Reserve to meet spending needs in year are limited to £69 million for day-to-day spending and £56 million to support capital spending. £93 million of borrowing is available to manage the impact of any further forecasting errors in year.

Exhibit 5

Scotland Reserve use and borrowing 2020/21, £ million

The use of reserves and borrowing in the 2020/21 budget limits what is available to spend in response to Covid-19.

	Resource	Capital	Financial Transactions	Total
The Scotland Reserve				
Reserves closing balance 2019/20	218	81	135	434
Drawdown – set out in 2020/21 budget	131	5	32	168
Drawdown – Summer Budget Revision	18	7	0	25
Total drawdown 2020/21	149	12	32	193
Planned closing balance 2020/21	69	69	103	241
Remaining drawdown allowed in 2020/21	69	56*		125
Borrowing powers (for use only to cover forecast error for devolved taxes and social security)				
Borrowing – set out in 2020/21 budget	207	450		657
Remaining borrowing allowed in 2020/21	93**	0		93

Notes: *£100 million draw down limit for capital applies to both general capital and financial transactions. **£93 million resource borrowing available to cover budget reductions due to forecasting errors. Further borrowing powers are available for up to £300 million in the case of a Scottish specific economic shock and/ or for cash management.

Source: Scottish Government, Audit Scotland analysis

¹⁸ [Scotland's new financial powers: Operation of the Fiscal Framework 2018/19](#), Audit Scotland, October 2019.

33. The Scottish Government has requested additional flexibilities to borrowing and reserves rules to help manage the pandemic. To date, we understand that the UK Government has not formally responded in writing to this request, but the Chief Secretary to the Treasury has stated that the flexibilities are not needed.¹⁹ If the flexibilities as requested are agreed at a future point, it could increase the overall budget in 2020/21 by up to £620 million, with an overall increase in revenue spending, and a decrease in capital. Any additional amounts would require to be repaid in future years.

UK Government measures in reserved areas include business loans and income support affecting nearly 900,000 jobs

34. In addition to the Scottish Government's Covid-19 response, there are also UK Government funded schemes that apply to Scotland:

- Four separate loan schemes for businesses to support small- and medium-sized businesses, large businesses, and innovative companies.
- Statutory Sick Pay Rebate Scheme.
- Covid-19 Corporate Financing Facility (Bank of England purchasing short-term debt from large companies).
- The Coronavirus Job Retention (including the job retention bonus) and Self-Employment Income Support Schemes.
- The Kickstart Scheme which creates work placements for those aged 16-24 who are receiving Universal Credit.
- Schemes to support work search, skills and apprenticeships.
- Reduced VAT for hospitality, accommodation and attractions until January 2021 and the Eat Out to Help Out scheme for August 2020.

35. Scottish people, public bodies and other organisations have also received support from, and can apply to, several UK-wide support mechanisms, including Ministry of Defence supported testing facilities, UK-wide charity funds, UK Research and Innovation funding and loans for universities that lose income from international students.^{20,21} In addition, some programmes have been planned on a UK-wide basis, including coordination around Personal Protective Equipment (PPE).²²

36. As at 30 June 2020, the UK Government has reported total spend on the Self-Employed Income Support Scheme in Scotland as £449 million, supporting 155,000 jobs,²³ and that 736,500 Scottish jobs have been supported through the Job Retention Scheme.²⁴ Loans and support worth more than £2.3 billion have been given to more than 65,000 firms in Scotland since the outbreak.²⁵ The UK Government has not yet published a breakdown of spend in Scotland for any of the other schemes.

¹⁹ Scotland 'does not need more fiscal power', UK Government minister insists, The Scotsman, 25th July 2020.

²⁰ COVID Support Force: The MOD's contribution to the coronavirus response, UK Government, 23 March 2020.

²¹ Government to protect UK research jobs with major support package, UK Government, 27 June 2020.

²² Press release: Government sets out plan for national effort on PPE, UK and Department of Health Social Care, 10 April 2020.

²³ Self-Employment Income Support Scheme (SEISS) Official Statistics, HMRC, 15 July 2020.

²⁴ Coronavirus Job Retention Scheme Official Statistics, HMRC, 15 July 2020.

²⁵ Coronavirus support measures help every region and nation in the UK – press release, HM Treasury, 6 August 2020.

Scottish public finances will face continuing and significant change during the remainder of 2020/21 and beyond

37. The change to the UK and Scottish budgets so far has been significant. Fiscal events later in 2020/21 are likely to change the budgets further and will reflect both governments' ongoing response to the Covid-19 pandemic.

38. The main fiscal events for the Scottish Government will be the Scottish Autumn and Spring Budget Revisions, and the 2021/22 budget. The Scottish Government medium-term financial strategy, and the NHS medium-term financial framework, are expected to be published later this year and should set the Scottish Government's approach to the recovery from Covid-19 in the medium term. The Scottish Government is also expected to publish its Scottish Capital Spending Review and Infrastructure Investment Plan later in 2020.

39. Two major UK Government fiscal announcements are anticipated in the autumn which will affect the Scottish budget in 2020/21 and subsequent years:

- An autumn budget is expected to include the conclusions of the Chancellor's review of the UK fiscal framework and a new set of fiscal rules. Forecasts suggest that the UK Government is on track to miss at least one of its current three rules in 2020/21.²⁶ Any changes could be significant for Scotland:
 - if the Chancellor loosened the current rules, this could allow more borrowing and spending, potentially increasing the Scottish block grant. There are also Scottish budget implications if the UK Government reduces tax rates for taxes that are devolved in Scotland, such as Scottish Income Tax.
 - if the Chancellor reduces borrowing and spending to meet current or tighter rules, this would potentially reduce or restrict the block grant.
- A comprehensive spending review is expected to set UK Government departments' resource budgets out to 2023/24, capital budgets until 2024/25, and devolved administrations' block grants for the same period. The Chancellor has said there will need be difficult choices over areas of spending and departments have been asked to identify opportunities to reprioritise and deliver savings. This introduces uncertainty around UK spending plans and will have implications for Scottish budgets through the block grant.

40. The current situation remains fast moving and very unpredictable, and the timings, content and number of fiscal events could change, depending on the progress of the pandemic and economic performance. How these develop over the course of this year and into the longer term will be of critical importance to Scottish public finances.

²⁶ Fiscal sustainability report, OBR, 14 July 2020.

Part 2

Emerging risks

Covid-19 has brought significant risk to Scottish public finances and the performance of public services

41. Responding to the pandemic and the public health, economic and social problems it brings has been hugely difficult for people and governments around the world. Decisions have had to be made quickly by the Scottish Government as the situation has developed, impacting on the lives of us all. The crisis will have continuing and long-lasting effects that will affect government in Scotland for years to come.

42. Covid-19 will also have significant consequences for public spending programmes and services now and well into the future. With increasing pressures on public revenues and spending, and the Scottish budget subject to ever more volatility, uncertainty and complexity, it will be challenging to match spending to the available funding in the coming years. This will need to be done in a way that minimises the disruption to individuals, public bodies and services, ensures value for money is maintained and avoids unintended consequences.

43. In this section we analyse the emerging risks to the Scottish Government's management of the public finances and the performance of public services that have arisen from the pandemic. At this stage we do not comment on how well the Scottish Government is managing these risks. The response to the pandemic is continuing, and it is likely that many of the risks highlighted in this briefing will extend into the medium and long term.

Ensuring measures are effective, help people through the pandemic and provide value for money

The Scottish Government's priority has been reacting to an urgent public health crisis

44. Over a short period of time, the onset of the Covid-19 pandemic has led to a significant public health crisis, profoundly affecting people's lives. The Scottish Government's immediate priority has been responding to this urgent crisis quickly.

45. Covid-19 tax and spending measures have varied purposes, but broadly aim to support people, public health and the economy. From a public health viewpoint, this includes public spending to help slow the spread of the virus, to build enough capacity in the NHS to treat people affected, and to supply frontline staff with the equipment and support they need. From a social and economic perspective, interventions intend to support people through the consequences of the lockdown and an economic downturn, including business support and support for individuals and families.

There are immediate risks to people, public services and the economy, with some groups in society disproportionately affected

46. Because the impact on people has been immediate, public-spending measures had to be brought in swiftly. For example:

- the Scottish Government constructed the NHS Louisa Jordan Covid-19 treatment facility to ensure that the NHS could cope with increased demand for Covid-19 infections.

- NHS National Services Scotland increased supplies of PPE, from three million masks per year to 70 million masks since 1 March 2020.^{27 28}
- UK Government and Scottish Government interventions have helped to slow increases in unemployment in Scotland to date. The Office of the Chief Economic Advisor for Scotland estimates without the Job Retention Scheme, unemployment levels could have reached around 14 per cent.²⁹

47. In its *Equality and Fairer Scotland Impact Assessment: Evidence gathered for Scotland's route map* report, the Scottish Government has gathered evidence on how different sections of society may be disproportionately affected by the pandemic. It notes a variety of different risks facing different people, including the prevalence of the virus among older people, and the specific difficulties people with disabilities may face in accessing food and other essential supplies.³⁰ These include the way the pandemic is felt by different communities and socio-economic groups.

48. The Scottish Human Rights Commission (SHRC) has highlighted where it considers specific areas and rights need to be considered:

- while school closures have a direct effect on children's education, the absence of school meals impacts on the human right to food³¹
- 46 per cent of Covid-19 deaths registered to date relate to deaths in care homes. SHRC has considered how the impact of Covid-19 in care homes relates to human rights duties, including in relation to the human right to life.³²

49. The pandemic is still in progress, and the risks to health and the economy will change over time. The Scottish Government will need to consider what further financial measures should be implemented in response to changing circumstances, taking into account how these will affect different groups in society.

Risks will continue to people's health and wellbeing outcomes over the longer term

50. Directing efforts towards treating the pandemic and away from existing or planned programmes will likely result in negative consequences for some people. The impact of this is difficult to monitor and assess. For example, the NHS in Scotland has seen a significant drop in urgent cancer referrals, and screenings for breast cancer were paused from March until mid-July. There is also a backlog of postponed non-Covid-19 planned healthcare arising indirectly from the pandemic, with the Scottish Government announcing that the NHS Louisa Jordan will now be used to help address this.

51. The mental, physical and financial impact of the pandemic on people is likely to persist over the longer term. Ultimately, this could inhibit progress towards improving people's outcomes as set out in the National Performance Framework. There are 11 National Performance Framework outcomes which the public sector and its partners work towards – achieving these outcomes for people in Scotland relies on progress being made in areas such as tackling poverty, improving health and building an inclusive economy. More information on this is set out in our [Planning for Outcomes](#) briefing published in June 2019.

²⁷ Coronavirus (COVID-19): report on Personal Protective Equipment supplies, Scottish Government, June 2020

²⁸ Coronavirus (COVID-19): PPE distribution statistics, Scottish Government, 12 August 2020.

²⁹ Monthly Economic Brief, Office of the Chief Economic Advisor, Scottish Government, June 2020.

³⁰ Equality and Fairer Scotland Impact Assessment: Evidence gathered for Scotland's route map through and out of the crisis.

³¹ Covid-19: Implications for the human right to food in Scotland, SHRC, June 2020.

³² Covid-19: Care homes and human rights, SHRC, 14 July 2020.

Responding to the pandemic will affect the Scottish Government's wider aims and objectives, and public services will need to adapt

52. The implementation of restrictions has already led to some delays in both infrastructure spending and in implementing planned policies. The Scottish Government has delayed the expansion of early learning and childcare hours, as well as several new benefits, such as the Job Start payment and the Child Disability Payment. Managing the economic and social impact of such delays will remain important as the pandemic continues.

53. Budget decisions often involve trade-offs; choosing to prioritise spending toward the pandemic may mean that funding is not available to the same extent for planned spending programmes. The Scottish Government has announced some budget reprioritisations to commit funding to Covid-19 costs, but to date these have been relatively minor in the context of the overall budget. Further or deeper reprioritising of the budget may be required, and the Scottish Government must look across all the services they fund, to consider what is essential for meeting priorities and making the wider changes to services, society and outcomes envisaged.

Scottish Government responses need to work alongside UK Government and local government measures

54. Ensuring the effectiveness and value for money of Covid-19 financial measures is made more difficult, not just by the speed and frequency of Scottish Government decisions, but also because of the interplay with local government interventions and UK Government decisions which apply to Scotland. Having a clear picture of how Scottish Government and UK Government initiatives are working together to help people in Scotland is needed to properly understand the effectiveness of Covid-19 spending over time.

Keeping Scottish public finances on a sustainable footing

The economic impact of Covid-19 has been significant and will have long-term consequences for the public finances

55. Covid-19 has had a major impact on the Scottish and wider UK economy. In the three months to May, UK GDP has fallen by 19.1 per cent,³³ and Scottish GDP in May was 22.1 per cent below its February level.³⁴ How, and over what time frame the economy will recover is still uncertain, but the Office of Budget Responsibility assume there will be some permanent scarring and structural changes to the economy over the medium term in two out of their three scenarios.

56. While the Scottish and the UK economies have both faced a severe shock, Scottish budgets are directly affected by relative economic performance across the UK. Under the Fiscal Framework, the Scottish budget increases or decreases based on how devolved tax takes are faring compared to the equivalent tax in the rest of the UK:

- For the fully devolved taxes (LBTT and Scottish Landfill Tax) adjustments to the Scottish budget for relative performance are made, and must be managed, during and shortly after the financial year.
- Revenues for Scottish and UK income tax are known later, in 2022; until then, budgets will be adjusted for pre-pandemic tax outturns ([Exhibit 6, page 18](#)).

57. Similarly, the cost of devolved benefits to Scottish budgets will be determined by the relative impact across different parts of the UK. There has been a marked increase in Universal Credit claims since the pandemic, which will increase the number of people eligible for any benefits linked to these. For example, the Scottish Child Payment is planned to be introduced by the end of this year. This is

³³ GDP Monthly Estimate, UK: May 2020, Office for National Statistics, July 2020.

³⁴ GDP Monthly Estimate, Scotland: May 2020, Scottish Government, July 2020.

a Scottish-specific benefit, with no comparator in the rest of the UK, so any additional costs as a result of increased eligibility must be met solely by the Scottish Government.

Exhibit 6

Scottish income tax and the Covid-19 impact

Tax outturn year	When published	Budget adjustment required (£m)	Year adjustment applied to	Figures impacted by Covid-19
2017/18	Jul 2019	-204 (actual)	2020/21	✗
2018/19	Sep 2020	-555 (forecast)	2021/22	✗
2019/20	Summer 2021	-211 (forecast)	2022/23	✓ Potential minor impact, but not reflected in latest forecasts
2020/21	Summer 2022	Not yet forecast	2023/24	✓ Potential impact will be reflected in SFC forecasts published at the same time as the 2021/22 Scottish budget

Note: Budget adjustments relate to prior year's Scottish Income Tax outturns. We do not yet have forecasts for how Covid-19 has affected expected revenues.

Source: Audit Scotland based on Scottish Fiscal Commission figures in Scotland's Economic and Fiscal Forecasts, February 2020

Overall budgets will be determined by the UK Government's fiscal policy and Scottish tax and social security policies

58. The size of the Scottish budget available to spend on Covid-19 measures is largely dependent on UK fiscal policy. Barnett consequentials flow to the Scottish budget if UK spending is funded through increased taxes or borrowing. So far, the UK Government has funded most of the extra Covid-19 spending by borrowing.

59. To date, the overall effect of UK Government's policy decisions has been to increase the Scottish budget. Individual Barnett consequentials can also be negative, reducing the Scottish budget or offsetting funding increases with reductions elsewhere. This happens where UK spending measures are funded by reprioritising spending in a devolved area.

60. The Scottish budget is also affected by UK policy decisions related to taxes and social security powers that are devolved, for example:

- When the UK Government increased the Stamp Duty Threshold, the Scottish Government had to decide whether to change increased the threshold for its corresponding devolved tax, LBTT. The Scottish Government chose to increase its threshold, but by a smaller amount than the UK Government.

- The Job Retention Scheme and other interventions have reduced the increase in unemployment and Universal Credit take-up, meaning fewer people will be eligible for Scottish benefits policies that are linked to Universal Credit eligibility.

61. The effect of the pandemic on future devolved revenues and social security powers is still unknown. The Scottish Fiscal Commission will produce forecasts of the impact of Covid-19 on these powers alongside the Scottish budget. This, and the equivalent OBR forecasts for the rest of the UK will be important in determining the size of future budgets.

The financial impact of responding to Covid-19, increased costs and reduced tax revenues must be managed alongside existing pressures

62. Fluctuating levels of funding and continuing heightened levels of demand for services due to Covid-19 present risks to managing a balanced budget. These new budget pressures exist alongside other spending risks. These include pre-existing pressures on public finances, and other external events such as EU withdrawal, for which the effect on public finances is not yet fully known.

63. Before the pandemic, we highlighted the steps that the NHS in Scotland were putting in place through reform and medium-term planning to put the NHS on a sustainable footing.³⁵ The public health crisis puts additional pressure on the NHS to continue with these steps while also dealing with unprecedented demand and costs associated with Covid-19.

Fiscal flexibilities can help short-term budget management but can't insulate the Scottish public finances from the pandemic's effects

64. As shown in [Exhibit 5, page 12](#) the Scottish Government 2020/21 budget already planned to use much of the flexibility available from the tools set out in the fiscal framework. It will be difficult to manage the additional uncertainty and volatility as a result of Covid-19 through the remaining support available. The Scottish Government has requested additional flexibilities to borrowing and reserves rules to help manage the pandemic ([paragraph 33](#)).

65. Using borrowing and reserves to meet immediate spending pressures may help to balance the budget, but it also brings fiscal risks to manage over the medium term. The Scottish Government normally uses some of its Scotland Reserve balance to support the annual budget; if more of the reserve is used in-year this might not be possible. Higher levels of borrowing will also increase the repayments due to be met from future budgets. This will be alongside managing any adjustments arising from tax outturns.

66. The Scottish Government has requested extending the repayment period for borrowing from 3-5 years to 10 years, which would reduce the annual pressure in the medium term.³⁶ It has also requested that any negative reconciliations to budgets relating to devolved taxes should also be spread over longer time period.³⁷

67. If available funding including the use of borrowing and reserves is not enough to meet the costs of the Scottish Government's response to the pandemic, further reprioritisation of spending will be required. Some areas of the Scottish budget are harder to change quickly, such as those relating to key services and payroll costs. Understanding where the budget can flex quickly while minimising disruption to services is important to managing change through the budget.

³⁵ NHS in Scotland, Audit Scotland, October 2019.

³⁶ Letter from the Cabinet Secretary for Finance to the Chief Secretary to the Treasury, 24 June 2020.

³⁷ Letter from the Cabinet Secretary for Finance to the Chief Secretary to the Treasury, 22 May 2020.

Taking robust and transparent decisions

Decision-making is happening in a fast-moving environment

68. Scottish Government responses need to work alongside UK Government and local government measures. The frequency of spending decisions by the UK and Scottish governments and individual public bodies, such as NHS boards, local authorities and the police has made tracking how interventions are working together more complex. In such a fast-moving environment, it is inevitably more difficult to demonstrate how each measure has been chosen and how overall spending is being managed.

The rationale for tax and spending decisions and how programmes will work together must be clear

69. The Scottish Government's publication of a Summer Budget Revision was a positive step in maintaining transparency in spending during the pandemic. The challenge is to continue this transparency to aid scrutiny in future, as UK Government and Scottish Government spending and funding changes continue to be announced. The Cabinet Secretary has stated these will be captured in further formal budget revisions. An Autumn Budget Revision is expected in September.

Looking after public money properly

Protecting people and public money from error and fraud is critical

70. The Covid-19 pandemic has brought significant challenges across the Scottish public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time.

71. Since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched, and controls and governance are changing. Our briefing [*Covid-19: Emerging fraud risks*](#) published in July 2020, sets out more detailed information on a range of fraud risks emerging from the Covid-19 crisis, and what public bodies might do to help reduce these risks.

72. Additional risks will continue to emerge as criminals identify new ways to target public money and services. Public bodies and auditors should stay alert to new scams and approaches by fraudsters, and regularly review their controls and governance arrangements to ensure they remain fit for purpose.

Responding to the crisis places huge strains on public servants

73. Frontline workers across health and social care services have faced massive challenges in maintaining care during the pandemic, and public servants across the country have had to adjust to new ways of working alongside the disruption and restrictions we all face.

74. The workload of the Scottish Government has also increased significantly over a sustained and continuing period, as it deals with the virus alongside managing the normal business of government. Inevitably, this stretches the capacity of the public servants working within this environment.

Part 3

The public audit response

A substantial programme of public audit work is planned in response to the pandemic

75. Covid-19 will continue to have a major impact on all our lives. The world has already changed in response to the global pandemic in ways that no one would have thought possible even six months ago. Public audit has an important contribution to the recovery and renewal of public services. On behalf of the Auditor General for Scotland and the Accounts Commission, Audit Scotland is therefore planning a substantial programme of work on the Scottish public sector's response to Covid-19.

76. High-quality, independent and evidence-based audit supports accountability and learning about how the government and public bodies have responded to the crisis. Central to this will be providing transparency, supporting parliamentary scrutiny by the Public Audit and Post-legislative Scrutiny Committee and other relevant subject committees, and sharing good practice and innovation.

77. Our briefing paper [*Covid-19: How public audit in Scotland is responding*](#) published in June 2020, considers the impact of the pandemic on the work of public audit in Scotland. It provides information on our strategy and considerations, outlining the scope, timing and potential areas of focus of our audit work.

Audit Scotland's response will continue to be flexible

78. The Auditor General, the Accounts Commission and Audit Scotland are currently reviewing our work programme to reflect the changing context of Covid-19 and its implications for public finances, public services and outcomes for citizens. We will be engaging with stakeholders on this in the weeks and months ahead.

79. We will respond to the risks to public services and finances from Covid-19 that we have identified in Part 2 of this briefing paper across our range of audit work including our annual audits of the Scottish Government and other public bodies, and our programme of performance audits. We will use a range of approaches to report our Covid-19 work, including thematic briefing papers, round table discussions and blogs, alongside published audit reports.

80. The dynamic and unfolding nature of the Covid-19 pandemic means that we will need to remain flexible and agile. Our work programme may continue to change at short notice as new issues emerge, or current risks reduce or increase in significance. The First Minister has confirmed there will be a public inquiry into Scotland's response to the coronavirus pandemic, and we will ensure that our work will add value alongside the work of this and any other inquiries.

Appendix

Scottish Government Covid-19 spending announcements to 31 July 2020

Theme	Name of fund	£m
TOTAL		5,336
Total business support		3,271.8
Business		3,130.6
	Business support grants (total cost)	1,202
	Business rates relief (total cost)	875
	Pivotal Enterprise Resilience Fund	120
	Newly Self-Employed Hardship Fund	30
	Creative, Tourism & Hospitality Enterprises Hardship Fund	34
	Bridging bursaries fund	1
	Scottish Water Support for Business Water and Sewerage Bills	60
	SME Housebuilders Emergency Loan Fund	100
	The Private Rent Sector Landlord Covid-19 Loan Scheme	5
	Support for reopening zoos	2.6
	Total support for seafood and fishing industry (3 funds)	22.5
	Return to work package	230
	Community and Renewable Energy Scheme and Low Carbon Infrastructure Programme	5.5
	Energy Transition Fund	62
	Support and economic stimulus for Scottish newspaper industry through additional marketing spend	3
	Investing in Scotland's entrepreneurs and innovators	38
	Agriculture loan scheme	340
Charity		110
	Wellbeing fund (Communities fund)	50
	Supporting Communities Fund (Communities fund)	40
	Third Sector Resilience Fund (Communities fund)	20

Tourism and cultural sector (in addition to business support grants)		31.2
	Events sector	10
	Museums Resilience Recovery fund	4
	Music venues	2.2
	Tourism	15
Total public services		2,018.8
Health services	(as of 16 June)	780
Local authorities	(as of 23 June)	488.6
	UK Government Consequential	155
	Scottish Welfare Fund (Communities Fund)	45
	Increased demand for social security benefits and Council Tax Reduction costs (Communities fund)	50
	Food fund (Communities fund)	30
	Free school meals	27.6
	Community justice coordinators	0.4
	Death registration service to work weekends and bank holidays	0.6
	Local Authority Hardship fund (Communities Fund)	50
	School attainment	100
	Digital inclusion for children and young people	30
Transport		310
	Rail and ferry services	234.3
	Active Travel infrastructure	10
	Bus operators	46.7
	Emergency funding for Glasgow Subway and Edinburgh Trams	9
	Pop-up bus priority infrastructure	10
Education (in addition to local authority funding confirmed on 23 June)		140.2
	Funding for university research	75
	Living Classrooms, Virtual Nature School programme	0.2
	Fund to help colleges and universities tackle digital exclusion	5

Additional £30 million to recruit teachers and £30 million for local authorities' education recovery	60
Other	300
Employment support and training	100
Homebuyers – LBTT threshold and £50m for First Home Fund	200
Individuals	45.7
Unpaid Carers Allowance Supplement – extra funding	19.2
Extra hardship payments for students	5
Early access to Higher Education Hardship Funds	11.4
Connecting Scotland – for clinically high-risk people	5
Women in prostitution	0.1
Additional Discretionary Housing Payments for tenants	5

Source: Audit Scotland using Scottish Government funding announcements; Summer Budget Revision, Scottish Government, 15 May 2020; Local Government Finance Circular No.12/2020, 24 June 2020; and information provided by the Scottish Government

Covid-19

Implications for public finances in Scotland

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To: Renfrewshire Integration Joint Board Audit, Risk and Scrutiny Committee

On: 11 September 2020

Report by: Head of Administration

Heading: Change to Date of Next Meeting

1. Change to Date of Next Meeting

- 1.1. A paper was submitted to the IJB meeting on 31 January 2020 where the IJB approved its timetable of future meetings to June 2021.
- 1.2. Following discussion with the Chair and Vice-Chair, it is proposed that the meeting of the IJB Audit, Risk and Scrutiny Committee scheduled to be held on 4 December 2020 be re-scheduled to now take place on 13 November 2020 at 9.30am, to facilitate the consideration of the Audited Annual Accounts, prior to them being taken to the IJB on 20 November 2020.
- 1.3. Members should note that, as previously intimated, owing to the ongoing Coronavirus pandemic, flexibility in terms of the timescales for approval of the Audited Annual Accounts has been provided under the Coronavirus (Scotland) Act 2020; however, Scottish Ministers have indicated their expectation that Audited Annual Accounts are published by 30 November 2020.
-

2. Recommendation

It is recommended that the IJB Audit, Risk and Scrutiny Committee:

- Approve the change of date for the December meeting.
-

Implications of the Report

1. **Financial** – None
2. **HR & Organisational Development** – None
3. **Community Planning** - None
4. **Legal** – None.
5. **Property/Assets** – None
6. **Information Technology** – None
7. **Equality & Human Rights** – The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions

will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. Health & Safety – None

9. Procurement – None

10. Risk – None

11. Privacy Impact – None

List of Background Papers – None.

Author: Jean Still, Head of Administration

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