Notice of Meeting and Agenda

Audit, Risk and Scrutiny Board

Date	Time	Venue
Monday, 22 March 2021	10:00	Remotely via Microsoft Teams,

KENNETH GRAHAM
Head of Corporate Governance

Membership

Councillor Tom Begg: Councillor Stephen Burns: Councillor Michelle Campbell: Councillor Jim Harte: Councillor John Hood: Councillor Emma Rodden: Councillor Jane Strang:

Councillor Bill Binks (Convener): Councillor Jim Sharkey (Depute Convener):

PLEASE NOTE:

Along with this agenda is a copy of the National Benchmarking Overview Report 2019/20 which is relevant to Item 7 - Local Government Benchmarking Framework 2019/20 and is for information only.

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 07734358719. To find the recording please follow the link below.
https://youtu.be/6sRx3xAQTeY

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.

AUDIT

MONITORING AND REVIEWING SERVICE DELIVERY PERFORMANCE, POLICIES & PRACTICES

To: Audit, Risk and Scrutiny Board

On: 22 March 2021

Report by: Chief Auditor

Heading: Annual Internal Audit Plan 2021/2022

1. **Summary**

1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2021/22 has been developed. The audit plan takes into account the outcomes of the internal corporate and service risk identification and evaluation processes, and the current business environment. In addition to undertaking work which will provide assurance on the robustness on key internal controls, the plan seeks to reflect the key priorities and challenges for the council.

1.2 A number of methods have been employed to facilitate production of the risk based audit plan for 2021/22:
   - Consultation with all Directors and their Senior Management Teams,
   - Senior management from the associate bodies and Audit Scotland;
   - Benchmarking with other Local Authorities;
   - Review of strategic, corporate and service risk registers;
   - Cumulative audit knowledge and experience;
   - Review of key external audit and inspection reports.

1.3 The following influencing factors have been considered in our assessment of the current business environment and the priority areas of audit:
   - Financial stability / sustainability;
   - Economy;
   - Organisational Resilience;
   - Asset Management; and

- Brexit

1.4   The total available resource is 1226 days, the operational audit time available for 2021/22 has been identified as 972 days (79%). The remaining 254 days relates to training, service development, administration and management. Coverage of the plan is achieved through the use of in-house staff and where relevant commissioned from other providers.

1.5   Operational and non-operational time has been calculated in accordance with CIPFA benchmarking criteria. Non-operational time includes provision for training, performance management and service development. In addition to the internal audit assurance function the Chief Auditor has managerial responsibility for risk management, insurance and corporate counter fraud which are excluded from the calculation of available operational audit resources.

1.6   Delivery of the risk based annual audit plan supports effective member scrutiny of the council's internal financial and other control mechanisms.

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2.   Recommendations

2.1   Members are asked to approve the content of the risk based audit plan for 2021/22.

2.2   Members are asked to note that the progress of the 2021/22 annual audit plan and summaries of the findings from each audit assignment will be reported to the Board on a quarterly basis.

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Implications of the Report

1.   **Financial** - None

2.   **HR & Organisational Development** - None

3.   **Community Planning –**
      Safer and Stronger - effective internal audit is an important element of good corporate governance.

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 2021 – 2022

11.   **Privacy Impact** – None

12.   **COSLA Implications** - None

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Author: Andrea McMahon – 01416187017

Annual Internal Audit Plan 2021/22

Finance & Resources
Internal Audit

Date	March 2021	

Renfrewshire Council

Annual Internal Audit Plan 2021/22

Contents

Audit Plan Overview

1. Introduction

1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2021/22 has been developed. In formulating the audit plan a risk assessment has been undertaken, giving consideration to the following sources of information:

Risk assessment	(1) Risk assessment and prioritisation of all auditable activities (audit universe).
	(2) Strategic and Corporate Risk Register.
	(3) Service Risk Registers.
Consultation	(4) The Chief Auditor has met with each member of the CMT and their senior management teams to ascertain any changes to operational practice and national policy and to determine their priorities and risks.
	(5) Senior Management from the associate bodies and Renfrewshire Leisure have been consulted to ascertain their priorities and risks.
	(6) The Chief Executive has been consulted on what she sees as the council's priority and risk areas for the forthcoming year.
	(7) Feedback from, and the expectations of, the Audit, Risk and Scrutiny Board are identified through the regular meetings with the members of the board.
	(8) The Chief Auditor has met with Audit Scotland to ascertain their approach to the statutory audit where assurance on key internal controls could be provided to avoid any duplication of effort.
Benchmarking	(9) Other Local Authority internal audit plans.
	(10) Discussion with other Chief Auditors through the Scottish Local Authority Chief Auditors Group.
Review of key internal reports	(11) Thriving People – Connected Communities – Renfrewshire's Council Plan
	(12) The results of internal audit work in 2020/21 and in previous years.
Review of key external reports	(13) Audit Scotland: Renfrewshire Council - Report to Members and the Controller of Audit on the 2019/20 Audit.
	(14) Audit Scotland: Best Value reports issued during 2020/21.

1.2 On the basis of the above, the audit engagements planned for 2021/22 are set out in Appendix 1, 2 and 4, for the Council, Associate Bodies and the Integration Joint Board in the following categories of audit activity:
- Assurance,
- Governance,
- Contingency,
- Planning and Reporting

1.3 It is the responsibility of management to ensure that they have good governance, risk management and internal control arrangements over the functions they are responsible for. It is internal audit's role to provide an independent, objective assurance and consulting activity. The scope of the internal audit plan encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes; as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. Delivery of the internal audit plan supports the requirement for the Chief Auditor to provide an annual opinion which is used to inform the annual governance statement.

1.4   The Chief Auditor shares information and coordinates activities with other internal and external providers of assurance and consulting services, as appropriate, to ensure proper coverage and minimise duplication of effort. Internal audit may place reliance on the work of other providers of assurance and the ability to do so will be considered during each audit engagement.

1.5   The plan also includes provision for managing and developing the internal audit activity including audit planning, reporting, periodic quality assessments and for following up on previous recommendations and reactive investigative work. The plan includes contingency time to allow for completion of work carried forward from 2020/21 and provides for consultancy engagements to be undertaken where these can improve the council's operations, add value and improve the management of risks. Contingency time also provides for sufficient flexibility to accommodate changing risks and priorities during the course of the year. More detail on each of these elements is set out in sections 4 to 7 of this plan.

1.6   The internal audit service is delivered and developed in accordance with its purpose which, as set out in the Internal Audit Charter, to provide assurance by independently reviewing the council's risk management, control and governance processes.

2.   The current business environment and key risk areas

2.1   To ensure that the audit activity supports the achievement of the council's objectives, the audit plan, detailed in Appendix 1, has been aligned with the themes contained in the council plan.

2.2   There are a number of significant risks, arising from the external and internal environment, which could impact on the council's ability to achieve its objectives. The most significant risks and the risk control measures to manage these risks, have been identified through the council's corporate risk management process. Subject to the overall flexibility of the Audit Plan, priority will be given to audit engagements which provide assurance in relation to the council's strategic and corporate risks. The key strategic and corporate risks taken into account in formulating this audit plan are detailed below:

(1)   Financial Stability / Sustainability

The council is facing significant financial pressures in the short, medium and longer term. There is an imminent risk of both increased costs and losses of income which could destabilise the finances of the Council to an extent beyond its financial resilience in the short term. The medium to longer term financial sustainability risk remains very high and continues to be subject to significant and regular scrutiny. The 2020/21 audit plan includes time for reviewing:
- budgetary control procedures across all services;
- the control of overtime payments;
- council tax collection procedures;
- creditors payment procedures; and
- void properties

(2)   Economy

The coronavirus pandemic has resulted in significant challenges for economies across the world. The UK and Scottish Governments have made funds available to support business during the lockdown periods and to sustain citizens in employment. Significant funds have been administered through the council on behalf of the Scottish Government. The 2020/21 audit plan includes a review of the arrangements for paying and accounting for those business support grants.

(3) Organisational Resilience

Business continuity planning is crucial to our ability to provide services, and those services are increasingly heavily reliant on ICT. If our plans are not sufficiently robust or co-ordinated there is a risk that service expectations could be impacted. The 2020/21 audit plan includes time for reviewing services business continuity plans.

(4) Asset Management

The Council has many statutory and other obligations in relation to its physical assets which require efficient management otherwise there could be financial, physical and reputational risk for the council and/ or service users. The 2020/21 audit plan includes time for reviewing:
- winter maintenance procedures;
- the arrangements for control and recording of assets;
- statutory inspections in public buildings; and
- housing safety checks.

(5) Brexit

Given the current uncertainty on the impact of Brexit in relation to the council's internal procedures, no specific audit engagements have been identified, although the audit plan remains sufficiently flexible and will be kept under review to incorporate any new or amended statutory duties or significant risk exposures.

3. Allocation of Resources

3.1 In addition to the internal audit assurance function the Chief Auditor has managerial responsibility for risk management, insurance and counter fraud which are excluded from the calculation of available operational audit resources.

3.2 Operational and non-operational time has been calculated in accordance with CIPFA benchmarking criteria. The calculation of operational staff time has been based on 6 full time equivalent employees plus 100 days to be provided from other service providers and trainees. The internal audit team is appropriately resourced with 4 qualified and 2 non-qualified staff. Non-operational time includes provision for training, performance management and service development.

3.3 Resources from any unfilled elements of posts and other available audit resource will be used flexibly to ensure that the audit plan commitments are met, through the engagement of temporary staff and other audit service providers where appropriate. Where engagements are undertaken by the other audit service providers, these can provide an opportunity for benchmarking and training and development. Sufficient resources are available to engage specialist contractors where necessary to address any specific risks faced by the council.

3.4 The total available resource is 1226 days; the operational audit time available for 2021/22 has been identified as 972 days (79%). The remaining 254 (21%) days relates to training, service development, administration and management. Resources are assessed as being sufficient to provide an evidenced based opinion.

3.5 The following paragraphs provide an overview of how audit time has been allocated to audit categories. A summary of the operational time by audit category is detailed in table 1 below. The analysis of non-operational audit activity is detailed in the table 2 below. The planned operational/non-operational time for 2020/21 is given for comparative purposes.

Category of audit	2020/21		2021/22	
	Planned Days	% of Operational Time	Planned Days	% of Operational Time
GOVERNANCE	113	11%	81	9%
ASSURANCE	433	43%	428	44%
CONTINGENCY note 1	344	34%	344	35%
AUDIT PLANNING / REPORTING	119	12%	119	12%
TOTAL OPERATIONAL TIME	**1009**	**100%**	**972**	**100%**

Table 1

Notes
1. This category includes time for the finalisation of the previous year's audits, corporate exercises and groups, investigations, significant project consultancy activities and emerging priorities.

Activity	2020/21		2020/21	
	Planned Days	% of Non - operational Time	Planned Days	% of Non - operational Time
TRAINING	62	23%	62	24%
STRATEGIC MANAGEMENT	26	10%	22	9%
TEAM ADMINISTRATION	94	36%	90	35%
DEVELOPMENT note 1	82	31%	80	32%
TOTAL NON-OPERATIONAL TIME	**264**	**100%**	**254**	**100%**

Table 2

Notes
1.   This category includes time allocated to development activities to support continuous improvement activities.

4.   Governance (9% of operational time)

4.1   Internal Audit must evaluate the risk exposures relating to the council's and associate bodies governance arrangements. The engagements within this category form the basis for the Chief Auditor's annual audit opinions and support the annual governance statements.

4.2   The results of the risk assessment are detailed at Appendix 1 and 2, Part A in respect of the current year, with a total of 81 days being allocated to these engagements for 2021/22.

5.   Assurance (44% of operational time)

5.1   A risk based assessment has been undertaken of all auditable areas taking into account the risk management framework and the expectation of senior management and the Audit, Risk and Scrutiny Board. The engagements within this category also form the basis for the Chief Auditor's annual opinions and support the annual governance statements. For each engagement internal audit will consider whether there are any available external sources of assurance can be relied upon to deliver the plan. Time is also allocated to following up on the implementation of prior year audit recommendations.

5.2   The results of the risk assessment are detailed at Appendix 1 and 2, Part B in respect of the current year, with a total of 428 days being allocated to these engagements for 2021/22.

6. Contingency (35% of operational time)

6.1   This category includes time allocations for finalisation of the 2020/21 audit plan, undertaking reactive investigations of theft, fraud or other malpractice and provides for post-report work which includes attending disciplinary or appeal hearings, employment tribunals and court, as required.

6.2   The council is also undergoing a significant period of change and although these changes represent significant priorities and risks for the council, the arrangements may not be sufficiently well established to be suitable for evidence based audit reviews. In recognition of this, the 2021/22 audit plan includes provision for the on-going and anticipated involvement in significant project consultancy activities, including service re-design arising from Right for Renfrewshire reviews, optimisation of the Business World product, participation in corporate groups, as well as smaller scale internal control reassessment by services.

6.3   The allocation of time for this category is an estimate based on prior experience and available resources. However, this will be monitored during the course of the year to ensure that internal audit continue to be in a position to respond to other priority areas which emerge during the course of the year, and, if necessary, revise the audit plan accordingly. Appendix 1 and 2, Part C details the indicative time of 344 days allocated across the contingency heading.

7. Audit Planning / Reporting (12% of operational time)

7.1   This category includes annual planning activity and reporting arrangements to the Corporate Management Team and the Audit, Risk and Scrutiny Board, the Integration Joint Board Audit, Risk and Scrutiny Board and the Boards of the other bodies we provide internal audit services to under a service level agreement. Appendix 1 and 2, Part D details the time of 119 days allocated to planning and reporting activities.

8. Analysis of Plan by Service

8.1   Appendix 3 shows the amount of operational audit time allocated to individual services in 2021/22 and compares it to the planned days for 2020/21.

8.2   The planned days allocated to all services relates to work which is cross-cutting rather than service specific as well as time which is allocated out to services as the year progresses, such as contingency and investigations.

9. Conclusion

9.1   The annual internal audit plan for 2021/22, based on the strategic risk assessment, reflects the current priorities and challenges for the council, and demonstrates that the internal audit service continues to deliver added value while continuing to improve the service in line with best practice.

9.2   The allocation of internal audit resources is sufficient to allow for flexibility to deal with emerging priorities and provide adequate coverage of governance, risk management and internal control to inform the annual assurance statement.

9.3   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. The Audit, Risk and Scrutiny Board will be requested to approve any necessary changes.

Chief Auditor
March 2021

Appendix 1

Council Internal Audit Annual Plan 2021/22

Entity	Engagement Title	Service	Council Plan Theme[1]	Days Allocated	Strategic & Corp Risk
Part A – Governance				**58**	
Corporate Governance	Corporate Governance Framework	Corporate - All Services	5	8	No
Budgetary Control – Service Controls	Budgetary Control	Corporate - All Services	5	25	No
Schools Procedures	Administration of Medicines	Children's Services	2	25	No
Part B – Assurance				**360**	
Follow Up	Follow Up	Corporate - All Services	5	40	No
Non Domestic Rates	Non Domestic Rates	FAR	5	15	No
Housing Assurance Statement	Compliance checks	CHAPS	2	10	Yes
Payroll – Service Controls	Control of overtime	FAR	5	25	Yes
External Funding Arrangements	Leader	CE	1	10	No
Self Directed Support	Self Directed Support payments	AS	2	20	Yes
Economic Development	Business Support Grants	CE	1	25	Yes
Facilities Management	Statutory Inspections – Public Buildings	E&I	4	25	Yes
Asset Management	Control and Recording of Assets	Corporate – All Services	5	20	Yes
Void Properties	Void Properties	CHAPS	2	20	Yes
Business Continuity	Business Continuity Plans for ICT Systems	Corporate – All Services	5	25	Yes
Stores	Stock Issues	E&I	2	25	No
Roads Operations	Winter Maintenance Procedures	E&I	1	20	Yes
Council Tax	Council Tax Collection	FAR	4	20	Yes
Creditors	Creditors Payments	FAR	5	20	Yes
Asset Management	Housing Safety Checks	CHAPS	2	20	Yes
Children's SW Establishments	Cash Payments	Children's Services	3	20	No

[1] 1: Reshaping our place,our economy and our future, 2: Building strong, safe and resilient Communities, 3:Tackling equality, ensuring opportunities for all, 4:Creating a sustainable Renfrewshire for all to enjoy, 5:Working together to improve outcomes.

Entity	Engagement Title	Service	Council Plan Theme[1]	Days Allocated	Strategic & Corp Risk
Part C – Contingency				**336**	
Contingency	Contingency	Corporate - All Services	N/A	126	N/A
Contingency	Corporate Groups	Corporate - All Services	N/A	50	N/A
Contingency	Investigations	Corporate - All Services	N/A	160	N/A
Part D – Planning & Reporting				**100**	
Planning & Reporting	Planning & Reporting	Corporate - All Services	N/A	100	N/A

Other Bodies Internal Audit Annual Plan 2021/22

Entity	Engagement Title	Service	Days Allocated
Part A – Governance			**23**
Corporate Governance	Corporate Governance Framework	IJB	5
Governance	Records Management	Associate Bodies - RVJB	18
Part B – Assurance			**68**
Integration Joint Board – Financial Management	Budgetary Control	IJB	20
SE – Other systems	Workforce Planning	Associate Bodies - SE	25
RLL – Other Systems	Museum Collection processes	RLL	23
Part C – Contingency			**8**
Contingency	Contingency	Associate Bodies	8
Part D – Planning & Reporting			**19**
Planning & Reporting	Planning & Reporting	Associate Bodies	19

Appendix 3

Analysis by Service

Service	2020/21		2021/22	
	Planned Days	**% of Operational Time**	**Planned Days**	**% of Operational Time**
All Services [note 1]	**579**	**57%**	**554**	**57%**
Chief Executive's Service	**35**	**4%**	**35**	**4%**
Finance & Resources	**115**	**11%**	**80**	**8%**
Children's Services	**45**	**5%**	**45**	**5%**
Adult Services	**20**	**2%**	**20**	**2%**
Environment & Infrastructure	**60**	**6%**	**70**	**7%**
Community, Housing & Planning	**40**	**4%**	**50**	**5%**
COUNCIL TOTAL	**894**	**89%**	**854**	**88%**
Scotland Excel	**24**	**2%**	**29**	**3%**
Clyde Muirshiel Park Authority	**3**	**0%**	**0**	**0%**
Clydeplan	**3**	**0%**	**5**	**0%**
Renfrewshire Valuation Joint Board	**24**	**2%**	**23**	**2%**
Renfrewshire Health & Social Care Integration Joint Board (Appendix 4)	**35**	**4%**	**35**	**4%**
Renfrewshire Leisure Limited	**26**	**3%**	**26**	**3%**
TOTAL	**1009**	**100%**	**972**	**100%**

Notes

1   **Planned time includes, Follow up Audit, Contingency, Planning and Reporting and an element of Cross cutting Assurance and Governance Audits and is allocated against services during the course of the year**

Annual Audit Plan 2021/22 – Integration Joint Board

Audit Category	Engagement Title	No. of days	Detailed work
Assurance	Financial Management – Budget Monitoring	20	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	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	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	Time for advice and consultancy on relevant priorities and risks or change related projects.

To: **Audit, Risk and Scrutiny Board**

On: **22 March 2021**

Report by: Chief Auditor

Heading: Summary of Outstanding Internal Audit Recommendations

1.   **Summary**

1.1   On 18 March 2018, the Chief Auditor presented a report to the Board stating that there was an opportunity to enhance the escalation procedures for audit recommendations where agreed actions have not been effectively implemented by the date agreed. One of the recommendations was that details of outstanding critical recommendations will be provided to the Board.

1.2   This report therefore provides the updated position of those critical recommendations that have been followed up during 2020/21 and have not yet been fully implemented by service management.

2.   **Recommendations**

2.1   Members are invited to note the position with regard to these outstanding recommendations.

3.   **Background**

3.1   Internal Audit undertake an annual exercise to ensure that recommendations arising from internal audit engagements have been implemented by service management.   The results of this exercise have been reported to service management on conclusion of the exercise and also to this Board as part of the

Chief Auditor's Annual Report. All critical recommendations which have been made and have reached their due date for implementation, by the date of commencement of this exercise, are included in this follow up exercise and services are asked to provide evidence to demonstrate that each of these recommendations have been implemented.

3.2   The table below shows the total and status of all critical recommendations which were followed up during this exercise across Council services. 11 of these have been implemented satisfactorily.

Service	No of Critical Recommendations				
	Followed Up	Completed	Part completed	Not Yet Implemented	Redundant /superseded
Children's Services	1	0	1	0	0
Environment & Infrastructure	9	8	1	0	0
Finance & Resources	4	3	1	0	0
	14	11	3	0	0

3.3   The outstanding recommendation within Children's Services which has not yet been implemented relates to a delay in taking further action as a result of an Internal Audit investigation. Internal Audit have received a valid explanation for this delay and are satisfied that management are actively progressing this action as quickly as possible.

3.4   Those other recommendations in the table above which are partially completed are detailed in Appendix 1, along with the latest response received from Service Management.

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Implications of the Report

1.   **Financial** - None

2.   **HR & Organisational Development** - None

3.   **Community Planning –**
        Safer and Stronger - effective internal audit is an important element of good corporate governance.

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** – Non implementation of critical audit recommendations results in internal control weaknesses not being addressed

11.	**Privacy Impact** – None

12.	**COSLA Implications** - None

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Author:	Karen Campbell – 07768 354651

Appendix 1

Progress of Outstanding Critical Recommendations

Service	Assignment	Recommendation	Original Due Date	Status	Management Response at Follow Up Exercise	Revised Date
Finance & Resources	Health & Safety	A review of the arrangements for monitoring and reporting on performance should be included within the overall review of governance. Specifically, the arrangements for service and corporate reporting to Boards, oversight of service reporting by the CHST and the development of KPIs.	31/03/18	Partially Complete	The CHST have been supporting the council's response to covid and as such the work with KPIs has paused. The work around the agreed strategy will need to be reviewed to ensure that the approach is still relevant to the council, as Services have changed how they work and this must be reflected. All work streams are primarily through the corporate recovery group but BAU times will recommence when they can. .	01/12/20
Environment & Infrastructure	Roads Operations -	Given the legislative and other requirements surrounding traffic management, Environmental & Infrastructure Services management	10/03/20	Partially Complete	The requirements for traffic management have been significantly reduced this year due to a lack of events taking	30/04/21

Service	Assignment	Recommendation	Original Due Date	Status	Management Response at Follow Up Exercise	Revised Date
	Compliance Processes	should conduct an urgent review of traffic management arrangements especially in relation to a single individual being responsible for and retaining all the specialist expertise regarding traffic management.			place. A suitable training provider has been identified, however this type of training requires "on the job" training rather than taking place in a virtual classroom. Once it is practical to do so the training will be carried out.	

To: **Audit, Risk and Scrutiny Board**

On: **22 March 2021**

Report by: **Chief Auditor**

Heading: **Annual Review of Compliance with the Local Code of Corporate Governance**

1. **Summary**

1.1 Corporate governance is the name given to the system by which Councils direct and control their functions. It is about ensuring that councils do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

1.2 The Director of Finance and Resources has responsibility for reporting annually to the Audit, Risk and Scrutiny Board on compliance with the Code and any changes to the Code that may be necessary to maintain it and ensure its effectiveness in practice. In addition, the Council's Chief Auditor has responsibility to review independently and report to the Audit, Risk and Scrutiny Board annually, to provide assurance on the adequacy and effectiveness of the Code and the extent of compliance with it.

1.3 Internal Audit has reviewed the adequacy and effectiveness of the revised Code which was presented to the Audit, Risk and Scrutiny Board on 21 September 2020. Based on our sample check of the evidence used to demonstrate compliance, we would confirm that the Council complies with the requirements of the Local Code of Corporate Governance. In addition, it is evident that the Local Code has been subject to review and updating in line with developments in best practice and any revised Council Policies.

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1.4   The review of compliance with the Local Code of Corporate Governance forms part of the assurance framework for the annual governance statement.

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2.   **Recommendations**

2.1   Members are invited to note the contents of this report.

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3.   **Background**

3.1   *Delivering Good Governance in Local Government: Framework*, published by CIPFA in association with Solace in 2007, set the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remains 'fit for purpose' and published a revised edition in spring 2016. The new code places greater emphasis on relationship and behaviours between elected members and senior management; performance reporting; and council and service level plans.

3.2   The Council's Local Code of Corporate Governance has been reviewed and updated in line with this framework and to reflect any updated Council policies.

2

Implications of the Report

1.   **Financial** – None.

2.   **HR & Organisational Development** – None.

3.   **Community/Council 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** – None.

11.   **Privacy Impact** – None.

12.   **Cosla Policy Position** – None.

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Author: **Andrea McMahon, Chief Auditor**

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To: **Audit, Risk and Scrutiny Board**

On: **22 March 2021**

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Report by: **Chief Executive**

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Heading: **Local Government Benchmarking Framework 2019/20**

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1.   Summary

1.1   In February 2021, the Improvement Service published the 2019/20 Local Government Benchmarking Framework (LGBF) performance data for all Scottish local authorities. The Framework is a high-level benchmarking tool which allows local authorities to compare their performance across a wide range of key service areas such as education, housing, and adult social care.

1.2   Renfrewshire Council has participated in the development of the LGBF since its inception in 2010, with the Framework now expanded to 97 indicators. The purpose of the Framework is to support evidence-based comparisons and encourage shared learning and improvement.

1.3   This report provides an overview of Renfrewshire's performance for 2019/20, as well as outlining the wider context and trends for local authorities across Scotland. This data provides a picture of performance prior to the Covid-19 pandemic, councils are now operating in a different environment and context, with many service areas being significantly impacted, some service areas that were paused, not fully resumed and others delivering a range of new responsibilities, which will need to be considered going forward. Therefore, this report should be used as valuable context for benchmarking and treated as baseline data prior to the pandemic and beyond.

1.4   Renfrewshire Council LGBF performance overview 2019/20:

- o   38 indicators have improved since last year
- o   9 have remained the same
- o   32 indicators have declined in performance
- o   18 have no current data available
- o   26 indicators are in the top quartile (ranked 1st to 8th)
- o   12 indicators are in the bottom quartile (ranked 25th to 32nd)

1.5   For some of these indicators, Renfrewshire is pursuing targeted benchmarking to ensure comparability and consistency of data reported and to identify learning opportunities.

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2. Recommendations

2.1 It is recommended that the Audit, Risk and Scrutiny Board notes the contents of the report.

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3. Background

3.1 All Scottish local authorities participate in the LGBF, which allows councils to compare their performance across a suite of indicators, including costs and performance of key council services, and levels of public satisfaction. Whilst there are always different views on the nature and calculation of specific indicators, the framework provides a tool for the Council to consider its performance in relation to delivering Best Value, as well as a platform for learning and sharing good practice. It is used in conjunction with other benchmarking tools, data and information that Council services use to assess performance, such as service key performance indicators, national and local surveys, inspections, and audits.

3.2 There are now 97 indicators in the Framework, which cover the majority of council services under the following ten categories:

- o Children's services
- o Corporate services
- o Adult social care
- o Culture and leisure services
- o Environmental services
- o Housing services
- o Corporate asset management
- o Economic development
- o Financial Sustainability
- o Tackling Climate Change

3.3 There were several changes to the Framework this year, including: introducing a new Financial Sustainability category including five new indicators; and a new Tackling Climate Change category including two new indicators.

3.4 The data is collated, verified, and published for all Scottish councils by the Improvement Service. The final data for 2019/20 was published on 26 February 2020. A link to the Improvement Service reporting tool is available on the performance section of the Council website, and a summary of the data is provided in appendix 1.

4. National Context

4.1 Alongside the performance data, the Improvement Service published a report providing an overview of the key trends across Scotland, prior to the COVID-19 pandemic. The National Benchmarking Overview Report 2019-20 by the Improvement Service highlights:

"In 2019/20, Councils were operating in a more challenging context than when the LGBF began in 2010/11. Total revenue funding for councils has fallen by 7.2% in real terms since 2010/11 (and by 5.4% since 2013/14). Recent uplifts in funding have been insufficient to offset the major reduction in funding experienced over the last ten years. Funding for Councils is not increasing at a sufficient pace to keep up with demands. The overall funding position as set out above is exacerbated by the following pressures councils have had to manage across the last ten years: growing demographic pressures (>4% per annum); increasing costs, including the impact of living wage and pay settlements; additional impacts on demand from increasing levels of poverty; and higher public expectations.."

4.2   In terms of general performance across Scotland, the report notes that local government has continued to do well in sustaining performance, for example: in improving outcomes for children and young people; transformation in provision of social care; gained ground in economic growth; and positive progress towards better environmental outcomes . However, there is evidence to suggest that strains in performance, satisfaction and system capacity are beginning to emerge and performance improvements gained in recent years are now beginning to slow, or decline. The Improvement Service notes nationally that longer term trends show that there is increasing levels of council-wide sickness absence, tenant rent arrears, hospital readmission rates and declining public satisfaction with local services.

5.   Overview of Renfrewshire's Performance

5.1   This section provides an overview of Renfrewshire's performance for the 97 indicators, those indicators ranked in the top quartile (1st to 8th), and those ranked in the bottom quartile (25th-32nd) for 2019/20. Overall, performance shows that:

- o 38 indicators have improved since last year
- o 9 have remained the same
- o 32 indicators have declined in performance
- o 18 have no current data available

5.2   The Council is in the top quartile for 26 indicators and in the bottom quartile for 12. Appendix 1 provides the Council's data, ranked position, the Scottish average, and the family group range for all the indicators.

Indicators in the top quartile

5.3   The Council ranked in the top quartile (1st to 8th) for 26 of the framework indicators:

Indicator	Rank 2019/20	Rank 2018/19
Cost per primary school	2nd	3rd
Cost per secondary school	2nd	3rd
Percentage of pupils gaining 5+ awards at level 5	7th	9th
Percentage of pupils from deprived areas gaining 5+ awards at level 5 (SIMD)	4th	12th
Percentage of pupils living in the 20% most deprived areas gaining 5+ awards at level 6 (SIMD)	6th	10th
Overall average total tariff score	8th	11th
Average total tariff SIMD Quintile 1	7th	8th
Average total tariff SIMD Quintile 3	7th	6th
Average total tariff SIMD Quintile 4	5th	12th
Average total tariff SIMD Quintile 5	7th	8th
Residential costs per week per resident for people aged 65 or over (adult social care)	4th	6th
Rate of readmission to hospital within 28 days per 1,000 discharges	8th	7th
Number of days people spend in hospital when they are ready to be discharged, per 1,000 population (75+)	8th	4th

Indicator	Rank 2019/20	Rank 2018/19
Cost per attendance at sports facilities	7th	5th
Percentage of adults satisfied with leisure facilities	7th	4th
Net cost of street cleaning per 1,000 population	1st	2nd
Percentage of A class roads that should be considered for maintenance treatment	4th	8th
Percentage of B class roads that should be considered for maintenance treatment	8th	10th
Cost of environmental health per 1,000 population	1st	1st
Gross rent arrears (all tenants) as at 31 March each year as a percentage of rent due for the reporting year	6th	6th
Proportion of operational buildings that are suitable for their current use	7th	7th
Average time per business and industry planning application (wk)	5th	8th
Proportion of properties receiving superfast broadband	8th	8th
Total usable reserves as a % of council annual budgeted revenue	4th	3rd
Ratio of financing costs to net revenue stream – general fund	4th	7th
Actual outturn as a percentage of budgeted expenditure	6th	6th

Indicators in the bottom quartile

5.4   The Council ranked in the bottom quartile (25th to 32nd) for 12 of the framework indicators. Additional context for these indicators is summarised below, with further detail in appendix 1.

Indicator	Rank 2019/20	Rank 2019/18
% of adults supported at home who agree that they had a say in how their help, care or support was provided	25th	25th
The cost per dwelling of collecting Council Tax	26th	29th
Sickness absence days per employee (non-teacher)	32nd	28th
Sickness absence days per teacher	27th	18th
Cost per library visit	32nd	32nd
Costs of parks and open spaces per 1,000 population	26th	26th
Cost of maintenance per kilometre of roads	26th	28th
Cost of trading standards, money advice and citizens advice per 1,000 population	31st	30th
Percentage of adults satisfied with street cleaning	31st	29th
Investment in Economic Development and Tourism per 1,000 population	27th	24th
Uncommitted General Fund Balance as a % of council annual budgeted net revenue	25th	25th
Ratio of financing costs to net revenue stream – housing revenue account	26th	26th

5.5   <u>% of adults supported at home who agree that they had a say in how their help, care or support was provided</u>

The data for this measure comes from the Bi-Annual Health Care and Experience Survey (Former GP Survey). The performance for this indicator is 73% and is slightly below the

Scottish average of 75.43%. Individuals receiving care and support, have a greater choice and control over how their services are provided, the year on year increase use of Self Directed Support will ensure that more people feel that they have a say in how their help, care or support was provided. The continued roll out and increased uptake of Self-directed Support will have a positive impact on performance. The next Health Care and Experience Survey will take place shortly after 2021/22.

5.6   The cost per dwelling of collecting Council Tax

Although in the bottom quartile, the cost of collecting council tax has reduced by 19.6% compared to the previous year, following a review of central support recharges that has seen the support cost figure reduce by 18%. Since the LGBF began in 2010/11, the cost has reduced from £17.31 to £8.75.

In addition to decreasing the cost of collecting Council Tax, the percentage of Council Tax due in the year, collected by year end, has consistently performed at 96% over the last six years.

5.7   Sickness absence days per employee (non-teacher)

As set out in Appendix 1, the organisation's performance in relation to absence has reduced, with the number of sickness absence days per employee increasing from 13.24 in 2018/19 to 14.14 in 2019/20. This represents a fall in ranking from 28th to 32nd position for the organisation. Whilst the national report produced recognises the increasing level of sickness absence reported by local authorities, the 19/20 performance figure for the organisation is several days higher than the national average of 11.93.

From previous reports provided to the Audit, Risk and Scrutiny Board in relation to the ongoing reporting of absence statistics, targeted work has been undertaken in recent years to address issues relating to absence. This has focused on working to improve the absence management process, and most importantly on the support that is available for both employees and managers to support absence issues.

Despite this work, performance has continued to decline and the Corporate Management Team have initiated a full system review of absence across the organisation as a key priority. This will include a fundamental look at the processes which exist and the support available, and it is anticipated that this will involve in-depth benchmarking and consideration of best practice in both local authority and non-local authority sectors.

In terms of more detailed information on the nature of absence, the two main types of illness classification presented across the time period were musculoskeletal and joint disorders and psychological (non-work related). To address this the Council provides a range of support services that employees can be referred to at an early stage for assistance, including counselling and physiotherapy support. There are a range of Council policies, guidance and training to assist managers and employees. Specifically, for musculoskeletal and joint disorder absences:

- the Council offers a physiotherapy service through the Council's Occupational Health Provider, and this service can be accessed by all employees;
- as part of the Council's Health and Safety Management system, occupations which include manual handling activities as part of the role, the task risk assessments are reviewed on an ongoing basis to ensure that safe working practices are maintained;
- HR and OD continue to investigate the practical options for further training and interventions available that may reduce the impact of musculoskeletal and joint disorders; and
- a successful pilot programme of providing a physiotherapy service specifically to front line services based at a depot has resulted in the service being made a permanent feature.

This involved the physiotherapist being onsite 2 days per month and is a blend of fixed appointments and drop-in sessions.

5.8   Sickness absence days per teacher

Similarly to the position outlined for sickness absence across the organisation, the whole system review proposed will also include a review to address the increase in the number of days of sickness absence for teachers, which has increased from 6.35 days in 18/19 to 7.78 days in 19/20.

The presenting issues for teaching staff where there have been increases over 2019/20 have occurred within Respiratory and ENT, whilst Psychological (non-work related) continued to be the highest presenting issue. There are a range of Council policies, guidance and training to assist managers and employees, specifically for Psychological (non-work related) absences the Council provides a range of support services that employees can be referred to at an early stage for assistance, and 'timefortalking', the Council's employee counselling service provider, continues to be utilised. The 'timefortalking' service operates a flexible approach to appointments offering telephone consultations in the early mornings or evenings as well as throughout the day and face to face sessions at their offices in Paisley. The consistent presenting issues to the service relating to Psychological (non-work related) include: loss/bereavement; stress/anxiety/panic; depression/self-worth; and family relationships.

5.9   Cost per library visit

The costs of the library service reported in this indicator is based on an apportionment of the service fee payable by Renfrewshire Leisure by the Council and share of other Council related costs. Discussions about the comparability and consistency of data reported in this indicator continue across the sector and further benchmarking will be undertaken to identify ways to consistently collate and report on the performance of the library service in the future.

5.10   Costs of parks and open spaces per 1,000 population

Although in the bottom quartile, the cost of parks and open spaces has reduced by 17% since 2018/19 or by £5,225 per 100,000 population. The reduced costs of parks and open spaces per 1,000 population for 2019/20 reflects internal changes to how income is included on the Local Finance Return, as grounds maintenance overheads that should be allocated to the rest of the Council were inappropriately included here in 2018/19. This was corrected in 2019/20.

5.11   Cost of maintenance per kilometre of roads

The cost of Renfrewshire's roads maintenance has increased from £17,416 in 2018/19 to £17,932 in 2019/20 and is above the Scottish average of £11,262. The 2019/20 costs reflect the £8.089m roads capital investment programme allocation expenditure on roads and pavements. This is part of overall investment of over £40m over five years, as agreed at Council on 2 February 2019.

5.12   Cost of trading standards, money advice and citizens advice per 1,000 population

This indicator now includes the additional costs relating to Advice works, business regulation costs and external advice services etc, which not all local authorities provide. For Trading Standards and Regulation service alone, the total cost per thousand people is £5,090 [based on Renfrewshire population of 179,100], which is more in line to the Scottish average of £5,896 rather than £12,613 for this indicator.

5.13   Percentage of adults satisfied with street cleaning

The percentage of adults satisfied with street cleaning has fallen from 60.1% to 52.77% between 2018/19 and 2019/20. The data is collated through the Scottish Household Survey which has a relatively low sample size of approximately 250 local residents.

The national LGBF report notes there are significant variations in terms of performance, with 40 percentage points between the highest and lowest satisfaction scores gained by local authorities through this survey.

Whilst this indicator is important as it relates to the perception of local people around street cleaning, recent results in relation to the cleanliness scores assigned to each local authority show significant improvements in performance in Renfrewshire, with the actual level of assessed cleanliness rising from 91.9% to 94.5%. This measure is based on a robust, externally audited process which has oversight from Keep Scotland Beautiful and shows a very positive improvement, with Renfrewshire rising from 21st to 12th in the rankings.

It is important that the service undertakes further research to explore and better understand the perceptions of local people in relation to street cleanliness and further engagement and consultation will be undertaken during 2021 to explore these issues further and to establish a local baseline for satisfaction

5.14   Investment in Economic Development and Tourism per 1,000 population

In Renfrewshire, investment in economic development and tourism increased by 33% in 2019/20. This represents a commitment by the council to invest in improving the economy for Renfrewshire through the Economic Strategy and subsequent Economic Recovery Plan.

5.15   Uncommitted General Fund Balance as a % of council annual budgeted net revenue

New financial sustainability measures were added for 2019/20, to be a comparable across all Scottish local authorities, to support discussions around financial decision making, on the robustness of budgets. This new indicator has been incorporated to provide an indication on the level of uncommitted reserves.

Renfrewshire's annual accounts 2019/20 state that the level of uncommitted reserves are lower than anticipated due to one-off transformation activity during the year and shows the movement to be 7.5% reduction since 2018/19.

5.16   Ratio of financing costs to net revenue stream – housing revenue account

The Council has made significant investment in housing in recent years, predominantly related to the achievement of the Scottish Housing Quality Standard. The majority of this investment was funded through borrowing which was assessed as affordable and prudent over the life of the 30-year business plan which the HRA operates when assessing potential investment. While still relatively high compared to other councils, the level of debt is reducing annually as can be seen from the movement in the % values; however this movement is also reflected in other councils, hence there is no change in the ranking.

6.   Significant Movement

6.1   Listed below are indicators where there has been significant movement in the ranked position since 2018/19, by nine positions or more:

- **Percentage of adults satisfied with local schools (9th to 21st)** – This data is derived from the Scottish Household survey, whilst the data is proportionate at the Scottish level, it is acknowledged by the Improvement Service that there are limitations at Council level in relation to the very small sample sizes (250 in Renfrewshire in 2019). In addition, it includes responses from people who do not use local schools, therefore caution must be

used in terms of using this measure as being representative of the views of parents in Renfrewshire

- o **Percentage of funded early years provision which is graded good/better (5th to 16th)** – This indicator refers to inspections carried out by the Care Inspectorate for all early years providers (these are funded providers). Should be noted that the sample size is relatively small for this indicator and performance is still at 91.2%. For each inspection year there is a focus on a different quality theme. The Council's quality improvement framework and programme of support visits to funded partner providers and local authority early years establishments supports them to maintain quality.

- o **Sickness absence days per teacher (18th to 27th)** – please refer to paragraph 5.8

- o **Home care costs per hour for people aged 65 and over (21st to 10th) –** RHSCP support planning and monitoring arrangements for a supported person is an ongoing recurring process that includes reviewing Care at Home support plans. This proactive approach ensures that support arrangements are person centred, based on informed choice, risk enablement, and are amended where required, for instance: due to changing circumstances, changing personal outcomes and assessment of whether previous support arrangements have been effective. The information gathered as part of the monitoring arrangements will inform the regular review of the supported person's support plan and will contribute to overall improved performance. RHSCP, in line with the national position, expect difficulties in drawing comparisons between 2019/20 and 2020/21 due significant differences in performance following the impact of COVID-19.

- o **SDS (Direct Payments + Managed Personalised Budgets) spend on adults 18+ as a percentage of total social work spend on adults aged 18+ (11th to 24th)** – The successful implementation of self-directed support and, ultimately, the achievement of outcomes for each supported person requires a variety of activities to be co-ordinated and centred on supported people. Under the Self-Directed Support (Scotland) Act 2013, local authorities have duties that require them to offer greater choice and control to people who, following assessment, have eligibility for funded support. This shift in practice encourages greater choice, control and flexibility for social care users which means local systems and supports must also be flexible and effective at accommodating the service users choice and control. This flexible approach to support planning will generate movement between the four options and may impact performance in this area.

  Additional analysis of this performance indicator also highlights a difference in the Local Financial Return calculation whereby option 3 spend has now been excluded and this has resulted in a decrease in performance. SDS is separated out in a different way from the previous Local Financial Return in 2018/19 and introduces complexities when drawing comparisons. Local action to recalculate the PI confirms that RHSCP would be **7.84%** (rather than 4%). HSCP would welcome an opportunity to clarify the expected data for this PI.

  SDS uptake in Renfrewshire continues to increase with year on year growth. SDS Spend as a % Gross Costs Adult Services also continues to increase; from 4.02% in 17/18, 5.61% in 18/19 and 7.84% in 19/20. Option 3: Arranged Services, make up over half over the SDS support packages in place.

- o **Percentage of adults satisfied with libraries (8th to 18th)** – Overall, it is important to note that data from this indicator is drawn from the Scottish household survey and respondents are not necessarily service users of Renfrewshire libraries. Whilst the data is proportionate at the Scottish level, it is acknowledged by the Improvement Service that there are limitations at Council level in relation to the very small sample sizes (250 in Renfrewshire in 2019). Although this indicator has decreased negatively in rankings, performance has only decreased by 7.5% (% change) and Renfrewshire's performance of 73.7%, is still above the Scottish average of 72.3%. Some potential factors during 2019/20 that might have attributed to the slight decrease in performance could be: dissatisfaction with the temporary library in Paisley; a reduction in the book budget has led in part to less choices available and longer waiting lists for popular titles; and there was a brief printer access issue for the public which staff on site were unable to resolve.

- o **Cleanliness Score (21st to 12th) –** There are a few of factors which have impacted on the cleanliness score ranking improving from 21st to 12th position. Renfrewshire Council has a very successful Environment and Place programme and the community-based Team Up to Clean Up initiative. Team Up to Clean Up has involved council services working in partnership with communities to remove litter and waste from their communities, mainly through community litter picks. Environment & Place has funded additional Community litter pickers and this has contributed to the improvement of cleanliness in our communities. In 2019/20, street cleanliness scores? Has declined across Scotland, with colleagues from other Councils highlighting reductions in street cleaning budgets as having an adverse impact on performance.

7.   Monitoring and reporting of LGBF

7.1   The performance of the LGBF indicators will continue to be monitored by the Corporate Management Team, through the service delivery planning process and through further benchmarking activities to develop and share best practice. A report on the LGBF will continue to be submitted to the Audit, Risk and Scrutiny Board annually to review performance and monitor progress.

7.2   Renfrewshire Council publishes its statutory public performance reporting document on the Council's website in March each year. Relevant performance information gathered through the LGBF is included as part of the report.

Implications of this report

1. **Financial –** n/a

2. **HR and Organisational Development –** n/a

3. **Community/Council Planning –** n/a

4. **Legal –** n/a

5. **Property/Assets –** n/a

6. **Information Technology –** n/a

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 of individuals' human rights have been identified arising from the recommendations contained in the report because for example it is for noting only. 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 and Safety –** n/a

9. **Procurement –** n/a

10. **Risk –** n/a

11. **Privacy Impact –** n/a

12. **Cosla Policy Position –** the LGBF framework represents a joint commitment by SOLACE (Scotland) and COSLA to develop better measurement and comparable data to target resources and drive improvements.

13. **Climate Risk –** n/a

List of Background Papers:

National Benchmarking Overview Report 2019/20 by The Improvement Service:
https://www.improvementservice.org.uk/__data/assets/pdf_file/0025/23848/Benchmarking-Overview-Report-2019-20.pdf

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Appendix 1 – Renfrewshire's 2019/20 data for all LGBF indicators

Family Groups were set up to facilitate comparisons and encourage discussions between similar councils. Renfrewshire is currently in the following two family groups:

Family Group 1 for Children Services, Adult Social Care and Housing Services – Clackmannanshire, Dumfries & Galloway, Falkirk, Fife, Renfrewshire, South Ayrshire, South Lanarkshire, and West Lothian.

Family Group 2 for Corporate Services, Culture and Leisure, Environmental Services, Corporate Assets, Economic Development, Financial Sustainability, Tackling Climate Change – Angus, Clackmannanshire, East Renfrewshire, Inverclyde, Midlothian, Renfrewshire, South Lanarkshire and West Lothian.

<u>Children's Services</u>

There are 31 indicators in the Children's Services category, data is currently not available for 15 indicators. For 2019/20, 12 have improved and 4 have declined.

- 10 are in the top quartile
- 0 are in the bottom quartile

Indicator	Ranked Position		Data		Scottish Average	Family Group
	2018/19	2019/20	2018/19	2019/20		
CHN1 – Cost per primary school pupil	3	2	£4,753	£5,064	£5,595	£5,064 (Renfrewshire) to £5,709 (South Lanarkshire)
CHN2 – Cost per secondary school pupil	3	2	£6,518	£6,787	£7,531	£6,641 (Fife) to £8,579 (Clackmannanshire)
CHN3 – Cost per pre-school education registration	21	23	£5,786	£7,411	£6,783	£5,448 (West Lothian) to £7,637 (Clackmannanshire)
CHN4 – Percentage of pupils gaining 5+ awards at Level 5	9	7	65%	69%	64%	51% (Clackmannanshire) to 72% (West Lothian)
CHN5 – Percentage of pupils gaining 5+ awards at Level 6	10	9	36%	40%	38%	25% (Clackmannanshire) to 52% (West Lothian).
CHN6 – Percentage of pupils living in the 20% most deprived areas gaining 5+ awards at level 5 (SIMD)	12	4	45%	55%	47%	38% (Fife) to 55% (Renfrewshire)
CHN7 – Percentage of pupils living in the 20% most deprived areas gaining 5+ awards at level 6 (SIMD)	10	6	18%	23%	21%	12% (Clackmannanshire) to 32% (West Lothian).

Indicator	Ranked Position		Data		Scottish Average	Family Group
	2018/19	2019/20	2018/19	2019/20		
CHN8a – The gross cost of "children looked after" in residential based services per child per week	n/a	n/a	n/a	n/a	n/a	n/a
CHN8b -The gross cost of "children looked after" in a community setting per child per week	n/a	n/a	n/a	n/a	n/a	n/a
CHN9 – Balance of care for 'looked after children': % of children being looked after in the community	n/a	n/a	n/a	n/a	n/a	n/a
CHN10 – Percentage of adults satisfied with local schools	9	21	79%	71%	71.83%	63.8% (Fife) to 78.77% (South Ayrshire)
CHN11 - % of pupils entering positive destinations	n/a	n/a	n/a	n/a	n/a	
CHN12a – Overall average tariff score	11	8	915	959	929	749 (Clackmannanshire) to 1000 (Falkirk)
CHN12b – Average total tariff SIMD Quintile 1	8	7	654	707	649	525 (Clackmannanshire) to 714 (Falkirk)
CHN12c – Average total tariff SIMD Quintile 2	7	15	817	759	759	685 (Clackmannanshire) to 887 (South Ayrshire)
CHN12d – Average total tariff SIMD Quintile 3	6	7	972	997	904	775 (Clackmannanshire) to 1015 (Falkirk)
CHN12e – Average total tariff SIMD Quintile 4	12	5	1062	1156	1029	974 (Clackmannanshire) to 1243 (South Lanarkshire)
CHN12f – Average total tariff SIMD Quintile 5	8	7	1217	1298	1240	1154 (Fife) to 1307 (West Lothian)
CHN13a - % of P1, P4 and P7 pupils combined achieving expected CFE Level in Literacy	n/a	n/a	n/a	n/a	n/a	n/a
CHN13b - % of P1, P4 and P7 pupils combined achieving expected CFE Level in Numeracy	n/a	n/a	n/a	n/a	n/a	n/a
CHN14a – Literacy Attainment Gap (P1,4,7 Combined) – percentage point gap between the least deprived and most deprived pupils	n/a	n/a	n/a	n/a	n/a	n/a
CHN14b – Numeracy Attainment Gap (P1,4,7 Combined) – percentage point gap between the least deprived and most deprived pupils	n/a	n/a	n/a	n/a	n/a	n/a
CHN17 - % of children meeting developmental milestones	n/a	n/a	n/a	n/a	n/a	n/a
CHN18 – Percentage of funded early years provision which is graded good / better	5	16	96.88%	91.2%	90.2%	88.5% (South Lanarkshire) to 100% (Clackmannanshire)
CHN19a – School attendance rates (per 100 pupils)	n/a	n/a	n/a	n/a	n/a	n/a

Indicator	Ranked Position		Data		Scottish Average	Family Group
	2018/19	2019/20	2018/19	2019/20		
CHN19b – School attendance rates (per 100 'looked after children')	n/a	n/a	n/a	n/a	n/a	n/a
CHN20a – School exclusion rates (per 1,000 pupils)	n/a	n/a	n/a	n/a	n/a	n/a
CHN20b – School exclusion rates (per 1,000 'looked after children')	n/a	n/a	n/a	n/a	n/a	n/a
CHN21 – Participation rate for 16-19 year olds (per 100)	18	18	91.7	92.3	92.13	89.33 (Clackmannanshire) to 92.41 (West Lothian)

Adult Services

There are 11 indicators in the Adult Services category. For 2019/20, 6 have improved, 1 has remained stable and 4 have declined.

- 3 are in the top quartile
- 1 is in the bottom quartile

Indicator	Ranked Position		Data		Scottish Average	Family Group Range
	2018/19	2019/20	2018/19	2019/20		
SW1 – Home care costs per hour for people aged 65 or over	19	10	£26.40	£23.05	£26.13	£12.57 (Clackmannanshire) to £28.76 (South Ayrshire).
SW2 – SDS (Direct Payments + Managed Personalised Budgets) spend on adults 18+ as a percentage of total social work spend on adults 18+	12	24	5.8%	4.05%	8.99%	2.85% (Fife) to 8.77% (West Lothian).
SW3a - % of people aged 65 and over with long-term care needs who are receiving personal care at home	28	23	55.43%	59.46%	61.65%	59.46% (Renfrewshire) to 74.69% (Clackmannanshire).
SW4b - % of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life	20	13	78.81%	81.83%	80.03%	75.34% (West Lothian) to 82.35% (Clackmannanshire)
SW4c – Percentage of adults supported at home who agree that they are supported to live as independently as possible	24	19	79.21%	80.26%	80.78	77.57% (Fife) to 85.12% (Clackmannanshire).
SW4d – Percentage of adults supported at home who agree that they had a say in how their help, care or support was provided	25	25	73.13%	73.13%	75.43%	70.66% (West Lothian) to 78.6% (Falkirk).
SW4e – Percentage of carers who feel supported to continue in their caring role	24	23	35.63%	32.9%	34.28%	30.89% (Clackmannanshire) to 37.41% (South Ayrshire).
SW5 – Average residential costs per week per resident for people aged 65	6	4	£298	£272	£401	£195 (Dumfries & Galloway) to £432 (West Lothian).
SW6 – Rate of readmission to hospital within 28 days per 1,000 discharges	7	8	88.27	92.53	104.69	92.53 (Renfrewshire) to 122.44 (South Ayrshire
SW7 – Proportion of care services graded 'good' (4) or better in Care Inspectorate inspections	12	9	84.16	85.26	81.83	70.89 (South Ayrshire) to 92.86 (Clackmannanshire).

Indicator	Ranked Position		Data		Scottish Average	Family Group Range
	2018/19	2019/20	2018/19	2019/20		
SW8 – Number of days people spend in hospital when they are ready to be discharged, per 1,000 population (75+)	4	8	245.92	382.58	773.78	309.74 (Clackmannanshire) to 1699.45 (South Ayrshire).

Corporate

There are 8 indicators in the Corporate category. For 2019/20, 2 have improved, 2 have remained stable, and 4 have declined.

- 0 are in the top quartile
- 3 are in the bottom quartile

Indicator	Ranked Position		Data		Scottish Average	Family Group Range
	2018/19	2019/20	2018/19	2019/20		
CORP 1 – Support services as a percentage of total gross expenditure	22	23	4.62%	5.01%	4.07	3.42% (Inverclyde) to 6.91% (Clackmannanshire).
CORP 3b – percentage of the highest paid 5% of employees who are women	11	17	57.11%	55.74%	56.74%	50.99 (Midlothian) to 60.65 (Angus)
CORP 3c – The gender pay gap	15	20	3.58	4.31	3.42	-0.78 (Angus) to 7.52 (Inverclyde)
CORP 4 – The cost per dwelling of collecting Council Tax	29	26	£10.88	£8.75	£6.58	£0.85 (Clackmannanshire) to 13.09 (East Renfrewshire).
CORP 6a – Sickness absence days per teacher	18	27	6.35	7.78	6.4	4.95 (Inverclyde) to 9.99 (Clackmannanshire).
CORP 6b – Sickness absence days per employee (non-teacher)	28	32	13.24	14.14	11.93	10.48 (Inverclyde) to 14.14 (Renfrewshire).
CORP 7 – Percentage of income due from Council Tax received by the end of the year	20	18	96.02%	96.02%	95.67%	95.14% (Midlothian) to 97.47% (East Renfrewshire)
CORP 8 – Percentage of invoices sampled that were paid within 30 days	18	18	92.21%	92.06%	91.72%	75.34% (East Renfrewshire) to 96.13% (Inverclyde).

Culture and Leisure

There are 8 indicators in the Culture and Leisure category, there is no data available for 1. For 2019/20, 1 has improved, and 6 have declined.

- 2 are in the top quartile
- 2 are in the bottom quartile

Indicator	Ranked Position		Data		Scottish Average	Family Group range
	2018/19	2019/20	2018/19	2019/20		
C&L1 – Cost per attendance at sports facilities	5	7	£1.25	£1.61	£2.71	Family group ranges from £0.84 (Clackmannanshire) to £5.60 (East Renfrewshire).
C&L2 – Cost per library visit	32	32	£7.65	£8.78	£2.00	Family group ranges from £0.64 (Clackmannanshire) to £8.78 (Renfrewshire).
C&L3 – Cost of museums per visit	29	n/a	£44.47	n/a	£3.27	Only 4 councils in family group have data – Angus, Inverclyde, South Lanarkshire and West Lothian.
C&L4 – Costs of parks and open spaces per 1,000 population	29	26	£30,446	£25,221	£20,107	Family group ranges from £1,233 (Midlothian) to £26,093 (Inverclyde).
C&L5a – Percentage of adults satisfied with libraries	8	18	79.73%	73.73%	72.37%	Family group ranges from 62.4% (Midlothian) to 77.2% (Angus)
C&L5b – Percentage of adults satisfied with parks and open spaces	17	18	85%	83.77%	83.5%	Family group ranges from 77.1% (South Lanarkshire) to 90.53% (East Renfrewshire).
C&L5c – Percentage of adults satisfied with museums and galleries	10	10	74.67%	69.33%	69.3%	Family group ranges from 50.07% (Clackmannanshire) to 69.33% (Renfrewshire).
C&L5d – Percentage of adults satisfied with leisure facilities	4	7	81.3%	75.8%	70.1%	Family group ranges from 63.2% (Midlothian) to 80% (Inverclyde).

Environment

There are 15 indicators in the Environment category. For 2019/20, 8 have improved, 1 has remained stable, and 6 have declined.

- 4 are in the top quartile
- 3 are in the bottom quartile

Indicator	Ranked Position		Data		Scottish Average	Family Group range
	2018/19	2019/20	2018/19	2019/20		
ENV1a – Net cost per waste collection per premise	12	20	£60.90	£67.82	£68.77	Family group ranges from £40.98 (Inverclyde) to £89.30 (West Lothian).
ENV2a – Net cost of waste disposal per premise	24	23	£111.49	£106.52	£98.65	Family group ranges from £54.23 (Midlothian) to 106.52 (Renfrewshire).
ENV3a – Net cost of street cleaning per 1,000 population	2	1	£6,263	£5,974	£15,440	Family group ranges from £5,974 (Renfrewshire) to £20,270 (Inverclyde).
ENV3c – Cleanliness Score (% acceptable)	21	12	91.9%	94.5%	92.25	Family group ranges from 84.29% (Inverclyde) to 95.07% (Clackmannanshire)
ENV4a – Cost of maintenance per kilometre of roads	28	26	£17,416	£17,932	£11,262	Family group ranges from £6,868 (Angus) to £24,514 (East Renfrewshire).
ENV4b – Percentage of A class roads that should be considered for maintenance treatment	8	4	23.03%	19.97%	30.57%	Family group ranges from 15.48% (East Renfrewshire) to 28.63% (Angus).
ENV4c – Percentage of B class roads that should be considered for maintenance treatment	10	8	24.67%	24.09%	34.96%	Family group ranges from 18% (Clackmannanshire) to 37.91% (Angus).
ENV4d – Percentage of C class roads that should be considered for maintenance treatment	20	17	37.93%	34.19%	35.14%	Family group ranges from 28.99% (Clackmannanshire) to 43.93% (Inverclyde).
ENV4e – Percentage of unclassified roads that should be considered for maintenance treatment	17	15	36.93%	35.39%	37.83%	Family group ranges from 26.52% (West Lothian) to 42.98% (Clackmannanshire).

Indicator	Ranked Position		Data		Scottish Average	Family Group range
	2018/19	2019/20	2018/19	2019/20		
ENV5 – Cost of Trading Standards and environmental health per 1,000 population	9	15	£17,252	£18,252	£197.23	Family group ranges from £13,000 (Midlothian) to £23,445 (Inverclyde).
ENV5a – Cost of trading standards, money advice and citizens advice per 1,000 population	30	31	£11,845	£12,613	£5,952	Family group ranges from £2,600 (Clackmannanshire) to £12,613 (Renfrewshire).
ENV5b – Cost of environmental health per 1,000 population	1	1	£4,995	£5,639	£13,771	Family group ranges from £5,639 (Renfrewshire) to 18,933 (Inverclyde).
ENV6 – The percentage of total waste arising that is recycled	17	13	49.2%	53.05%	44.85%	Family group ranges from 46.37% (South Lanarkshire) to 67.79% (East Renfrewshire).
ENV7a – Percentage of adults satisfied with refuse collection	20	24	79.63%	70.63%	74.3%	Family group ranges from 64% (Clackmannanshire) 86.07% (Inverclyde).
ENV7b – Percentage of adults satisfied with street cleaning	29	31	60.1%	52.77%	62.63%	Family group ranges from 52.77% (Renfrewshire) to 72.3% (Angus).

Housing

There are 5 indicators in the Housing category. For 2019/20, 1 has improved, 3 have remained stable and 1 has declined.

- 1 is in the top quartile
- 0 are in the bottom quartile

Indicator	Ranked Position		Data		Scottish Average	Family Group Range
	2018/19	2019/20	2018/19	2019/20		
HSN1b – Gross rent arrears (all tenants) as at 31 March each year as a percentage of rent due for the reporting year	6	6	5.76%	5.73%	7.31%	Family group ranges from 3.42% (South Ayrshire) to 10.11% (Clackmannanshire).
HSN2 – Percentage of rent due in the year that was lost due to voids	22	19	1.43%	1.52%	1.07%	Family group ranges from 0.45% (Clackmannanshire) to 1.52% (Renfrewshire).

HSN3 – Percentage of council dwellings meeting SHQS	17	17	94.49%	94.65%	94.86%	Family group ranges from 93.01% (Fife) to 97.78% (Falkirk).
HSN4b – Average number of days taken to complete non-emergency repairs	10	17	6.9	7.76	7.33	Family group ranges from 5.55 (Falkirk) to 14.19 (South Lanarkshire).
HSN5 – Percentage of council dwellings that are energy efficient	18	20	73.97%	78.01%	84.1%	Family group ranges from 78.01% (Renfrewshire) to 96.37% (Falkirk

Corporate Asset

There are 2 indicators in the Corporate Asset category. For 2019/20, 1 remained stable, and 1 has declined.

- 1 is in the top quartile
- 0 are in the bottom quartile

Indicator	Ranked Position		Data		Scottish Average	Family Group Range
	2018/19	2019/20	2018/19	2019/20		
CORP-ASSET 1 – Proportion of operational buildings that are suitable for their current use	7	7	92.58%	92.14%	82.47%	Family group ranges from 66.86 (Midlothian) to 96.79 (South Lanarkshire).
CORP-ASSET 2 – Proportion of internal floor area of operational buildings in satisfactory positions	9	10	95.20%	94.45%	88.62%	Family group ranges from 83.41% (Midlothian) to 99.64% (West Lothian).

Economic Development

There are 10 indicators in the Economic Development category. For 2019/20, 5 have improved, and 5 have declined.

- 2 are in the top quartile
- 1 are in the bottom quartile

Indicator	Ranked Position		Data		Scottish Average	Family Group Range
	2018/19	2019/20	2018/19	2019/20		
ECON1 – Percentage of unemployed people assisted into work from Council operated / funded Employability programmes	10	12	17.51%	15.27%	12.66%	Family group ranges from 3.6% (Angus) to 25.94% (Inverclyde).

Indicator	Ranked Position		Data		Scottish Average	Family Group Range
	2018/19	2019/20	2018/19	2019/20		
ECON2 – Cost per planning application	7 (1)	10	£3,374	£3,941	£4,385	Family group ranges from £2,818 (Clackmannanshire) to £7,148 (Inverclyde).
ECON3 – Average time per business and industry planning application (wk)	8	5	7.74	6.8	10.54	Family group ranges from 6.34 (Clackmannanshire) to 19.1 (Midlothian).
ECON4 – Percentage of procurement spend on local enterprises	13	19	29.92%	22.16%	28.51%	Family group ranges from 9.612% (East Renfrewshire) to 27.6% (West Lothian).
ECON5 – Number of business gateway start-ups per 10,000 population	22	19	16.65	16.53	16.41	Family group ranges from 13.98 (South Lanarkshire) to 20.37 (Clackmannanshire).
ECON6 – Cost of Economic Development & Tourism per 1,000 population	24	27	£109,044	£147,554	£103,194	Family group ranges from £20,146 (Angus) to £147,554 (Renfrewshire).
ECON7 – Proportion of people earning less than the living wage	20	22	25.1	23.2	16.9	Family group ranges from 13.6 (West Lothian) to 30.9 (Inverclyde).
ECON8 – Proportion of properties receiving superfast broadband	8	8	96.4	97.2	93.27	Family group ranges from 87.1 (Angus) to 97.2 (Renfrewshire).
ECON9 – Town Vacancy Rates	18	16	10.65	11.09	11.71	Family group ranges 5.45 (Midlothian) to 20.75 (Inverclyde).
ECON10 – Immediately available employment land as a % of total land allocated for employment purposes in the local development plan	24	22	21.97%	24.91%	36.23%	Family group ranges from 1.78% (Angus) to 94.07% (East Renfrewshire).

Financial Sustainability

There are 5 indicators in the new Financial Sustainability category. For 2019/20, 3 have improved, 1 has remained stable and 1 has declined.

- 3 are in the top quartile
- 2 are in the bottom quartile

Indicator	Ranked Position		Data		Scottish Average	Family Group Range
	2018/19	2019/20	2018/19	2019/20		
FINSUS1 – Total usable reserves as a % of council annual budgeted revenue	3	4	39.4%	37.94%	16.87%	Family group ranges from 13.29% (South Lanarkshire) to 42.1% (Midlothian).
FINSUS2 – Uncommitted General Fund Balance as a % of council annual budgeted net revenue	25	25	1.9%	1.64%	3.8%	Family group ranges from 0.49% (Angus) to 4.85% (Clackmannanshire).
FINSUS3 – Ratio of Financing Costs to Net Revenue Stream – General Fund	7	4	5.42	3.97	7.2	Family group ranges from 3 (Midlothian) to 12.63 (Inverclyde).
FINSUS4 – Ratio of Financing Costs to Net Revenue Stream – Housing Revenue Account	26	26	51.72	46.51	22.56	Family group ranges from 8.8 (Angus) to 46.51 (Renfrewshire).
FINSUS5 – Actual outturn as a percentage of budgeted expenditure	6	6	100.22	100.22	99.35	Family group ranges from 95.28 (Angus) to 100.25 (Midlothian).

Tackling Climate Change

Indicator	Ranked Position		Data		Scottish Average	Family Group Range
	2018/19	2019/20	2018/19	2019/20		
CLIM1 - CO2 emissions area wide per capita	16	n/a	5.07	n/a	n/a	n/a
CLIM2 - CO2 emissions are wide: emissions within scope of LA per capita	11	n/a	4.37	n/a	n/a	n/a

To:	Audit, Risk and Scrutiny Board
On:	22 March 2021

Report by: Director of Finance and Resources

Heading: Audit Scotland Annual Audit Plan 2020/21

1. **Summary**

1.1 Based on its analysis of the risks facing the Council, Audit Scotland has submitted an Audit Plan, as appended, that outlines its approach to the audit of the 2020/21 financial statements of the Council and the charities that the Council controls, in order to assess whether these statements provide a true and fair view of their respective financial positions, and also whether they have been prepared in accordance with proper accounting practice, i.e. the 2020 Code of Practice on Local Authority Accounting in the UK.

1.2 The Plan outlines the responsibilities of the Council and Audit Scotland; its assessment of key challenges and risks and the approach and timetable for completion of the 2020/21 audit.

2. **Recommendations**

2.1 Members are asked to note the content of the attached report.

Implications of the Report

1. **Financial** – An unqualified audit opinion demonstrates that the Council has effective systems of internal control in place.

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2.   **HR & Organisational Development** – None arising from this report.

3.   **Community Planning** – None arising from this report.

4.   **Legal** – An audit opinion free from qualification demonstrates compliance with the statutory accounting requirements set out in the Local Government (Scotland) Act 1973.

5.   **Property/Assets** – None arising from this report.

6.   **Information Technology** – None arising from this report.

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 of individuals' human rights 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 arising from this report.

9.   **Procurement** – None arising from this report.

10.   **Risk** - the audit plan highlights audit issues and risks, and the approach Audit Scotland will adopt in seeking assurance that these risks are being managed.

11.   **Privacy Impact** – None arising from this report.

12.   **COSLA Policy position** – None arising from this report.

13.   **Climate Risk** – None arising from this report.

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Renfrewshire Council

Annual Audit Plan 2020/21

Prepared for Renfrewshire Council

March 2020

Who we are

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

- 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.

- 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.
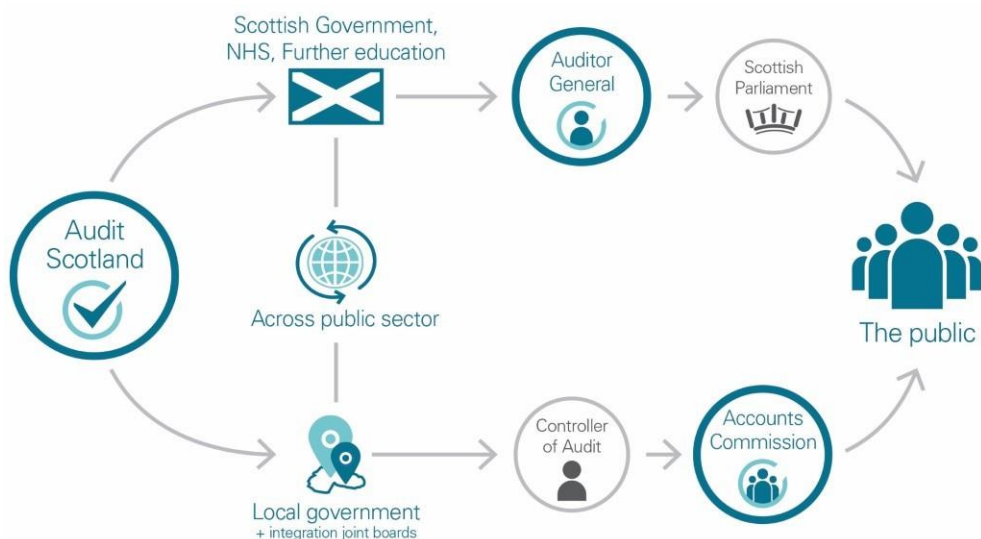
About us

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.

Contents

Risks and planned work

1. This Annual Audit Plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the Code of Audit Practice, and Audit Scotland's 2020/21 guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit, including the audit of Best Value.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

3. The public health crisis caused by the coronavirus disease 2019 (Covid-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

4. Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from Covid-19 across the full range of audit work, including annual audits and the programme of performance audits. Audit Scotland views 2020/21 as another challenging year and in January 2021 published *Covid-19: What it means for public audit in Scotland – update* which restates the key principles for our response to Covid-19. It also provided an update on the financial and performance audit programmes. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this Annual Audit Plan may be necessary.

Adding value

5. We aim to add value to Renfrewshire Council through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help Renfrewshire Council promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

6. Based on our discussions with staff, attendance at committee meetings and a review of supporting information, we have identified the following significant risk for Renfrewshire Council. We have categorised these risks into financial statements risks and wider dimension risks. Significant financial statements risks are detailed in Exhibit 1 and significant wider dimensions risks are detailed in Exhibit 2.

Exhibit 1
2020/21 Significant financial statements risks

⚠ Audit Risk	Management's sources of assurance	Planned audit work
Risk of material misstatement due to:		
1 **Management override of controls** IAS 240 require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls to change the position disclosed in the financial statements.	Owing to the nature of this risk, assurances from management are not applicable in this instance.	• Detailed testing of journal entries. • Review of accounting estimates and judgements. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the scope of normal business.
2 **Estimates and judgements in the valuation of the pension liability** Renfrewshire Council recognised a net liability of £162.522 million relating to its share of Strathclyde Pension Fund at 31 March 2020. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation. Additionally, the triennial valuation exercise will take place for the pension fund and impact on the 2020/21 annual accounts. This exercise is more detailed than the annual valuations and will also set employer contributions rates for the next three years.	Any significant estimates and judgements are clearly explained in the Notes to the Accounts. Where these are required, they are based on the best information available at the time of the estimate and on both a professional and a prudent approach, either by Council staff, or the Pension Fund actuary.	• Assessing the pension fund actuary and information they provide in accordance with ISA 500. • Review of the estimates used, and assumptions made in calculating the pension fund liability. • Assess the completeness and accuracy of information submitted by the council to Strathclyde Pension Fund to support the triennial valuation exercise.
3 **Estimates and judgements in the valuation of land and buildings** Renfrewshire Council held land and buildings with a net book value (NBV) greater than £850 million at 31 March 2020. There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and estimates, and changes in these can result in material changes to valuations. The Council's valuer reported a material uncertainty, caused by Covid-19, in the valuation of land and buildings in 2019/20. We understand the latest guidance issued by the Royal Institute of Surveyors (RICS)	Any significant estimates and judgements are clearly explained in the Notes to the Accounts. Where these are required, they are based on the best information available at the time of the estimate and on both a professional and a prudent approach, either by Council staff, or appointed experts.	• Assessing the internal valuer and information they provide in accordance with ISA 500. • Review of revaluations performed by the valuer in year, assessing whether they have been performed using an appropriate and relevant valuation basis / methodology by suitably qualified individuals. • Review of the information provided to the valuer and assess whether this was complete and included all Renfrewshire Council's land and buildings relevant for

⚠ Audit Risk	Management's sources of assurance	Planned audit work
suggests this will not be required in 2020/21, but recognise this position may change in the coming months.		• the 2020/21 revaluation exercise. • Review and assess the reasonableness of revaluations. • Assess the Council's response to any changes in guidance issued by RICS.
4 **Impact of additional funding due to Covid-19 on the financial statements** The Covid-19 pandemic has resulted in significant financial pressures for the Council. The Scottish and UK governments have announced a range of additional funding streams for the Council to support frontline services and help the Council manage the financial pressures caused by Covid-19. This has also resulted in an associated increase in expenditure, with some new expenditure streams. Total additional funding in 2020/21 is expected to be around £25 million.	Covid-19 related expenditure and income losses have been closely monitored and separately reported through amended budget monitoring arrangements over the course of 2020/21; with forecasts of total spend regularly reported to Council. Additional grant income is also closely monitored to ensure the net impact of the pandemic in 2020/21 is understood and can be used to inform financial forecasts for 2021/22.	• Assess how the Council has processed and controlled the additional funding and associated expenditure. • Assess how the additional funding and associated expenditure impacts on the financial statements. • Review the Management Commentary in the annual accounts and consider how the additional funding and associated expenditure has been reported.

Source: Audit Scotland

7. As set out in ISA 240, there is a presumed risk of fraud in revenue recognition. There is a risk that income may be fraudulently misstated resulting in a material misstatement in the financial statements. We do not consider this to be a significant risk for Renfrewshire Council as there are limited opportunities to manipulate the way income is recognised in the financial statements and have therefore rebutted this risk.

8. In line with Practise Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have also rebutted this risk as there are limited opportunities to manipulate the way expenditure is recognised.

Exhibit 2
2020/21 Significant wider dimensions risks

⚠ Audit Risk	Management's sources of assurance	Planned audit work
Wider dimensions risks		
1 **Financial Sustainability** The Council approved the 2020/21 budget in early March 2020, prior to the impact of the Covid-19 pandemic. Following the impact of decisions at the Council meeting, net expenditure	The additional costs and grant income associated with the pandemic have been closely monitored over the course of 2020/21 and it is now	We will review and assess • Financial reports and papers such as budget monitoring reports, 2021/22 budget, medium and long-term

⚠ Audit Risk	Management's sources of assurance	Planned audit work
was expected to be £435.744 million and a breakeven position was forecast.

However, Covid-19 has had a significant impact on the Council's finances. The Council's Financial Outlook 2021 – 2023 paper outlines additional pressure on the general fund budget in 2020/21 in the region of £20-£22 million. Additional funding of around £25 million from the Scottish Government has been confirmed to date.

Consequently, the latest report to Council (4 March) indicates a projected underspend on the core budget, with a level of Covid-19 related funding streams now being carried forward into 2021/22. | anticipated that the impact on reserves forecast earlier in the 2020/21 financial year will be less significant. However, the risk environment remains heightened and in this context Council agreed in December 2020 to increase unallocated reserves to £10m funded from financial flexibilities in closing the 2020/21 financial position. | savings plans and financial outlook papers.

• Assumptions and judgements in financial reports and papers for reasonableness.

• The impact on the Council's reserves against its stated reserves policy and the adequacy of plans in place to replenish unallocated reserves in the event they are exhausted by the end of 2020/21 |
| **2 Budget monitoring**

A recommendation was made in our *2019/20 Annual Audit Report* around budget monitoring arrangements. A number of improvements had been made over the year, but transparency could be further improved through the timely publication of an amended budget to reflect decisions made by members during budget approval.

In addition to our work, internal audit work also identified issues with operational budget monitoring arrangements. Their work concluded a fundamental review of budget monitoring documentation was required in a small number of services. | Budget monitoring arrangements have been reviewed and amended where required in order to ensure consistency with wider council budget monitoring arrangements. | • Follow up of prior year recommendation and review of updates to budget monitoring arrangements.

• Discussions with internal audit around progress against their recommendations. |

Source: Audit Scotland

Reporting arrangements

9. Audit reporting is the visible output for the annual audit. All outputs, as detailed in Exhibit 3, and any other outputs on matters of public interest, will be published on our website: www.audit-scotland.gov.uk.

10. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft outputs will be issued to the relevant officers to confirm factual accuracy.

11. We will provide an independent auditor's report to Renfrewshire Council and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Director of Finance and Resources, the Council and the Accounts Commission with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit.

12. As outlined in paragraph 4, Audit Scotland views 2020/21 as being another challenging year. Exhibit 3 outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report and Annual Audit Report by the statutory deadline of 31 October 2021. However, we acknowledge this may not be achievable due to the ongoing pressures and uncertainties caused by Covid-19. We will maintain a pragmatic and flexible approach to the audit and will continue to have discussions with management around the progress of our work and any changes that may be required to target dates. Where possible, we will aim to have draft outputs available for the Audit, Risk and Scrutiny Board meetings as outlined in Exhibit 3.

Exhibit 3
2020/21 Audit outputs

Audit Output	Target date	Audit, Risk and Scrutiny Board date
Annual Audit Plan	15 March 2021	22 March 2021
Independent Auditor's Report	31 October 2021	25 October 2021
Annual Audit Report	31 October 2021	25 October 2021

Source: Audit Scotland

The audit of trusts registered as Scottish charities

13. Members of Renfrewshire Council are sole trustees for one trust and three common good funds, registered as Scottish charities, with gross assets of some £36.322 million. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

14. The Charities Accounts (Scotland) Regulations 2006 require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and independent auditor's report is required for each registered charity where members of Renfrewshire Council are sole trustees, irrespective of the size of the charity.

15. Based on our discussions with staff and initial planning work, we have identified a significant financial statements risk of material misstatement due to management override of controls for the trust and three common good funds. Our planned work around this risk is the same as the planned work for risk one in Exhibit 1.

Audit fee

16. The audit fee for the 2020/21 audit of Renfrewshire Council, including the trust fund and common good funds, is £367,010 (2019/20: £358,030). In determining the audit fee, we have taken account of the risk exposure of Renfrewshire Council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 25 June 2021.

17. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit, Risk and Scrutiny Board and Director of Finance and Resources

18. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

19. The audit of the annual accounts does not relieve management or the Audit, Risk and Scrutiny Board, as those charged with governance, of their responsibilities.

Appointed auditor

20. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

21. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

22. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Renfrewshire Council and the associated risks which could impact on the financial statements;

- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements;

- identifying major transaction streams, balances and areas of estimation and understanding how Renfrewshire Coucnil will include these in the financial statements;

- assessing the risks of material misstatement in the financial statements; and

- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

23. We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the Renfrewshire Council and its group as at 31 March 2021 and of the income and expenditure of the Council and its group for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and

- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.

Statutory other information in the annual accounts

24. We also review and report on statutory other information published within the annual accounts including the Management Commentary, Annual Governance Statement and the Remuneration Report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

25. We also review the content of the annual accounts for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

Materiality

26. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

characteristics

responsibilities

principal activities

risks

governance
arrangements

27. The materiality levels for Renfrewshire Council are set out in Exhibit 4. These apply to both the Renfrewshire Council single entity financial statements and the Renfrewshire Council group financial statements.

Exhibit 4
Materiality values

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1.25 per cent of gross expenditure for the year ended 31 March 2020 based on the 2019/20 audited annual accounts.	£8.3 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 65 per cent of planning materiality.	£5.4 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at three per cent of planning materiality.	£0.250 million

Source: Audit Scotland

Timetable

28. We have included a proposed annual accounts timetable at Exhibit 5 that has been discussed with management. However, as outlined in paragraph 12, the pressures caused by Covid-19 and the uncertainties presented as the situation develops could impact on the timings of our audit and lead to changes in the timetable as outlined below. As a result, the timetable will be kept under review and discussed with management and the finance team over the course of the audit.

Exhibit 5
Proposed annual accounts timetable

⊘ Key stage	📅 Date
Consideration of unaudited annual accounts by the Council	24 June 2021
Latest submission date of unaudited annual accounts with complete working papers package	25 June 2021
Latest date for final clearance meeting with Director of Finance and Resources	8 October 2021
Agreement of audited unsigned annual accounts	25 October 2021
Issue of Letter of Representation and proposed independent auditor's report	25 October 2021
Issue of Annual Audit Report to those charged with governance	31 October 2021
Independent auditor's report signed	31 October 2021
Latest date for signing of WGA return	*TBC*

Internal audit

29. Renfrewshire Council's internal audit function is provided in-house and overseen by the Chief Auditor. As part of the 2019/20 audit, we carried out a review of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). We concluded that the internal audit function complies with PSIAS and appropriate documentation standards and reporting procedures were in place. In 2020/21, we carried out a review in accordance with the requirements of ISA 315 which confirmed there were no changes that would impact on this conclusion.

Using the work of internal audit

30. International Auditing Standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to use the work of internal audit wherever possible to avoid duplication. We do not plan to use the work of internal audit for our financial statements audit work. However, we have considered the findings of internal audit's work as part of our planning process and will also consider reports published over the course of the audit.

Audit dimensions

31. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in Exhibit 6.

Exhibit 6
Audit dimensions

Source: Code of Audit Practice

32. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on Best Value.

33. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability and value for money.

Financial sustainability

34. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years)

and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term;

- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps; and

- whether there are arrangements in place to demonstrate the affordability and effectiveness of funding and investment decisions.

Financial management

35. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether arrangements are in place to ensure systems of internal control are operating effectively;

- the effectiveness of budgetary control systems in communicating accurate and timely financial performance can be demonstrated;

- how Renfrewshire Council has assured itself that its financial capacity and skills are appropriate; and

- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.

36. As part of our work this year we will broaden our consideration of these matters in light of the impact of the COVID-19 pandemic.

Governance and transparency

37. Governance and transparency are concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information. We will review, conclude and report on whether Renfrewshire Council can demonstrate:

- that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with, others such as Renfrewshire Leisure Limited (RLL));

- there is effective scrutiny, challenge and transparency on the decision making and finance and performance reports; and

- the quality and timeliness of financial and performance reporting.

38. As part of our work this year we will broaden our consideration of these matters in light of the impact of the COVID-19 pandemic.

Value for money

39. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether Renfrewshire Council can demonstrate:

- value for money in the use of resources;

- there is a clear link between money spent, output and outcomes delivered;

- that outcomes are improving; and

- there is sufficient focus on improvement and the pace of it.

Best Value

40. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincided with the new five-year audit appointments. Auditors started using the framework for their audit work from October 2016.

41. A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five-year audit appointment, both through the ongoing annual audit work, and through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

- the Annual Audit Report for each council that will provide a rounded picture of the council overall.

- an annual assurance and risks report that the Controller of Audit will provide to the Commission that will highlight issues from across all 32 council Annual Audit Reports; and

- a Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once in a five-year period. Renfrewshire Council's BVAR was published in August 2017.

42. The four councils on which a BVAR will be published during the fifth year of the new approach are listed in Exhibit 7. Reports will be considered by the Accounts Commission in the period between March and November 2021.

Exhibit 7
2020/21 Best Value Assurance Reports

Aberdeen City Council	Falkirk Council
South Ayrshire Council	
East Dunbartonshire Council	

Source: Audit Scotland

43. The work planned in the Renfrewshire Council this year will focus on the Council's arrangements for demonstrating Best Value in financial planning and financial governance and resource management. The work will be integrated with that described above in these areas. The results of this work will be reported in the Annual Audit Report.

Independence and objectivity

44. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual "fit and

proper" declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

45. The engagement lead (i.e. appointed auditor) for Renfrewshire Council is John Cornett, Audit Director. Auditing and ethical standards require the engagement lead to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Renfrewshire Council.

Quality control

46. International Standard on Quality Control 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

47. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General and Accounts Commission. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

48. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

Renfrewshire Council Renfrewshire Council
Annual Audit Plan 2020/21

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To: **Audit, Risk and Scrutiny Board**

On: **22 March 2021**

Report by: **Director of Finance and Resources**

Heading: **"Risk Matters," the combined risk policy and strategy**

1. **Summary**

1.1 Risk Matters is formally reviewed with approval sought from the Board, every two years, and an interim review conducted by the Corporate Risk Management Group on behalf of the Corporate Management Team.

1.2 In previous iterations of Risk Matters there have been incremental changes year on year as risk policy and strategy has evolved over time, with Risk Matters continually being well embedded throughout the organisation and well supported by all service departments (as evidenced in independent audit findings).

1.3 Over recent months, the Corporate Risk Management Group (CRMG), in consultation with the Corporate Management Team and external risk advisors, has been leading on an in-depth review of Risk Matters. The CRMG believes that it is now time to take the risk policy and strategy to the next level, building on existing good practice, making sure it is fit for our time, ensuring it is supportive of the council's core two-year strategies for economic, social and financial recovery, and ensuring that good risk management adds value wherever it is applied.

1.4. "Risk Matters – the next level" is presented in full in Appendix 1 for the Board to consider for approval.

2. **Recommendations**

2.1 It is recommended that the Board approves "Risk Matters – the next level" in keeping with the Board's delegated authority for the council's risk management arrangements.

3. **Background**

3.1   The current risk management framework (encompassing our risk policy and strategy), is well established with strong buy-in and support for risk management across the organisation.

3.2   The current policy and strategy provides a solid foundation for all of the other elements within the framework to operate and there are effective tools and support to enable risk to be managed well. There is no suggestion that the current framework isn't working – this is about making some adjustments that will enable us to grow even more in our risk management maturity. We recognise that there is always room for improvement and development, and we would be complacent if we thought otherwise.

3.3   The framework was always designed to flex and adapt to the changing environment the council operates within with the resources available. The Corporate Risk Management Group recognised that now was the time to shine a lens on the current risk management arrangements and challenge them to ensure they (1) effectively support the here and now position of the council, particularly in respect of the two-year recovery strategies for the economy, social and financial environment, and (2) add even more value back into the organisation, both for now and into the future.

3.4   Reflecting the here and now

Renfrewshire Council has set out its Road to Recovery, which includes a number of plans to address the stark impact of the Coronavirus pandemic in Renfrewshire. In the CRMG's review of the risk policy and strategy we have supported this with three specific changes that members are asked to agree within the context of approving the whole document:

1. Our **vision** – the council's risk management vision has been revised as follows:

    "Good risk management practice will be embraced as an enabler of success, whether in times of social, financial and economic recovery, managing ongoing significant and 'business as usual' challenges or in pursuing opportunity and innovation."

2. Our risk **categories** – we have amended the definitions for strategic and corporate risks as follows:

    "Strategic risks are outward in focus and represent threats or opportunities linked to the Community Plan outcomes and our two-year economic and social recovery strategies"

    "Corporate risks are inward in focus and represent threats or opportunities linked to the Council Plan outcomes and our two-year financial recovery strategy"

3. **How the CRMG conducts itself** – the in-depth detail of this will be recorded in the Group's Terms of Reference, rather than Risk Matters, but essentially the group's updated remit (page 7 of the attached), will see use of meeting time and activities more effectively. While this change will undoubtedly add value, it is appropriate that it is noted here under 'Reflecting the here and now' as slight

changes to the CRMG, which is chaired by the Risk Manager, will in itself enable the Risk Manager to better support the current environment and challenges, getting more deeply involved in higher profile aspects of risk (page 20 of the attached).

3.5   Adding value for now and into the future

There are two further specific areas of change that members are asked to agree in the context of approving the whole policy and strategy and these relate to:

1. A **new category of risk** "business as usual." This change will introduce a fresh and dynamic approach to how we see and address our business as usual risks. Business as usual risks are defined as are those that are not generally related to corporate priorities or ambitions but rather, are inherent to our organisation simply by default of the type of organisation that we are. For example, this risk category will cover risks such as information handling, cyber security, asset management etc. Importantly, this category of risk will be addressed differently when compared to strategic or corporate ones. Business as usual risks will no longer go through the risk management process (with assessment, evaluation and treatment recorded via risk registers), but alternatively, will be supported by a new assurance model, to be developed, where focus will be on acquiring assurance from service departments (specifically from all Heads of Service), that the organisational controls we rely on for these risks are being implemented in a way that provides assurance.

2. A **new activity for the Corporate Risk Management Group** – "Control deep dives." Risk management is not always about eliminating risk but is about gaining a better understanding of the nature and scale of risks that could impact on objectives and then taking actions to reduce or mitigate them. It is important however to strike the right balance between too little control and over control. Control deep dive is a valuable exercise which involves detailed investigation of specific risk controls known to be in place, where we can explore in depth how much value each control brings to managing the related risks and this will help provide assurance that risk control is proportionate to risk or identify where risks are materially over or under-controlled. Control deep dive will therefore add further value to decision-making involving risk and better support the council in implementing effective risk management arrangements.

3.6   Paragraphs 3.4 and 3.5 have highlighted the material policy and strategy changes that are included in the revised Risk Matters attached. In looking through the appendix however, members will also note a distinct change in the document's presentation. It is widely accepted that people have different learning and reading styles and we believe that presenting the council's revised risk policy and strategy in this new format will be more engaging for our colleagues to read and understand. No content has been compromised in presenting the document in such a way and indeed by default it becomes an imminently accessible training document once approved and then published.

3.7   Taken together, we believe all these adjustments will serve the council's approach well. Our "Risk Matters – the next level," is forward thinking and innovative, it builds on the excellent risk foundation we have, it will give greater oversight and assurance and enable the council to test its appetite and tolerance of risk and check that we are operating as effectively as possible.

3.8   On approval of Risk Matters, the council's Strategic Risk Management Development Plan will be updated with all the development activity that will now commence to ensure full implementation over the next 12 months or so, and as was reported to Board on 23 November 2020, with the new policy and strategy taking effect from 1 April 2021, the next formal annual report, which will update the Board on progress, will be scheduled for May 2022.

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Implications of the Report

1.   **Financial** - There are no specific financial risks associated with the provision of this paper. A key benefit of effective risk management is better use and prioritisation of the council's resources

2.   **HR & Organisational Development** - key benefits of effective risk management include high levels of employee morale and productivity and further enhancement of the council's good reputation both as an employer and as a public service provider

3.   **Community/Council Planning** – revised strategy supports strategic and corporate risks being aligned to community/ council plan outcomes

4.   **Legal** - key benefit of effective risk management is a higher level of service user experience/ satisfaction with a consequent reduction in adverse incidents, claims and/ or litigation

5.   **Property/Assets** - key benefit of effective risk management is better use and prioritisation of the council's resources/ assets

6.   **Information Technology** - key benefit of effective risk management is better use and protection of the council's ICT resources/ assets

7.   **Equality & Human Rights** - not relevant to report recommendations

8.   **Health & Safety** - key benefit of effective risk management is a reduction in adverse health and safety incidents

9.   **Procurement** - risk management principles are built into the council's procurement processes to ensure supply chain management and contract risks are addressed

10.   **Risk** – as per the subject matter of this report

11.   **Privacy Impact** – not relevant to report recommendations

12.   **Cosla Policy Position** – not relevant to report recommendations

13.   **Climate Risk** – risk management principles are key to effective climate risk management

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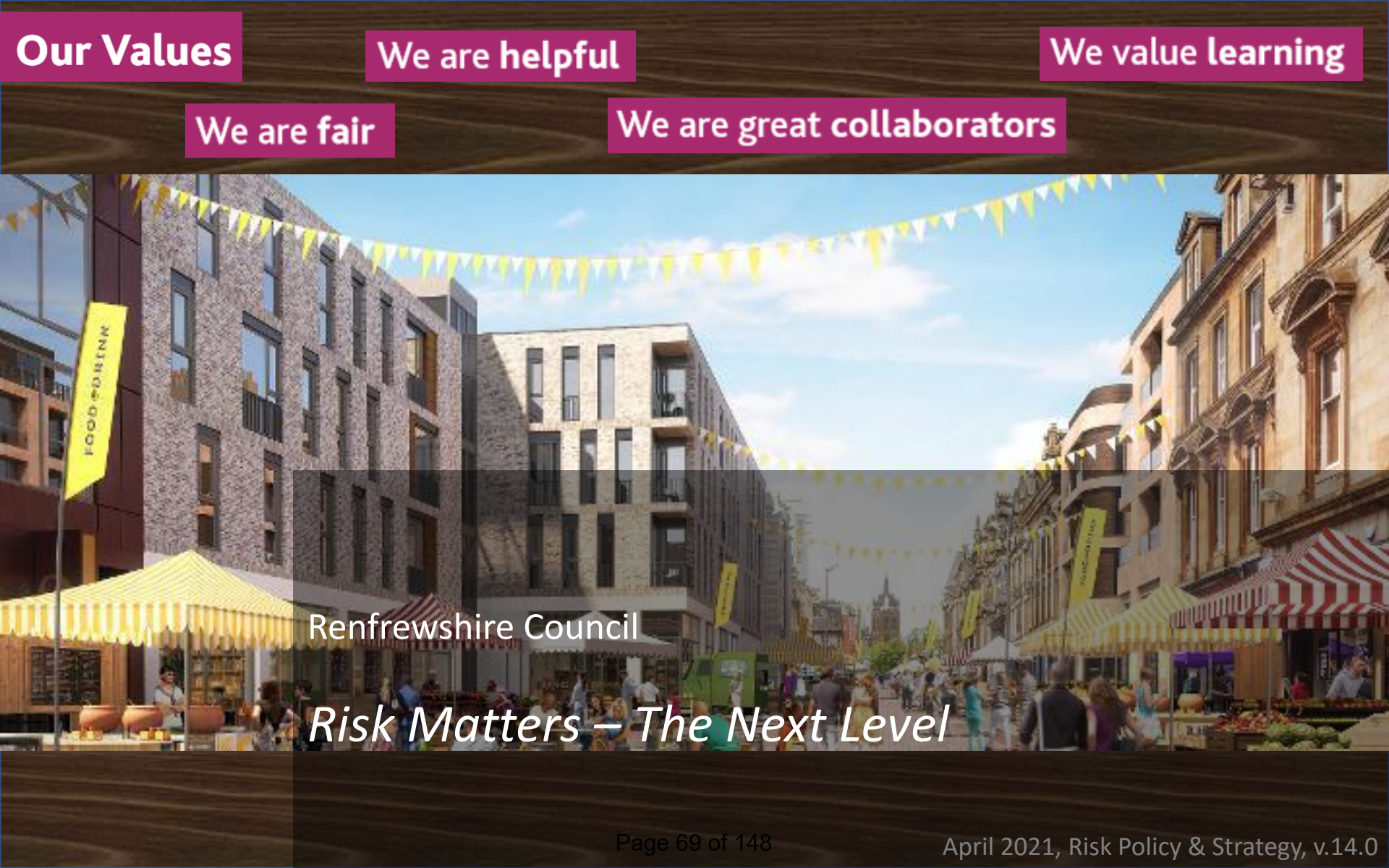
Renfrewshire Council

Risk Matters – The Next Level

The Council promotes a culture where employees are encouraged to develop new initiatives, improve performance and achieve goals safely, effectively and efficiently by appropriate application of good risk management practice.
In doing so we aim to protect vulnerable people, deliver high quality services for all service users, achieve high standards of performance, make the most of opportunity, and provide a safe environment for those we employ, contract or partner with in providing a wide range of services.

Our vision

Good risk management practice will be embraced as an enabler of success, whether in times of social, financial and economic recovery, managing ongoing significant and 'business as usual' challenges or in pursuing opportunity and innovation.

Our approach

We will encourage our people to manage risk well and will equip them with the skills to do so.

We will be risk aware, not risk averse.

We will embed good risk management practice into our business processes.

Risk Management Policy

Our principles

We will use risk data to make fair judgments/ good decisions.

We learn from the past to build a better and more resilient future.

We will work with our partners for the benefit of our citizens.

Our risks

We will adopt an industry standard for our risk management process.

We will be open about our risks and risk appetite; knowing when risks are acceptable to take or tolerate, or not.

We will ensure risks are handled in a way that will add most value to the business.

Signed: Alan Russell, Director of Finance and Resources, 26 February 2021

Risk Management Strategy

Our strategy is integral to our risk management framework.

Governance & Reporting – structures, roles and responsibilities for managing/ reporting on risks and the effectiveness of the framework and risk objectives.

Enablers - our fundamental building blocks for success; what we need to make risk management 'happen.'

Process - a standardised way to identify, assess and evaluate risks consistently.

Application – areas of business activity where applying good risk management should add value and deliver results.

Risk Service – a dedicated resource for promoting and supporting the risk management framework.

Risk Management Framework

Risk Management Policy & Strategy

Governance:
Leadership, Reporting and Accountability
Board, Groups and Individuals

Enablers	Risk Management Process	Application/ Results
Objectives Guidance People Training Development eSystems	...linked to our risk appetite	Policies Planning Performance Budgeting Project Mgt.

Supported by the Risk (and Insurance) Service

Governance

Roles and Responsibilities - Groups

Renfrewshire Council's [Scheme of Delegated Functions](#) specify matters which are the delegated responsibility of Boards and the Chief Executive; including risk management.

The diagram here shows how risk information flows throughout the council. Pages 5 to 8 set out the specifics of how this works and the various responsibilities.

Council
(Elected members)

Corporate Management Team
(Chief Exec and Directors)

Audit, Risk & Scrutiny Board
(Elected members)

Senior Management Teams
(Directors with their Heads of Service/ Senior Managers)

Corporate Risk Management Group
(Risk reps from each service and risk specialists)

Specialists
Local Teams –
(Services, Groups or Projects)
i.e. Health & Safety Planning Groups

Council and Policy Boards

The Council holds overall accountability for ensuring we have a suitable risk management framework in place so that significant risks are adequately identified and controlled. The execution of this risk related duty is delegated to the Audit, Risk & Scrutiny Board.

The Audit, Risk and Scrutiny Board (ARS), has authority to approve the risk management policy and strategy, consider the effectiveness of the risk management arrangements through the annual risk management report, and approve the strategic and corporate risk registers, and relevant service risks. In approving the risks, the Audit, Risk and Scrutiny Board is responsible for ensuring that risks within their remit are appropriately managed and that any further planned action is proportionate to the level of risk.

All policy boards consider recommendations in relation to any specific risks brought to the board as a matter of business as usual (through the risk implications section of Board Papers). Policy boards have a further responsibility to facilitate the sharing of learning across the council, from good practice or any events or near misses that identify trends and potential risk.

Corporate Management Team

In respect of the Risk Management Framework, the Corporate Management Team promotes a risk aware culture and encourages good risk management practice across all services and activities. The CMT ensures risk information and data is used to guide major decisions in areas such as policy development, service planning, performance monitoring, budget planning, investment programmes, change programmes, projects and partnerships. The CMT ensures that a member of the management team oversees the risk management framework on behalf of the Chief Executive, and ensures the remit of the risk service/ risk manager is clear. For reporting of risk information, the CMT ensures arrangements are clear and are implemented across the organisation. The CMT ensures that key performance measures are in place to check that risk management is in line with the risk management policy and strategy and ensures that risk management arrangements are reviewed at a minimum of every two years so that it remains fit for purpose and reflects best practice.

In respect of managing risk as part of its normal business reporting arrangements the CMT will regularly receive updates on risks relating to the council and community plan objectives and strategic recovery plans (economic, financial and social), ensuring that significant risks that could impact on key objectives or service delivery responsibilities are identified and responded to appropriately. On an annual basis the CMT will additionally review and agree the organisation's risk registers to be submitted to the ARS Board for approval, ensuring risk owners are clearly identified. The CMT will provide support to the Corporate Risk Management Group for undertaking deep dives into various risk control measures. The CMT maintain a clear understanding of the council's risk profile and how it relates to the council's appetite for risk. The CMT has a vital role in ongoing horizon scanning for potential new risks (opportunities or threats), yet encouraging innovation through appropriate and informed risk management.

Corporate Risk Management Group

In respect of the Risk Management Framework, the CRMG leads on implementing the Strategic Risk Management Development Plan (SRMDP) that supports delivery of the risk management policy and strategy. The Group develops and monitors key risk management performance indicators and prepares the risk management annual report on the effectiveness of the council's risk management framework in order to provide assurance to the ARS Board. The Group leads risk management initiatives across all services and facilitates sharing of good risk management between services. Risk 'specialists' who sit on the Group (the Risk Management Alliance) take forward specific initiatives related to the Group's remit and provide related regular updates.

In respect of managing risk, the Group oversees the annual refreshing of risk registers being submitted to the CMT for agreement and onwards submission to the Board for approval. The Group supports this process by submitting a mid-year progress report to the Board each year. The Group ensures that suitable arrangements are in place for the management of 'business as usual' risks across the organisation and undertakes deep dives on specific risks so that best value is delivered in managing risk, and that risks are not materially over or under controlled.

Risk Management Alliance (RMA)

The RMA comprises a small number of employees who work in risk-related roles (i.e. audit, risk management and insurance, health and safety, civil contingencies, information governance and facilities management), and adds further value to their roles in working closely together as subject experts and a subgroup of the Corporate Risk Management Group.

The RMA provides a central resource of expertise to the wider council and officers work jointly and closely together on various corporate either directly or through/ at the request of other council services. Through members of the RMA, services can often access other internal or external sources of expertise such Police, Insurers and/ or Insurance brokers/ advisors.

Specialists, Local Teams (Services, Groups or Projects)

Service management teams regularly review their service risks and are clear on their top risks to be forwarded to the CRMG annually for inclusion in the council-wide risk report submitted to the ARS Board.

In addition, other teams, groups or specialists that meet and who often consider risk matters in one way or another (i.e. health and safety planning groups, the information management and governance group, or project teams), will be familiar with the council's risk management framework and ensure they access training and other services available to them through the council's Risk Manager or RMA. Such groups should also ensure they keep their service risk reps informed of their areas of work and any developing risks so that these can be captured in service risk registers where appropriate.

Governance

Roles and Responsibilities - Individuals

Individuals – the bubbles to the right show the named individuals who have specific roles in risk management – **over and above the responsibilities that all employees have**. Pages 10 to 14 set out the specifics in more detail.

Elected Members

Chief Auditor

Chief Executive

Director of Finance & Resources

Risk Manager

Head of Child Care & Criminal Justice

All Directors

Service Risk Reps

All Heads of Service

Elected Members

A significant aspect of an elected member's role is in making decisions for the council and the people of Renfrewshire. In considering any recommendations from officers relating to new policies/ proposals, members ensure they are aware of the risks and benefits involved prior to making their decisions. The 'risk implications' section on board papers will enable appropriate risk information to be provided and reviewed.

Chief Executive

The Chief Executive is accountable for the council's risk management framework, ensuring suitable and effective arrangements are in place to manage the council's risks.

The Chief Executive is supported in this role by the Director of Finance and Resources.

Director of Finance & Resources

The Director is directly accountable to the Chief Executive and is the CMT member responsible for overseeing the council's risk management framework and remit of the risk management function. The Director is responsible for leadership and co-ordination of the risk management agenda, for undertaking the role of 'Senior Information Risk Owner' and for ensuring any significant risk issues requiring attention are brought before the CMT. The Director of Finance and Resources is supported in their role by the Chief Auditor and the Risk Manager.

Chief Auditor

The Chief Auditor supports the strategic direction of risk management in the council, overseeing the work of the risk management service which includes delivering risk management guidance, training and development and risk software for recording organisational risks.

The Chief Auditor ensures that the strategic audit plan considers the council's key risks as well as key areas of organisational change for which risk is inherent, and ensures that the outputs of internal audit work similarly inform the strategic, corporate and service risks in terms of any required improvements identified.

Risk Manager

This role is an enabling role, encouraging officers to practice sound risk management. The role provides advice and guidance to services in implementing the council's risk policy and strategy and supports risk management in high profile areas of activity within the organisation.

The Risk Manager provides training and development opportunities for members, employees and partners through a variety of methods, such as linked to elected member training, management development programmes and projects.

As chair of the Corporate Risk Management Group and Risk Management Alliance, the Risk Manager ensures suitable arrangements are in place so that the CRMG can deliver best value in its activities for the council and make timely submissions to Board in relation to strategic, corporate and service risks and the risk management annual report.

Making sure insurable risk across the council is appropriately covered also falls within the remit of the Risk Manager

All Directors

Service directors and their senior management teams implement local arrangements in support of the risk policy and strategy (and associated guidance and procedures).

All directors are accountable to the Chief Executive, the Corporate Management Team and Policy Boards for managing risks within their areas of responsibility.

While service directors have accountability for the management of a risk within their service, they might not 'own' the risk control measures being implemented to manage the risks (e.g. implementation of policies developed by other services). In this case, the role of the director is to oversee that the controls are fit for purpose and operating effectively within their area of responsibility and liaise with directors who 'own' the controls should they have any concerns.

Service directors and their senior management teams will be supported in their risk management responsibilities by their nominated service risk management rep who will also represent the service on the Corporate Risk Management Group.

Service Risk Reps

The risk reps support corporate risk management activities, representing their service on the CRMG. Risk reps attend all CRMG meetings and take part in its activities (or arrange a deputy if required).

The risk reps actively promote corporate risk initiatives and training opportunities and play a valuable role in progressing risk KPIs and the Strategic Risk Management Development Plan.

Locally, the reps support their directors, senior teams and colleagues to implement *Risk Matters*. The risk rep is the first point of contact for risk queries within their service.

A key role for the risk rep is to support their service in getting its risk information ready for Board – for strategic, corporate or service risks.

Similarly, risk reps support their heads of service in providing assurance as to how their 'business as usual' risks are being handled.

The risk reps raise any significant service risks that require to be considered for escalation.

All Heads of Service

Heads of Service are required to ensure their employees are familiar with *Risk Matters* and associated guidance; they are accountable to their Director for managing risk across their remits.

Specifically, heads of service will regularly review and update the risks they own, either directly or on behalf of their Director or the CMT (whether these are strategic, corporate, service or project risks).

Similarly Heads of Service will be responsible for providing assurance as to how their 'business as usual' risks are being handled.

Within their teams, the Heads of Service ensure their employees understand the risk context in which they undertake their duties, they encourage their employees to promptly report any matters of concern and make sure that risk management skills and training needs are assessed and addressed.

Head of Child Care & Criminal Justice

Section 3 of the Social Work (Scotland) Act 1968 requires every local authority to appoint a professionally qualified Chief Social Work Officer (CSWO). The CSWO is a 'proper officer' in the social work function: an officer with particular responsibility on behalf of a local authority, where the law requires the function to be discharged by a specified post holder. The Head of Child Care and Criminal Justice is the council's specified CSWO.

The Chief Social Work Officer ensures the provision of effective and professional advice relating to the provision of social work services and assists understanding of the complexities of social work service delivery, particularly in relation to issues such as corporate parenting, **child protection, adult protection and the management of high risk offenders.** The CSWO has a role to play in overall performance improvement and significantly in the identification and management of risk insofar as it relates to social work services, including adult social work services delegated to the Renfrewshire Health and Social Work Partnership.

Governance

All employees

Good risk management should be embedded in the daily activities of every employee. By ensuring that decisions on risk management are taken locally rather than centrally, the council encourages local ownership of the process. All employees are encouraged to be actively involved in identifying current and potential risks where they work. Employees should make every effort to be aware of situations that might put themselves or others at risk, report identified hazards or concerns and take action to reduce risk. To do this it is important that employees:

- make sure they know the risks linked to their roles and activities;
- understand that how they behave in relation to risk could impact on their own and their client's/ the public's safety;
- make sure they know if they are accountable for particular risks and how to manage them;
- understand it's important that they can contribute to improvements in risk management and should be supported to come forward with ideas;
- understand that good risk management is part of Renfrewshire Council's 'DNA' and culture; and,
- quickly report to their line manager where they perceive new risks or problems with how existing risks are being managed. This includes reporting any near misses they become aware of.

Enablers - our fundamental building blocks for success; what we need to make risk management 'happen.' Having these components means we have evidence that risk management arrangements are in place; this is essential for providing assurance and for demonstrating compliance with industry standards that relate to risk management (such as ISO 31000)

- **Objectives** –

These are shown to the right. In working to these we can deliver benefits to the council and the measures of success include better financial outcomes, delivery of business objectives and targets, better project success rates, good outcomes from external scrutiny, fewer unexpected problems, fewer incidents, accidents or complaints, and fewer insurance claims/ less litigation. We have key performance indicators to track how well our strategy is being implemented.

Strategic Risk Management Objectives

Enablers

(1) <u>Leadership and management</u>: Ensuring that our Members, Directors and Senior Managers fully support and promote risk management

(2) <u>Policy and strategy</u>: Ensuring that our policy and strategy remain fit for purpose and maintain a consistent approach to the management of risk and increasing its effectiveness

(3) <u>People</u>: Ensure that our people are equipped and supported to manage risk well

(4) <u>Partnerships and resources</u>: Ensuring that we have effective arrangements for managing risks in partnerships and resourcing risk management activity

(5) <u>Processes</u>: Ensuring that our risk management processes are effective in supporting the business activities of the council

Results

(6) <u>Risk handling and assurance</u>: Ensuring that risks are handled well and that the council has assurance that risk management is delivering successful outcomes and supporting innovation

(7) <u>Outcomes and delivery</u>: Ensuring that risk management does contribute to achieving positive outcomes for the council

Enablers – continued…

- **Guidance** – all guidance supporting the risk policy and strategy is all available on the [Intranet]

- **People** – as has been set out already in pages 10 to 14

- **Training** – a range of training and development opportunities are available through the risk manager

- **Development** – our strategic risk management development plan (SRMDP) is the plan that helps us stay on track with our strategy and for meeting our objectives. The plan includes immediate, medium or longer term actions for the lifetime of the present strategy, with named responsible officers. The plan is realistic, stretching but achievable; it allows CRMG to focus on strategic priorities and actions but at the same time helps risk reps to consider operational requirements for supporting the objectives.

- **eSystems** – we make the most of technology whenever possible. We use Pentana for recording strategic, corporate or service risks and KPIs, project management software for project risk, the intranet for policy, strategy, guidance and other risk management media, Business World for accident and incident recording and monitoring, iLearn for online courses, and we use MS Teams and channels to facilitate our CRMG meetings and comms.

Risk management process
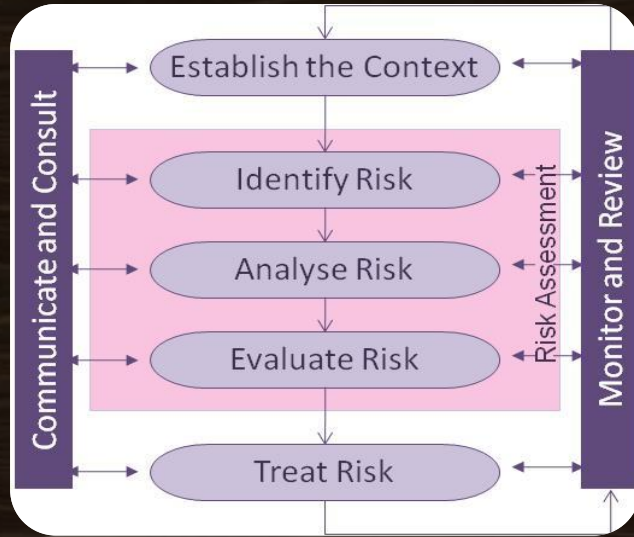
Renfrewshire Council embeds risk management throughout the council using an industry accepted risk management process and applying this consistently across all services and business activities (i.e. budget setting/ projects etc), it helps us better understand risk and make better risk-based decisions.

Risk Guidance note 02 is dedicated to explaining the process fully but some important points of note are set out on this page and the next.

Context - takes account of many factors, including considering **what type** of risk is being addressed.

- Strategic risks are outward in focus and represent threats or opportunities linked to the Community Plan outcomes and our two-year economic and social recovery strategies
- Corporate risks are inward in focus and represent threats or opportunities linked to the Council Plan outcomes and our two-year financial recovery strategy
- Service risks impact only on the remit of the individual service, its employees/ volunteers, contractors/ partners, or the general public/ service users. Service risks can be proposed for escalation to corporate risk if they require significant central resource for risk control measures.
- Project risks represent events or circumstances which may impact on a specific project - usually as a threat to schedule and/ or cost of a project or the benefits the project will deliver. Any residual risks at the end of a project are handed over to the relevant service department/s to manage.

All of the above risk types can be found recorded on registers and are reported to Policy Boards or Project Boards.

'Business as usual' risks however are not generally related to corporate priorities or ambitions but rather are inherent by nature of our type of organisation. These risks do not go through the full risk management process but are managed via an assurance model

Risk management process (continued)
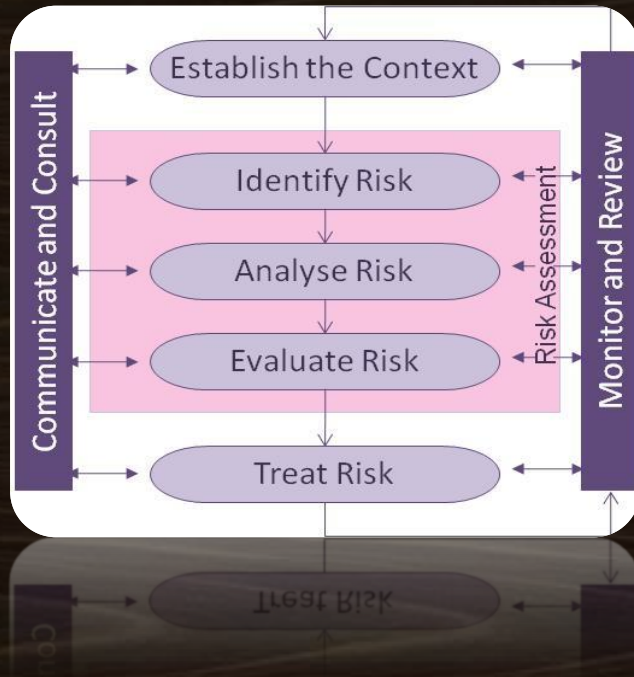
Analysing risk

Two factors are used to analyse risk – likelihood of occurrence, multiplied by the severity of the consequence/s if it does. (Guidance note 04)

Evaluating risk

The outcome of analysis is a risk score which leads to evaluation being either *Low, Moderate, High or Very High*.

This aspect is **extremely important** as it links to the council's risk 'appetite' and will determine how a risk should be treated (unless legislation deems otherwise). It is generally understood by all services that *usually*:

- low risk is acceptable without any further action to prevent or mitigate the risk;
- moderate risk is tolerable - control measures implemented or introduced must be cost effective;
- high risk may be tolerable - providing the council is assured regarding the adequacy and effectiveness of the control measures in place. Any further control measures implemented or introduced must be cost effective in relation to the high risk;
- very high risk is deemed to be unacceptable and measures should be taken to terminate, transfer or treat a very high risk to a more tolerable.

The council recognises that in exceptional circumstances a combination of factors produce 'very high' risks, for which the council may have limited control (such as a global pandemic, recessions etc). While it may have the capacity to deal with some very high risk, the Council does not wish to tolerate any more than two or three very high risks at any given time, either corporately or within the service departments .

Application/ results

While enablers provide the building blocks for risk management to happen and the risk managing process brings consistency in how we view and understand risk, it's only when we apply this to our business activities that risk management starts to really add value to our organisation. Good examples of this include:

* Policy Development
* Service Planning
* Budgeting
* Performance Management
* Project management

These activities are shown on the right with some practical suggestions.

Policy Development

Risk management thinking can add value by checking e.g:
- Any strengths, weaknesses, opportunities or threats to delivering the new policy?
- Could we be creating new risks when bringing in the new policy?
- If the policy isn't approved, what risks are we left with?

Service Planning

Risk management data can add value by informing us of where service improvements could/ should be made. Good sources of risk-related data include:
- Complaints
- Accident trends/ near misses
- Claims trends/ defensibility rates
- Audit reports

Budgeting

Finance colleagues are appraised of the financial risks associated with financial planning and setting service budget. Services can use risk information to support their applications for funding, to manage unavoidable cost pressures and associated risks.

Performance Management

Risk management thinking can add value by checking e.g:
- Do poorly performing KPIs show we may have new risks arising?
- If a poorly performing KPI is already linked to a risk, have our risk controls failed?

Project Management

Some questions that can help with checking for risk in projects include, is the project likely to deliver the desired outcomes; what may cause us to run over time, over budget or impact on quality; are we over optimistic; are our assumptions reasonable?

Risk Service

The council has a 'Risk Manager,' however managing risk and making decisions on risk, is delegated to relevant services, specifically to risk owners.

The role of the Risk Manager is set out in page 11. Some examples of activities the Risk Manager leads on or is involved in are shown on the right by way of practical illustration.

The Risk Manager does not operate in isolation but values collaboration, working closely with the CRMG, Risk Reps and other Risk Professionals.

Supported by the Insurance & Risk Management Co-ordinator, the Risk Manager also manages the council's insurance service, arranging policy cover, providing advice on that, and providing services such as recommending insurance requirements for tenders and checking contractors' insurances.

The Risk Manager and the Insurance and Risk Management Co-ordinator ensure their own personal development through membership of ALARM (the public sector Risk Management Association).

Taking risk management to the next level – embedding risk management into the council's DNA!

Getting involved in key (and exciting) strategic projects with guidance and advice, such as City Deal and Cultural Regeneration.

Leading continuous improvements in risk management maturity – where it really adds value

Developing and delivering training opportunities and practical tools that are engaging as well as educational

Regular engagement with insurers, brokers, other risk professionals and partners, UK-wide, to ensure the council is protected in its activities

Working collaboratively with other risk professionals in the council on high profile areas of risk management such as the recent pandemic, preparing for the EU exit, preparing for elections etc, to protect the council and support good management of these risks

In conclusion:

The remaining pages of this strategy go beyond the risk management framework and set out some further aspects of our approach; these being:

* Resourcing risk management
* Measuring risk management maturity
* Communicating risk management
* Expectations for all services.

Resourcing the council's risk management framework

Developing and leading ongoing implementation of the risk management framework is resourced through the Risk Manager role, the Corporate Risk Management Group and Risk Management Alliance.

Training and education costs are minimised with the majority of courses/ training delivered in-house or through the training resource available from our claims handlers.

Directors are responsible for ensuring appropriate resources within their service to support managers' and employees' risk management training needs.

Resourcing risk owners to manage risks

Risks within service departments influence budget allocations, so the cost of managing risks are met within each service's budget. Any unplanned or unbudgeted resources arising in relation to risks will be subject to review by the service director in consultation with the Director of Finance and Resources.

Risk owners will ensure that responses to risk (by way of transfer or treatment) are effective and proportionate to each risk's significance. Put simply, resources allocated to addressing risk should not exceed the cost of the exposure itself (in the case of adverse risks) or the benefits that are being sought (in the case of opportunities).

The council's Insurance and Risk Management Co-ordinator can, on request, provide guidance on the cost effectiveness of transferring risk to the council's Insurers where this is a suitable option.

The council's Treasury consultants and investment advisors will provide guidance on risk and appropriate action in relation to the council's investment portfolio.

Measuring risk management maturity

We work towards our risk management vision through our strategic risk management objectives and by seeking every opportunity to apply effective risk management practice where it will yield most benefit (such as major investment/ change programmes/ entering into new areas of business, service or partnerships), and when it will yield most benefit, (such as along the development path of major initiatives and not solely the final decision point).

In working towards our risk management vision **we aim to demonstrate maturity where risk management is consistently embedded and integrated*** while also being able to demonstrate examples of where risk management information is driving the key policy decisions of our organisation.

*Definition as per the 'Risk Management Toolkit' developed by ALARM

Level 1 Awareness	Level 2 Happening	Level 3 Working	Level 4 Embedded and integrated	Level 5 Driving

Where we are now

Communicating risk management

Effective communication of risk management information across all service departments and with employees is essential to developing a consistent and effective approach to risk management.

Copies of 'Risk Matters' are disseminated to all service directors for cascade throughout their services, and copies, along with other risk management documentation and guidance are available on the Staff Intranet 'Risk Matters' page.

Details of the council's insurance arrangements are published on the Staff Intranet: insurance a quick guide. The details include definitions of a range of insurance terms along with key insurance documents such as the council's Employers Liability Certificate and the standard letter from the council's insurance brokers and advisors that summarises all the main insurances that are in place.

Risk management awareness is communicated with all new employees through the induction process; through iLearn (corporate e-learning platform) and through local induction.

Expectations for all services

- Making the most of the risk management guidance, tools, advice and training available
- Using the risk management process wherever possible, but especially in business processes where this will add most value (page 19). This means that an assessment of risk as well as costs and benefits becomes routine wherever possible.
- Identifying risk using standard methods such as 'bottom-up' and 'top-down' approaches, involving managers throughout your service with detailed knowledge of the service and the context in which it operates.
- Ensuring where possible and relevant, that risks are aligned with the relevant council plans (page 17)
- Using the council's risk matrix to consistently analyse risk in terms of likelihood of occurrence and potential impact, taking into account the effectiveness of current risk control measures.
- Responding to risk in a way that is proportionate to the level of risk. This means that risk may be terminated; transferred elsewhere (such as through insurance); tolerated as it is; or, treated with cost effective measures to reduce it to a level where the exposure is acceptable or tolerable for the council in keeping with its capacity for risk. In the case of opportunities, the council may 'take' an informed risk in terms of tolerating it if the opportunity is judged to be (1) worthwhile pursuing and (2) the council is confident in its ability to achieve the benefits, manage and justify the risk.
- Maintaining risk registers as a means of collating risk information in a consistent format allowing comparison of risk evaluations, informed decision-making in relation to prioritisation of resources and ease of access to information for risk reporting.

Expectations for all services

- Using risk registers to collate risk information consistently, allowing risk comparisons and informed decision-making when prioritising resources, and ease of access to information for risk reporting.
- Escalating and de-escalating risk/ moving risks between risk registers when appropriate, involving service risk reps.
- Reassessing individual risks within a timescale that is proportionate to the level of risk (i.e. low risks annually, moderate risks every 6 months, significant [high and very high] risks at least on a quarterly basis), taking account of how effective the related control measures are.
- Participating in the annual review of strategic, corporate and service risks to be reported to the Audit, Risk & Scrutiny Board (exercise led by the CRMG), checking progress, checking for any changes in context and horizon scanning for new impacts or indeed new risks.
- Completing an annual assurance exercise for 'business as usual' risks
- Routinely considering risks and associated data (Heads of Service at 1-1s with their relevant Service Directors).
- Committing to action required to support high performance of Key Risk Management Performance Indicators.
- Supporting colleagues to come forward and report risks and concerns in a 'learning' culture that seeks to learn from past experience to build a better future, avoiding repetition of avoidable adverse events.
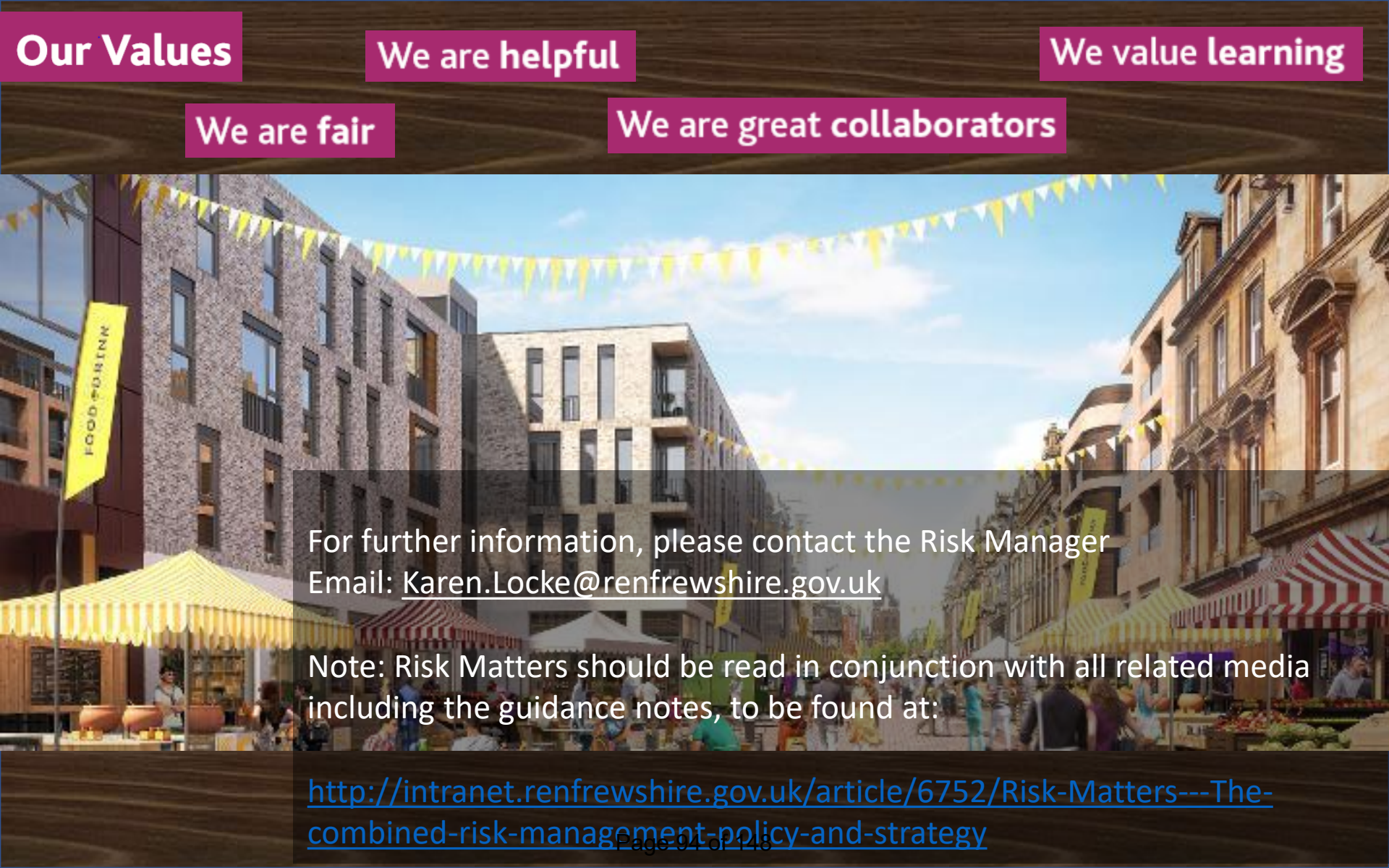
For further information, please contact the Risk Manager
Email: Karen.Locke@renfrewshire.gov.uk

Note: Risk Matters should be read in conjunction with all related media including the guidance notes, to be found at:

http://intranet.renfrewshire.gov.uk/article/6752/Risk-Matters---The-combined-risk-management-policy-and-strategy

To: **Audit, Risk and Scrutiny Board**

On: **22 March 2021**

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Report by: **Director of Finance & Resources**

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Heading: **Local Government in Scotland Financial Overview 2019/20**

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1.   **Summary**

1.1   Audit Scotland published its 'Local Government in Scotland Financial Overview 2019/20' report in January 2021. A copy of the report is attached at Appendix 2.

1.2   The report provides a high-level independent analysis of the financial performance of councils and Integrated Joint Boards during 2019/20 and the financial position at the end of that year.

1.3   The report outlines ten key messages, with more detail provided in four sections, covering:

- Councils' income in 2019/20;
- Councils' financial position in 2019/20;
- Councils' financial outlook; and
- Integration Joint Boards

1.4   The key findings of Audit Scotland are highlighted on page 9 of the report. The key messages, alongside the associated Renfrewshire position, are attached for information at Appendix 1.

1.5   The report highlights that most councils increased their net debt in 2019/20, by a median increase of 4.3%. The report highlights that Renfrewshire incurred the most significant increase in net debt, but that this is due to lower cash balances, rather than an increase in borrowing. Renfrewshire still has the lowest level of net debt relative to its annual revenue.

2   **Recommendations**

2.1   Members are asked to note the contents of this report in the context of Renfrewshire Council.

Implications of this report

1.   **Financial –** the Audit Scotland report highlights the reliance of local government on Scottish Government grant funding and the need for the development of robust medium and longer-term financial plans to address anticipated funding gaps. The impact of the COVID-19 pandemic has still to be determined and will impact on the financial position of the Council.

   Renfrewshire Council develops medium-term financial plans on a three-year rolling basis, with Council approving the most recent Financial Outlook report on 24 September 2020.

   The challenging position of Integration Joint Boards (IJBs) is noted and while this is a matter for IJBs, it is of interest to the Council as a key funding partner.

2.   **HR and Organisational Development –** none

3.   **Community/Council 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 of individuals' human rights have been identified arising from the recommendations contained in the report because for example it is for noting only. 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 and Safety –** none

9.   **Procurement –** none

10. **Risk –** none

11. **Privacy Impact –** none

12. **Cosla Policy Position –** none

13. **Climate Risk –** none

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Author: Alastair MacArthur, Head of Finance (0141-618 7364)

List of background papers: Local Government in Scotland Financial Overview 2019/20 Report
Audit Scotland Report

Appendix 1

Reference	Key Message	Renfrewshire Council Position
Councils and pension funds		
1.	Councils funding and income increased by £0.8 billion in 2019/20. There was an increase in Scottish Government funding of £0.5 billion, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget.	The council continues to incorporate prudent estimates of future grant settlements into its medium term financial plans.
2.	Nearly half of the increase in Scottish Government funding in 2019/20, and all the initial additional funding in 2020/21, was to fund the expansion in early learning and childcare.	The grant funding reflected within the base budget as agreed by council is adjusted to reflect those elements which are specific to Scottish Government priorities and cannot be utilised to address other council spending and investment priorities.
3.	Councils continue to plan for, and deliver, savings as part of their annual budgets, but there are significant variations in individual councils' ability to deliver planned savings.	The Right for Renfrewshire programme has been heavily disrupted by the capacity of the Council being diverted to support the COVID19 response and this is expected to remain a significant constraint on the programme well into 2021. The current financial planning assumption is that the R4R programme will not provide any further delivery of savings in 2021/22 over and above those linked to the reprofiled savings from the tranche 1 service redesigns. Further, it is anticipated that the delivery of the R4R programme is now likely to extend into a 4 year programme (to 2023/24) as opposed to the 3 year programme (to 2022/23) previously planned
4.	More councils added to their usable revenue reserves totalling £65 million (net) in 2019/20.	General fund unallocated reserves as at the end of 2019/20 reduced from £7.1m to £6.6m. As approved by Council in September, unallocated reserves will be replenished to £10 million moving into 2021/22, funded from the application of the financial flexibilities available to the Council.
5.	Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year.	Not applicable
6.	The financial cost of COVID-19 on councils in 2020/21 is estimated to be £767 million with just over half due to lost income. We estimate that funding announced in November 2020 meets 60 to 70 per cent of the cost pressures identified by councils, although total costs and funding are still uncertain.	The financial outlook report to Council in September outlined an expectation that - excluding education, early learning and childcare hubs – the net additional costs expected to be incurred in relation to COVID19 were in the region of £20- £22 million. This position has not changed markedly, with the range of costs potentially reducing marginally to £19 million - £21 million. The position continues to be closely monitored, both in relation to expenditure and distributed grant funding.

7.	Councils' auditors reported wider medium-term financial implications of COVID-19.	Like other councils listed by Audit Scotland, Renfrewshire has reported on the wider medium-term financial implications to Council and Policy Boards. In addition, to reporting on the financial implications of COVID-19, work has also been progressed to identify, address, and support the wider economic and community impact that COVID-19 has had on Renfrewshire.

Appendix 2

Local government in Scotland

Financial Overview 2019/20

ACCOUNTS COMMISSION

Contents

Audit team

The core audit team consisted of: Blyth Deans, Lisa Duthie, Chris Lewis and Lucy Ros, under the direction of Brian Howarth.

Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Chair's introduction

Councils and Integration Joint Boards (IJBs) play a vital role in supporting Scotland's communities. This has been amplified by the Covid-19 global pandemic. Covid-19 has fundamentally affected local government services and increased the uncertainty of how those services will be provided in the future. The financial impact of the pandemic on our public services is extreme. At the same time, we have seen the strength and resilience of many communities highlighted as they have worked with public service partners to provide invaluable support to those who need it most.

In 2019/20, before the pandemic really took hold in Scotland, the financial impact of Covid-19 was limited. This report notes that more councils added to their usable revenue reserves than in previous years. Reserves play an important role in effective financial management and provide a cushion for future unexpected events. I think that the emergence of the global pandemic and resultant UK lockdown from 23 March 2020 could be described as a once-in-a-lifetime event and Council reserves can be a key tool to manage the medium-term financial impacts of Covid-19.

Scottish Government funding accounts for the majority of council income. After several years of reductions in funding, there has been a real terms increase in 2019/20. It is important to note though that around 40 per cent of the increase was intended to meet the Scottish Government's policy of expanding early learning and childcare provision. As we have reported before, councils have limited flexibility over how they use this type of additional funding. It is also important to recognise that although funding in 2019/20 improved, reductions in local government funding over the past six years are still larger than in other areas of the Scottish Government budget.

Capital funding had experienced significant increases in the past three years by 33 per cent between 2017/18 to 2019/20. But Scottish Government capital funding in 2020/21 is now decreasing by 30 per cent in real terms. This will have an impact on councils' future investment plans.

In IJBs, the bodies set-up to deliver local health and social care services, the financial pressures are significant, with many needing additional funding from councils and health board partners to break-even in 2019/20. We also continue to see a high turnover in leadership in many IJBs, at a time when they are tackling both the impact of Covid-19 along with the ongoing and longer-term pressures of increased demand.

2020 presented significant challenges to the preparation and audit of councils', pension funds' and IJBs' annual accounts. However, 92 per cent of annual accounts were signed off by the revised audit deadlines due to the dedication of local government finance staff and of our auditors in these challenging circumstances. I am grateful for everyone's hard work and diligence to achieve this outcome.

During 2020/21, the pandemic and associated lockdown has affected many aspects of Councils' and IJBS finances and created significant financial uncertainty. Councils face the challenge of meeting additional mobilisation and recovery costs as well as the lost income resulting from closures of leisure facilities and reductions in income from fees and charges. Councils are also administering support schemes on behalf of the Scottish Government. Substantial additional funding for councils has been announced by the Scottish Government together with some further financial flexibilities, but it is currently unclear whether this will cover all cost pressures faced by councils in 2020/21 and beyond.

2020/21 also saw a large shift in the way that public services and communities worked together to support those most in need. Many communities and individuals stepped in to provide much needed local services and were empowered and encouraged to do so by councils, IJBs and their partners. We have heard of much good practice and hope that this continues.

The Accounts Commission's future reporting, together with the Auditor General for Scotland, will be refocused on the significant impact of Covid-19 across all public services. This report highlights the emerging and developing financial challenges due to Covid-19, but future financial overview reports will be better able to assess the full year impact in 2020/21, based on financial reporting to 31 March 2021. Our Local Government Overview 2021 report, due to publish in May, will consider the initial response phase of the pandemic.

Audit Scotland has published a *Guide for audit and risk committees* ⊕ to support effective scrutiny of how public bodies have responded to Covid-19. This covers key areas, including internal controls and assurance, financial management and reporting, governance and risk management. Good governance, strong financial management and transparency of decision making will be critical for local government bodies in dealing with the implications and fallout from the pandemic.

Elma Murray
Interim Chair of the Accounts Commission

Key messages

Councils and pension funds

1 Councils' funding and income increased by £0.8 billion in 2019/20. There was an increase in Scottish Government funding of £0.5 billion, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget

2 Nearly half of the increase in Scottish Government funding in 2019/20, and all the initial additional funding in 2020/21, was to fund the expansion in early learning and childcare

3 Councils continue to plan for, and deliver, savings as part of their annual budgets, but there are significant variations in individual councils' ability to deliver planned savings

4 More councils added to their usable revenue reserves totalling £65 million (net) in 2019/20

5 Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year (2019/20)

6 The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income. We estimate that funding announced by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils, although total costs and funding are still uncertain

7 Councils' auditors reported wider medium-term financial implications of Covid-19

Integration Joint Boards (IJBs)

8 A majority of IJBs (22) struggled to achieve break-even in 2019/20 and many received year-end funding from partners

9 Total mobilisation costs for Health and Social Care Partnerships for 2020/21 due to Covid-19 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all of these costs

10   Instability of leadership continues to be a challenge for IJBs. There were changes in chief officer at 12 IJBs in 2019/20.

About this report

1. This report provides a high-level independent analysis of the financial performance of councils and IJBs during 2019/20 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils and IJBs. It is one of two overview reports that the Accounts Commission publishes each year. The second report, commenting on councils' initial response to the Covid-19 pandemic, will be published in May 2021.

2. Our primary sources of information for the financial overview are councils' and IJBs' 2019/20 unaudited accounts, including management commentaries and the 2019/20 external annual audit reports, where available. We have supplemented this with data submitted by councils to COSLA as part of their Covid-19 cost collection exercise, and mobilisation plan financial summaries submitted to the Scottish Government by IJBs. COSLA returns were requested and obtained from auditors. We received 29 returns, with 3 outstanding. The COSLA returns are not subject to audit review.

3. The Covid-19 pandemic has created new challenges which have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts for all councils were not available for analysis and, as a result, judgements are based on data from unaudited accounts, except where significant audit adjustments have been identified. We are comfortable with this approach, and our analysis of available audited information tells us that the level of change between unaudited and audited accounts has not significantly affected our key judgements. We have reviewed external annual audit reports for 2019/20 that were available at 30 November 2020.

4. We refer to 'real-terms' changes in this report. This means we are showing financial information from past and future years at 2019/20 prices, adjusted for inflation so that they are comparable. Similarly, where 2020/21 comparisons are made, we have adjusted for inflation to 2019/20 prices. We also refer to figures in 'cash terms'. This means we are showing the actual cash or money paid or received.

Key Facts

	2019/20 £ billion	2018/19 £ billion	Movement
Councils' funding and income	**£18.5**	£17.7	4.5%
Scottish Government revenue funding	**£10.3**	£9.8	5.4%
Councils' capital spending	**£3.6**	£2.8	29.0%
Councils' usable revenue reserves	**£2.0**	£1.9	3.4%
IJBs' spending	**£9.2**	£8.6	7.0%
Additional estimated cost in councils and IJBs due to Covid-19 in 2020/21	**£1.2 billion**		

Councils' income in 2019/20

Key messages

1   Councils' funding and income increased by £0.8 billion in 2019/20

2   The cash increase in Scottish Government funding (£0.5 billion) in 2019/20 improved the position relative to others, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget

3   Nearly half of the increase in Scottish Government funding in 2019/20 was to fund the expansion in early learning and childcare

Total revenue funding and income

Councils' funding and income increased by £0.8 billion in 2019/20

5. Total revenue funding and income received by councils was £18.5 billion in 2019/20, representing an increase of £0.8 billion (or five per cent) on the previous year. A comparison between years (Exhibit 1) shows that most of the funding comes from the Scottish Government and the relative value of specific grant income to councils has increased.

Exhibit 1

Sources of funding and income, 2018/19 and 2019/20
The majority of funding for councils comes from the Scottish Government.
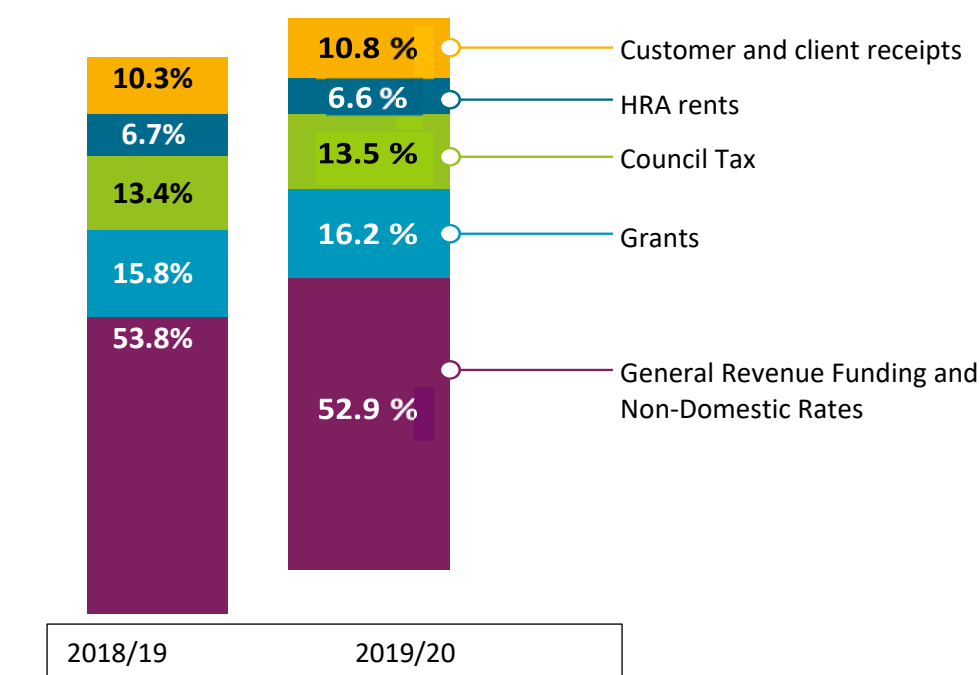
Source: Unaudited financial statements 2019/20 (audited financial statements 2018/19)

6. Grant income includes housing benefit and Scottish Government specific grants (eg Early Learning and Childcare and Criminal Justice Social Work), which are treated as service income by councils generally. Scottish Government direct grants increased by £0.2 billion in 2019/20. There were also increases in grants from other sources. For example, Aberdeen City Council received £0.1 billion from Transport Scotland for the Aberdeen Western Peripheral Route.

7. Council tax income has increased by £0.1 billion (or 5 per cent) mainly as the Scottish Government raised the cap on council tax rate increases to 4.8 per cent. Twelve councils took the decision to increase the council tax rate by the full amount.

Scottish Government funding

Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20

8. In 2019/20, the total revenue funding from the Scottish Government increased by 5.4 per cent in cash terms and increased by 3.4 per cent in real terms (Exhibit 2). Total revenue funding of £10.3 billion consists of the general revenue grant funding of £7.0 billion; Non-Domestic Rates distribution (NDR) £2.8 billion and specific grants of £0.5 billion.

Exhibit 2

Changes in Scottish Government revenue funding in 2019/20
Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20.

	2018/19	2019/20	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,521	9,811	3.0%	1.1%
Specific Revenue Grants	274	508	85.5%	82.0%
Total revenue funding	**9,795**	**10,319**	**5.4%**	**3.4%**
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	10,150	**10,674**	**5.2%**	**3.2%**

Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

Funding in 2019/20 improved relative to others, but an historic difference still exists
9. Funding from the Scottish Government to local government between 2013/14 and 2019/20 decreased by 4.7 per cent, in real terms (Exhibit 3, page 12). The increased funding in 2019/20 improved the position that existed last year (2018/19), when the total reduction was 7.6 per cent. Scottish Government funding to other areas of the total Scottish budget decreased by 0.8 per cent between 2013/14 and 2019/20, demonstrating that local government funding has still undergone a larger reduction than the rest of the Scottish Government budget over this period.

Nearly half of the increased funding in 2019/20 was to fund the expansion in Early Learning and Childcare
10. There is an element of the revenue settlement for funding that is linked to specific ongoing policy initiatives and expectations.

11. Specific revenue grants increased in cash terms by £234 million in 2019/20, growing from 2.8 per cent of total revenue funding to 4.9 per cent. This represented 45 per cent of the increase in revenue funding in cash terms between 2018/19 and 2019/20. The majority of this increase could be attributed to an additional £210 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 from 600 hours by 2020 for all three- and four-year-olds and eligible two-year-olds.

Exhibit 3

A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas

Over the last six years local government revenue funding from the Scottish Government fell by 4.7 per cent, while other Scottish Government revenue funding fell by 0.8 per cent.
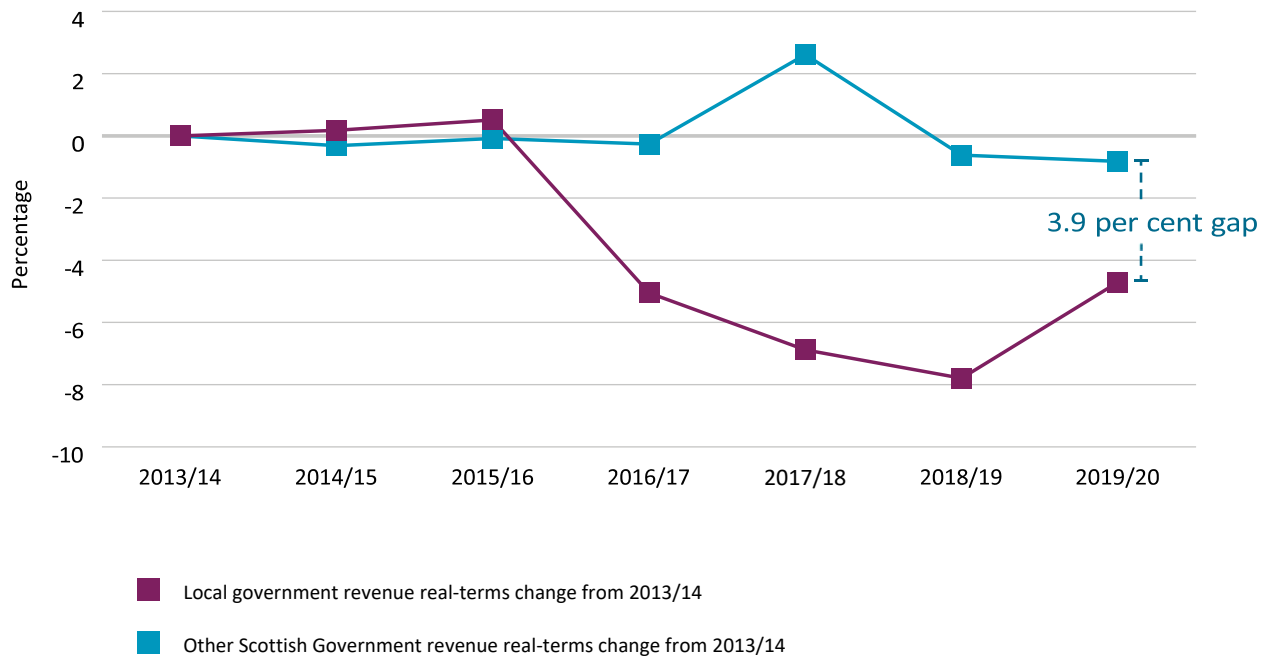
3.9 per cent gap

■ Local government revenue real-terms change from 2013/14

■ Other Scottish Government revenue real-terms change from 2013/14

Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

Councils' financial position in 2019/20

Key messages

1   On the whole councils continue to deliver savings as part of their budget in 2019/20, but there are significant variations in individual councils

2   In 2019/20 councils' auditors reported wider medium-term financial implications of Covid-19

3   More councils added to their usable revenue reserves in the year totalling £65 million (net)

4   Two councils are at risk of running out of general fund reserves in the medium-term if current trends continue

5   Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year

6   Councils had the highest level of capital expenditure of the last five years

7   Local auditors drew attention to material uncertainty in property and investment valuations due to Covid-19

8   Local government pension funds returns were negatively affected by Covid-19, but the majority of funds still tended to outperform their benchmarks

Council budgets and outturn 2019/20

In 2019/20 budget gaps were to be addressed by planned savings
12. In 2019/20, councils identified budgeted net expenditure of £12.6 billion. The initial budget gap in 2019/20 was £0.5 billion (three per cent). In 2018/19, the initial budget gap was similar at £0.4 billion. Planned savings were the most common way of addressing funding gaps in 2019/20.

Councils appear to have delivered 2019/20 savings plans, but with significant variation
13. A sample analysis of 14 councils identified that 84 per cent of the planned savings were delivered. However, there was significant variation in how individual councils performed against their savings targets:

• East Lothian Council, which planned savings of £5.2 million, and Stirling Council, which planned savings of £7.3 million, reported achieving 100 per cent of their targets.

• Comhairle nan Eilean Siar planned to deliver savings of £2.6 million but achieved savings of £0.8 million or just 31 per cent of its target.

Impact of Covid-19

The effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets

14. Covid-19 restrictions began in March 2020 and the financial effect on councils (excluding social care – see paragraph 70) in 2019/20 was limited to between £20 million and £25 million. Councils reported that lost income and unachieved savings accounted for two-thirds of identified financial impacts. The remaining costs were mainly associated with mobilising support services for vulnerable groups and the wider community.

15. There were no additional Covid-19-related funding allocations from the Scottish Government in 2019.29. Our review of available annual audit reports confirms that Covid-19 did not have a significant impact on councils' outturn, and costs were mostly managed within existing available budgets. Additional Covid-19-related funding allocations to councils were not received until 2020/21.

In 2019/20, councils' auditors reported wider financial consequences of Covid-19 in their annual reports

- **Delays in growth deals:** Dumfries and Galloway Council. The impact of Covid-19 has delayed some of the progress in establishing governance structures and formal sign off of the Borderlands' Collaboration Agreement as part of the Borderlands growth deal.

- **Additional borrowing:** East Lothian Council and Inverclyde Council both took out additional loans towards the end of March 2020 to ensure sufficient liquid funds to address the expected consequences of Covid-19.

- **Planned savings proposals:** East Lothian Council identified that many of the plans related to savings have effectively been placed on hold to enable the council to focus its attention and support on responding to Covid-19. East Dunbartonshire Council anticipated that transformation programme savings for 2020/21 were unachievable due to the impact of the pandemic.

- **Medium term financial planning:** West Lothian Council reported that early planning arrangements for its next medium-term financial plan have been deferred to 2021/22 as management focuses on the more immediate impact and actions arising from the impact of Covid-19.

- **Capital programmes:** Aberdeenshire Council identified that the capital programme was suspended for around three months with a phased restart thereafter. In Inverclyde Council officers have reviewed the phasing of the 2020–23 Capital Programme in light of Covid-19 and have estimated the slippage for 2020/21 as 47 per cent. An initial additional budget of £2.7 million has been agreed to cover the potential cost pressures resulting from the site working requirements, increases in the price of materials and general cost increases generated by Covid-19.

- **Delays in bad debt collection:** Aberdeenshire Council reported that elements of the debt recovery processes had been suspended for several months owing to Covid-19 and recognised the potential for bad debts to increase.

- **Expected capital receipts:** West Dunbartonshire Council identified that expected capital receipts of £9 million from the sale of sites were subject to greater uncertainty due to Covid-19 effects on asset values.

- **Going concern issues in subsidiary/joint venture partners:** Some auditors of group component bodies, including those arms-length external organisations (ALEOs) and partners that provide housing repair and leisure services, drew attention to the additional going concern uncertainty due to the financial impact of the Covid-19 pandemic.

Reserves

More councils (22) added to their usable revenue reserves, but most of the total relates to Glasgow City Council

16. Last year we reported that councils were increasingly using up revenue reserves to balance their budgets. This trend did not continue into 2019/20 (Exhibit 4, page 16). Twenty-two councils reported increases in their revenue reserves balance (13 last year) with a net increase of £65 million (or 3 per cent) across all councils.

17. The most significant increase was Glasgow City Council, where usable revenue reserves went up by £87 million (or 80 per cent) mainly due to the equal pay funding strategy that was implemented in the year (paragraph 28).

18. Highland Council also experienced a significant increase in its usable revenue reserves of £15 million (or 47 per cent). Contributing factors include spending constraints on recruitment and discretionary spend and £22 million of delivered savings and additional income.

Exhibit 4
Movement in usable revenue reserves over the past five years More councils added to their usable revenue reserves in 2019/20.
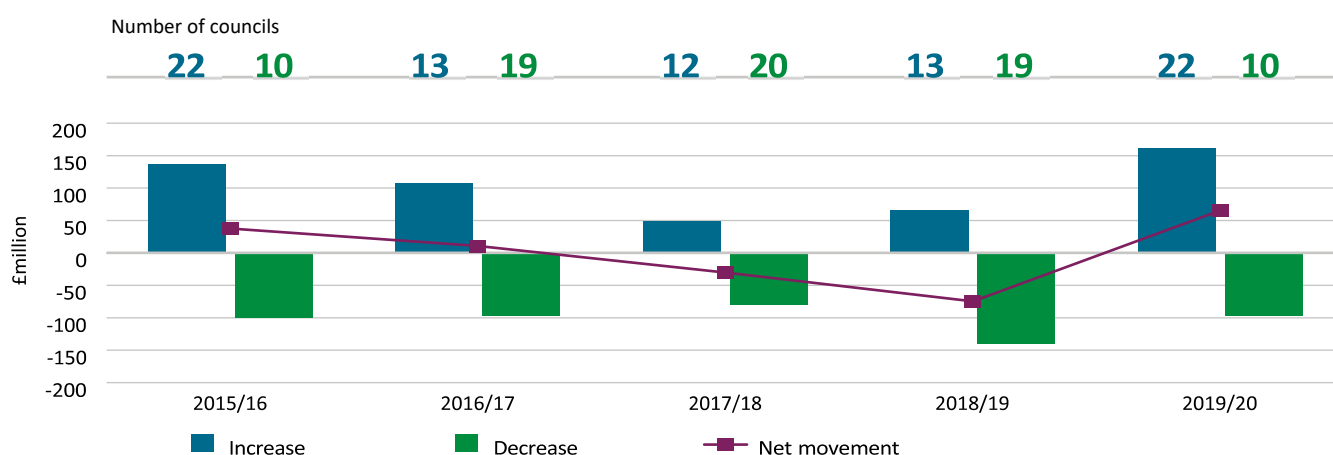
Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2015/16 to 2018/19

There is variation in whether councils have been adding to or using up general fund reserves
19. Councils have different strategies for managing their financial position and reserves position over time, so we would expect to see variation in the movements and balances held. Reserves play an important role in effective financial management. They provide a working balance to smooth out uneven cashflows, protect against the financial impact of unexpected events, as well as enabling funds to be built up for known future commitments.

20. Exhibit 5 (page 17) shows the annual average rate of general fund use at 31 March 2020, based on the last three years. It indicates how long it would take for a council to run out of its general fund reserve if the pattern of use (over the last three years) were to continue. An amount less than minus 25 per cent would indicate reserves would be depleted in less than four years.

Moray Council sustainability has improved with a significant surplus in 2019/20
21. In our 2018/19 report, we highlighted Moray Council as being at risk of depleting its reserves within five years. In 2019/20, the council's financial position improved, with the general fund increasing by £7 million. This was in contrast to a budgeted reduction of £5 million in the general fund. The turnaround was largely due to better than expected funding and income, including council tax income, Business Rates Incentivisation

Scheme (BRIS) retention, a one-off VAT refund and insurance settlement and additional general revenue grant funding. The council also exceeded its savings target and delivered £13 million of savings in year.

Exhibit 5

Average annual movement in the general fund (including HRA) over the last three years The movement on councils' general fund reserves varies significantly.
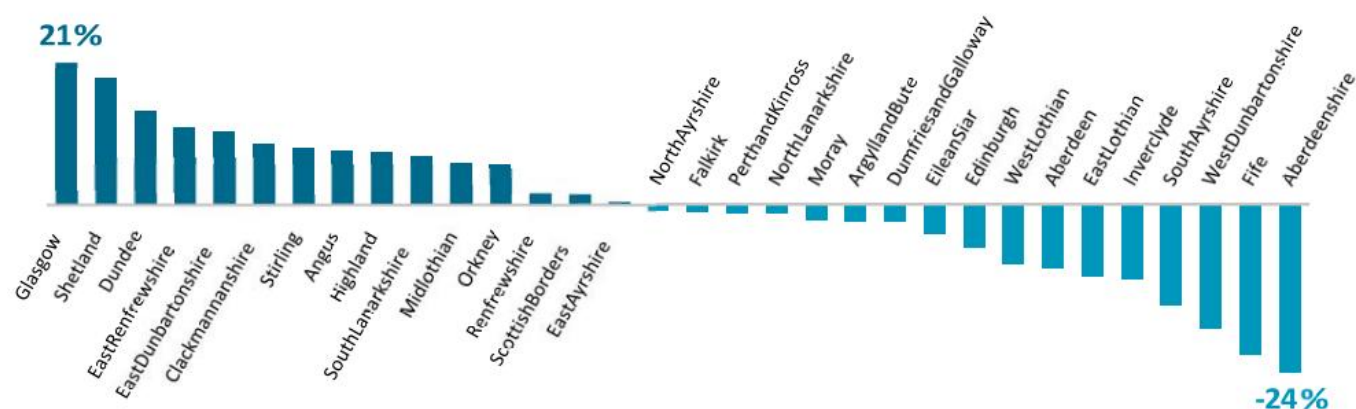
Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2018/19 and 2017/18

Two councils are now at risk of running out of general fund reserves in the medium term if current trends continue

22. Fife and Aberdeenshire Council are now at risk of running down their general fund balance within four to five years if their current trend of using these continues (Exhibit 5). Neither council planned to use general fund balances as part of their 2020/21 initial budget, but the unusual circumstances of Covid-19 may now affect this.

23. Local auditors report that Aberdeenshire Council regularly reviews reserves as part of its medium-term financial strategy. The recent *Best Value Assurance Report* (October 2020) identified that reserves have largely decreased due to planned use. However, this also includes some unplanned use, including additional contributions of £5.5 million to the Aberdeenshire Integration Joint Board (IJB), to meet the council's share of IJB revenue budget overspends. The Report notes that the remaining balance is low relative to other councils.

24. Fife Council has been drawing on its reserves over the last few years, particularly the planned use of committed balances. However, the council's medium-term financial strategy forecasts the level of general fund will continue to deteriorate over the next three years and will be insufficient to fully mitigate against the financial impact of Covid-19.

Best Value Assurance Report: Aberdeenshire Council

October 2020

Capital

Councils recorded the highest level of capital expenditure over the last five years

25. Capital expenditure increased by £0.8 billion (or 29 per cent) to £3.6 billion in 2019/20. Glasgow City Council's sale and leaseback transactions, as part of the equal pay funding strategy, make up £0.5 billion of the increase (paragraph 28). Excluding this, capital expenditure is still the highest level recorded by councils over the last five years. This is aligned with a peak in Scottish Government capital funding (Exhibit 12, page 29).

Some councils had significant increases in their capital investment:
- City of Edinburgh Council: £0.15 billion (or 49 per cent) increase. New or additional investment across several areas including the Trams to Newhaven Project, creation and expansion of educational properties, investment in council houses, sports facilities and road infrastructure.

- Moray Council: £0.04 billion (or 87 per cent) increase. Investment in schools and early learning and childcare facilities, council houses and waste management facilities. This includes a joint venture with Aberdeen City and Aberdeenshire Councils to build an energy from waste plant.

The main sources of capital financing are still government grants and internal loans fund repayments from council services

26. Government grants continued to provide the main source of capital finance. The effect of the sale and leaseback arrangements at Glasgow City Council significantly increased the element of funding generated from capital receipts in 2019/20 (Exhibit 6).
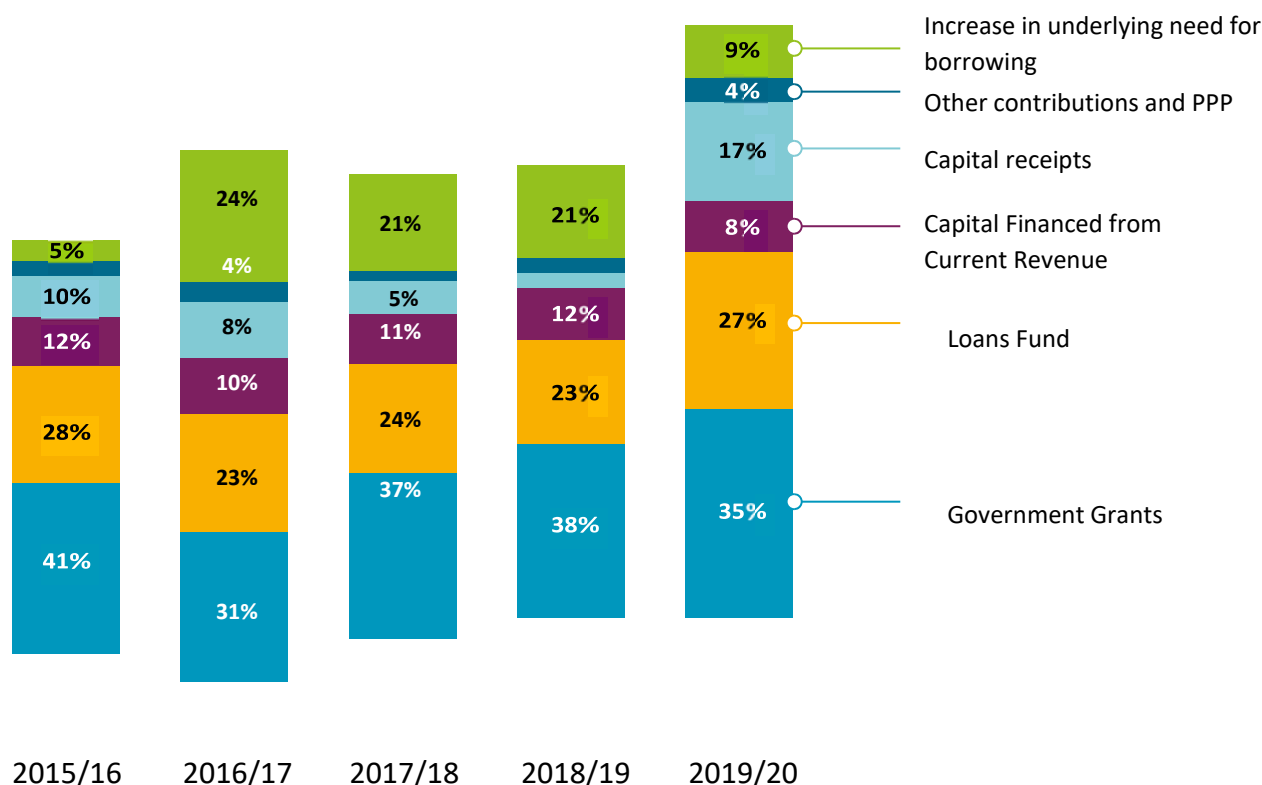
Exhibit 6

Capital expenditure analysed by source of finance 2015/16 to 2019/20
Sixty-two per cent of capital expenditure was financed by government grants or internal loans fund repayments.

Source: Unaudited financial statements 2019/20 and audited financial statements 2015/16–2018/19

Debt

Most councils increased their net debt, typically by 4 per cent or more in 2019/20

27. Total net debt (total debt[2] less cash and investments) across councils has increased by £1.4 billion, or nine per cent, to £17 billion. Exhibit 7 shows the relative movement in net debt between 2018/19 and 2019/20 for each council. The median movement is 4.3 per cent. Renfrewshire Council incurred the most significant increase, but this is due to lower cash balances, rather than an increase in borrowing. Renfrewshire Council still has the lowest level of net debt relative to its annual revenue. As noted earlier in this report, the Glasgow City Council sale and leaseback of council properties (paragraph 28) also contributed to a significant increase in its net debt position.

Exhibit 7
Percentage movement in net debt between 2018/19 and 2019/20 at council level with relative ranking of total net debt
Most councils increased their net debt by 4 per cent or more.

Relative ranking of the council's net debt position
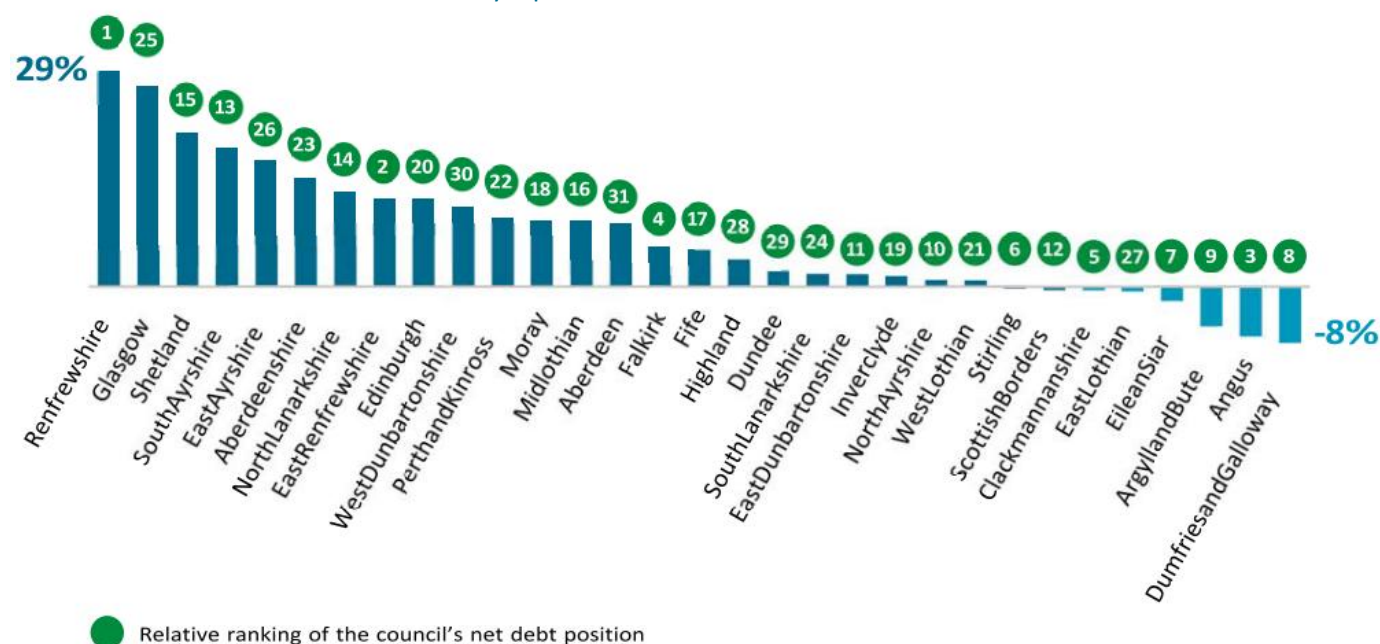
Note: Orkney has been excluded as it has net investments.
The rankings (1 to 31) indicate the net debt position of the council relative to others, with 1 being the lowest. Net debt is shown as a proportion of net annual revenue.

Source: Unaudited financial statements 2019/20.

Equal pay settlements at Glasgow City Council were financed through sale and leaseback
28. Glasgow City Council included a provision for equal pay costs in 2018/19 and during 2019/20 settled the majority of outstanding equal pay claims. The £600 million cost of settlement was met by a funding strategy that raised £549 million. This included the refinancing of a City Property loan arrangement (the Council's Arm's Length Organisation or ALEO) and the sale and leaseback of 11 council properties to City Property. As the income from the funding strategy exceeded the cost of settlement, the council has earmarked £70 million to support any future equal pay liability arising from the implementation of a new pay and grading system. This accounts for the majority of the net increase of £84 million in the general fund balance held by the council (paragraph 17).

29. The arrangement is represented in non-current assets and by a deferred liability. This contributed £453 million to the total Scottish debt. The total annual rent payable to City Property by the Council is now £20.4 million and is subject to annual inflation of 2.75 per cent.

Audit of 2019/20 annual accounts

Auditors drew attention to material uncertainty in property valuations relating to Covid-19
30. Most councils' auditors reported a material valuation uncertainty in council property valuations related to the potential impact of Covid-19. An 'emphasis of matter' paragraph was included in the independent auditor's reports to draw attention to this matter.

Local Government Pension Funds

Pension Fund investment returns were negative in 2019/20 as a result of Covid-19

31. The eleven main Scottish Local Government Pension Funds experienced negative investment returns as a result of the impacts of Covid-19 on global markets in the last quarter of 2019/20. The annual return was between -1.9 per cent and -8.3 per cent in individual funds, based on the average assets position (Exhibit 8).

Exhibit 8

Investment returns based on average assets in Scottish Pension Funds 2019/20 2019/20 investment returns were adversely affected by Covid-19.

Source: Audited accounts of the Pension Funds 2019/20

Funds still tended to outperform their benchmarks

32. In the majority of funds, the overall investment returns still outperformed their individual annual benchmarks to 31 March 2020. Since then there has been a partial recovery in global markets. The auditors of Tayside Pension Fund report that net assets fell by 16 per cent due to Covid-19 in the last quarter of 2019/20 but had recovered over two-thirds of these losses by the end of June 2020.

Some elements of pension investments were more uncertain as result of Covid-19

33.A number of pension fund auditors drew attention to the levels of greater uncertainty attached to 'level 3' investments, by including an 'emphasis of matter' paragraph in their auditors' reports. In Fife Pension Fund, level 3 investments include investments in property, infrastructure and private equity. These make up around £270 million or 11 per cent of the fund's total investment at 31 March 2020. As there is no market data to support the valuation these are based on judgements by investment funds. These valuations included material valuation uncertainty disclosures this year due to Covid-19.

The next triennial valuations of Scottish Local Government Pension Funds is due to be completed in March 2021
34. Triennial valuations of Scottish Local Government Pension Funds are due to be completed in March 2021. This will identify the funding level in each scheme and inform future funding and investment strategies as well as determining the level of employer and employee contribution rates from 2021/22 onwards.

Councils' financial outlook

Key messages

1   2020/21 initial budgets identified savings targets as the main way to close a budget gap of £0.5 billion, with more councils setting multi-year indicative budgets

2   Before the impact of Covid-19, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms, but this is to fund the expansion in Early Learning and Childcare

3   The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income

4   We estimate that funding announced by the Scottish Government by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils through COSLA's cost-gathering exercise, although total costs and funding are still uncertain

5   Scottish Government capital funding to local government in 2020/21 is decreasing by 30 per cent in real terms

6   Councils need to review and revise their medium-term financial plans due to Covid-19

Budget gap 2020/21

Initially councils identified a total budget gap of £0.5 billion in 2020/21 and again plan to address these through savings targets

35. Councils original 2020/21 budgets were set before the Covid-19 pandemic emerged in Scotland. Councils set net expenditure budgets after taking into account projections of local income from fees and charges. Councils approved net expenditure budgets of £13.5 billion for 2020/21 including a budget gap of £0.5 billion (or three per cent). The budget gap is shown before action such as savings, council tax rate increases and use of reserves. There is still some inconsistency in how councils present their own budget gaps. For example, whether it is stated before or after the council tax increase. The relative size of the budget gap was consistent with the two previous years. Savings plans were the main way councils planned to bridge the budget gap, contributing 55 per cent with council tax increases contributing a further 23 per cent.

36. Eighteen councils approved a council tax rate increase in line with the 4.84 per cent cap set by Scottish Government in 2020/21. Six councils increased their council tax rate by three per cent and the remaining eight councils approved an increase of between 3.95 per cent and 4.8 per cent.

More councils presented multi-year indicative budgets in 2020/21
37. A new development was for more councils to set multi-year indicative budgets, as part of the 2020/21 budget setting process. Fifteen councils presented multi-year indicative budgets. In four councils (Aberdeen, Aberdeenshire, Scottish Borders and Stirling) budgets covered the next five years, with the others covering three years.

2020/21 funding settlement

Prior to additional Covid-19 related funding, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms
38. The Local Government revenue settlement from the Scottish Government in 2020/21, before taking into account changes due to Covid-19, increased by 3.4 per cent (cash terms) from 2019/20 to £10.7 billion. This was a real terms increase of 1.4 per cent (Exhibit 9).

Exhibit 9

Changes in Scottish Government revenue funding in 2020/21 (excluding Covid-19 funding) Scottish Government revenue funding increased by 1.4 per cent in real terms in 2020/21.

	2019/20	2020/21	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,811	9,958	1.5%	-0.5%
Specific Revenue Grants	508	710	39.8%	37.1%
Total revenue funding	**10,319**	**10,668**	**3.4%**	**1.4%**
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	10,674	**11,023**	**3.3%**	**1.3%**

Source: Finance Circulars 04/2020 and Scottish Government budget documents

The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million[3]

40. As noted above, initial budgets and funding settlements did not reflect the changed environment and financial effects of Covid-19. During the early phases of Covid-19, the Convention of Scottish Local Authorities (COSLA) worked with councils to summarise the expected financial effects of Covid-19 on local government. This was summarised by COSLA in their *Cost Collection Exercise: Analysis and Narrative – 3rd Iteration (Full Year Figures), (July 2020)* and the financial impact of Covid-19 in 2020/21 is estimated to total £767 million (excluding Education and Early Learning and Childcare costs). The projected amount covers the full financial year and includes gross additional costs of £855 million, offset by savings of £88 million (from lower property costs and school meal costs). £86 million of the gross additional cost figure relates to projected capital costs.

41. This estimate does not include additional social care costs which are covered in paragraph 70 as part of Health and Social Care Partnership costs.

Lost income accounts for over half of Covid-19 costs in councils

42. Loss of income accounts for over half of the forecast additional costs. Loss of income from fees and charges was projected to result in a loss of £161 million. The most significant proportion of these losses related to the anticipated reduction in parking fee income (Exhibit 10, page 25). All councils projected a loss of income from sports and leisure facilities at July 2020, totalling £75 million. Mobilisation costs and the costs arising from reconfiguring services (recovery costs) made up the remaining Covid-19 costs.

43. Several larger urban councils have ALEOs that were set up to manage commercial activities and provide income back to councils. This includes conference facilities and transportation services. The projected loss of income for councils from these was £39 million. This included Lothian Buses, Edinburgh Trams, Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre.
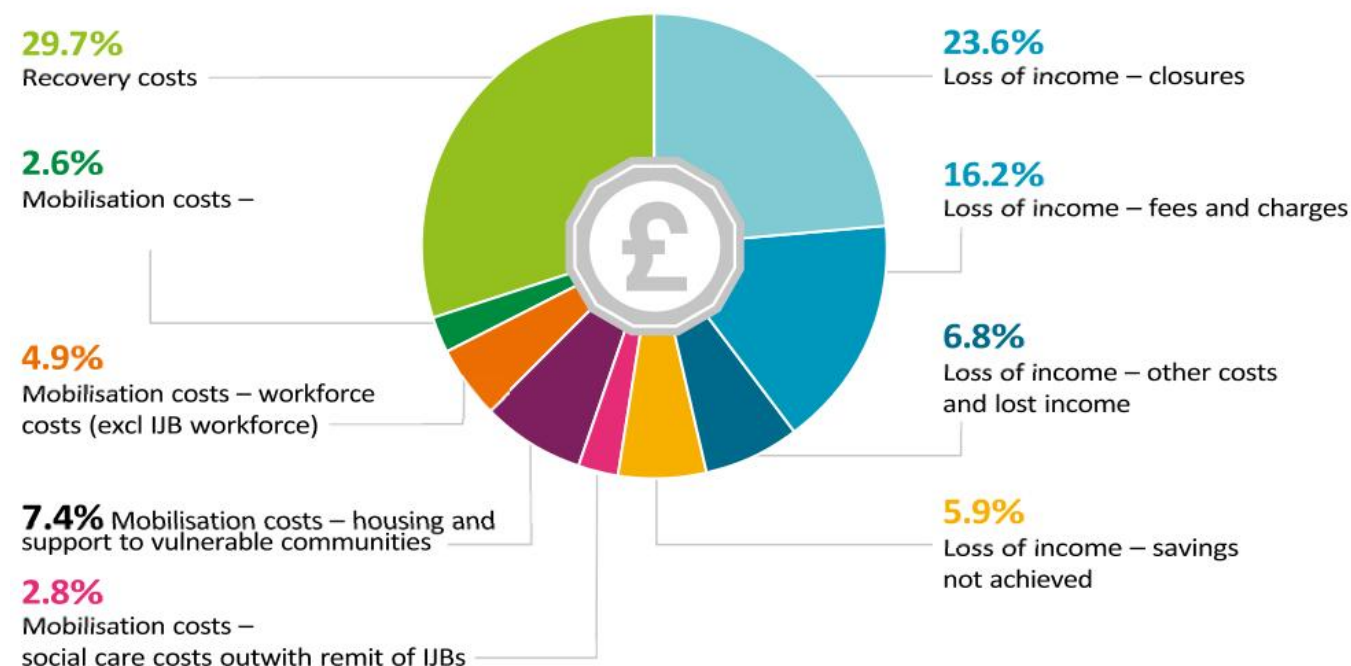
44. Loss of income from harbour and ferry activities is another area that has been projected to be significantly impacted. Four councils projected a loss of income totalling £11 million.

The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million. Over half of this relates to lost income.

Exhibit 10

2020/21 Projected Covid-19 related expenditure/lost income

Loss of income accounts for over half of the forecast additional costs. non-workforce costs

29.7%
Recovery costs

2.6%
Mobilisation costs –

4.9%
Mobilisation costs – workforce
costs (excl IJB workforce)

7.4% Mobilisation costs – housing and
support to vulnerable communities

2.8%
Mobilisation costs –
social care costs outwith remit of IJBs

23.6%
Loss of income – closures

16.2%
Loss of income – fees and charges

6.8%
Loss of income – other costs
and lost income

5.9%
Loss of income – savings
not achieved

Source: COSLA summary (full year returns) (July 2020) and COSLA council returns. Proportions based on returns from 25 councils.

Scottish Government support for Covid-19 pressures

The proportion of NDR and General Revenue Grant funding was adjusted

45. In March 2020, the Scottish Government made a £972 million reduction to the distributable amount of Non-Domestic Rates (NDR) in 2020/21 together with a corresponding increase in the General Revenue Grant (GRG). This reflected measures arising from The Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2020 which included 1.6 per cent of Universal Relief, 100 per cent relief for Retail, Hospitality and Leisure and 100 per cent relief for Airports and Baggage Handlers.

46. The change reflected a recognition that NDR income collected by councils would be lower than anticipated due to Covid-19. As the Scottish Government guarantee each council's formula share of GRG plus NDR, the change resulted in no overall impact on council's total revenue funding.

Councils have administered funding of over £1 billion as part of the Covid-19 Business Support Fund Grant Scheme

47. In March 2020, the Scottish Government announced that businesses could apply for grants to help them deal with the impact of Covid-19.[4] These grants would be administered by councils on behalf of the Scottish Government, with funding made available to councils to finance the costs incurred. Councils received a grant of £950 million in 2020/21 providing an initial advance of the estimated costs projected by the Scottish Government, based on the number of businesses eligible for relief within each council area. The remaining amount will be disbursed as necessary up to a maximum collective limit of £1.2 billion.

48. Councils reported that over 106,000 applications were received for the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme across Scotland. Of the applications received, over 90,000 were successful with grants of over £1 billion awarded by September 2020.

Further funding of £936 million has been announced by November 2020 49. As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced (Exhibit 11, page 27). This is made up of the following:

- £723 million of revenue support, including £90 million (estimated) from the loss of income compensation scheme

- £150 million of NHS funding to be passed on to Health and Social Care Partnerships

- £63 million of capital support for Regeneration Capital Grant Fund, Town Centres Capital Fund, school transport support and digital inclusion funding

We estimate that funding announced by November 2020 meets 60 to 70 per cent of the revenue cost pressures identified by councils, with total costs and funding still uncertain

50. In paragraph 40, we noted estimated council cost pressures of £767 million, split between revenue cost projections of £681 million and capital cost projections of £86 million. Not all the announced additional funding can be matched to these costs. Of the total £936 million announced, £234 million has been provided to benefit third parties or did not form part of the council's original cost submission.

51. The funding for the Scottish Welfare Fund (£45 million), council tax reduction scheme (£50 million) and discretionary housing payments (£5 million) are administered by the councils but will benefit individuals and businesses within the community.

52. The additional educational recovery funding (£134 million) is a consequence of the decision to re-open schools and early years establishments full-time from 11 August 2020. The necessary social distancing and cleaning measures result in additional costs to councils to be met from this funding. These were not envisaged in the councils' initial cost collection exercise, which predated decisions to return to school on a full-time basis.

53. The funding of £150 million to be passed to Health and Social Care Partnerships did not form part of the councils' estimated costs as these form part of the IJB mobilisation costs. These are described at paragraph 70.

54. After taking into account the above issues, we estimate that the beneficial announcements of revenue funding to councils meet 60 to 70 per cent of the estimated revenue costs at July 2020. However, some of this funding is ringfenced, with £236 million being allocated for specific purposes. For example, £65 million for the food fund and for free school meals. Councils may have cost pressures in other separate areas, which may not be met by this specific funding.
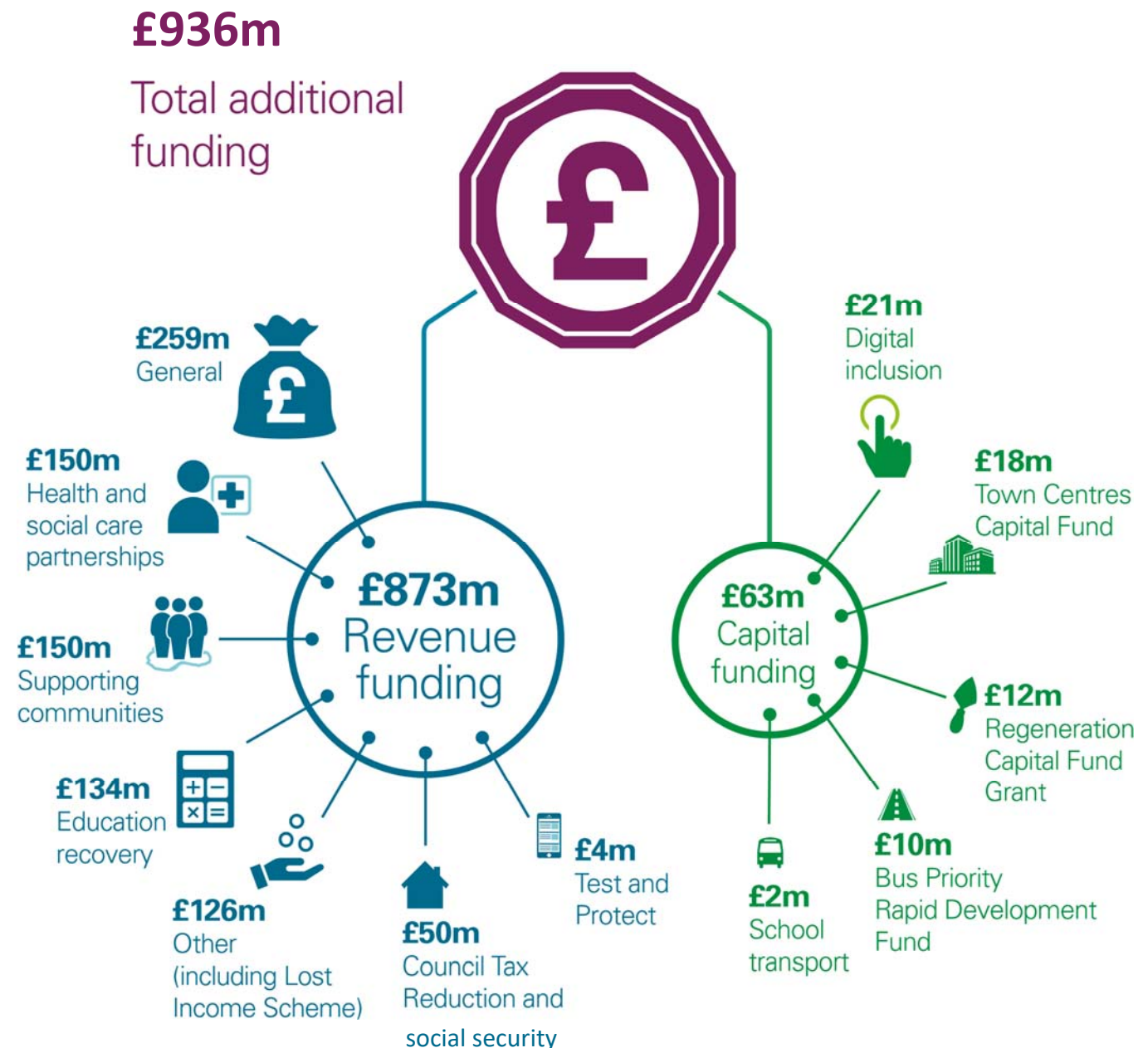
55. The effects of the Covid-19 pandemic continue to develop, as do projections of associated costs and funding.

As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced.

Sm

Exhibit 11

Scottish Government Covid-19 funding in 2020/21

Councils were allocated £936 million of additional Covid-19 funding in 2020/21 (November 2020).

£936m

Total additional funding

£259m
General

£150m
Health and social care partnerships

£150m
Supporting communities

£134m
Education recovery

£126m
Other (including Lost Income Scheme)

£50m
Council Tax Reduction and social security

£4m
Test and Protect

£873m
Revenue funding

£21m
Digital inclusion

£18m
Town Centres Capital Fund

£63m
Capital funding

£12m
Regeneration Capital Fund Grant

£10m
Bus Priority Rapid Development Fund

£2m
School transport

Source: Scottish Government funding announcements and COSLA report

The Scottish Government has given councils additional financial flexibility to respond to the Covid-19 crisis

56. Councils have been given an additional package of spending powers and financial flexibility that the Scottish Government claims could be worth up to £600 million.[5] This figure will apply if all councils are able to use all the new flexibilities, however COSLA does not consider this to be a likely scenario. Councils will need to consider the increased costs that may arise in future years and the effects of Covid-19 may impact on some areas, for example expected capital receipts. The new funding levers open to councils apply to Covid-19-related pressures only and apply to this and the next financial year. Additional spending powers include the following:

- enabling the use of capital receipts to meet one-off revenue funding pressures, including Covid-19 related costs

- extending debt repayment periods over the life of the asset rather than the contract period

- allowing councils to take a repayment holiday in either 2020/21 or 2021/22 to defer internal loan fund repayments.

57. In addition to these measures, the Scottish Government has provided flexibility around the guidance for using the following specific funding:[6]

- Pupil Equity Funding

- Challenge Authority and Schools' Programme funding

- funding for Regional Improvement Collaboratives, allowing resource linked to this initiative to be repurposed to the Covid-19 response, and

- deploy early learning and childcare funding flexibly to deliver critical provision for children and families.

58. The extent of how these individual flexibilities may be used by each council, is yet unclear. Judgements will be required by each council and this may depend on the extent of unavoidable commitments already existing, for example in early learning contract commitments to parents.

Medium and long-term financial planning

The financial changes due to Covid-19 mean that councils need to review and revise their medium-term financial plans

59. Auditors have reported greater uncertainty in current financial planning arrangements at councils due to Covid-19. Medium-term financial plans will now require revision at all councils to take into account additional financial pressures and updated funding arrangements, as well as consideration of updated savings requirements and financial assumptions.

Capital Funding

Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms

60. The Local Government capital settlement in 2020/21 decreased from £1.1 billion in 2019/20 to £0.8 billion. Capital funding had experienced significant increases in the past three years (33 per cent increase between 2017/18 to 2019/20). Total capital funding has now returned to levels more similar to those in 2017/18, in real terms (Exhibit 12, page 29). This could have a significant impact on councils' future investment plans.

Exhibit 12

Real terms capital funding between 2013/14 and 2020/21 (excluding Covid-19 funding)
Scottish Government capital funding in 2020/21 (excluding Covid-19 funding) is decreasing by 30 per cent.
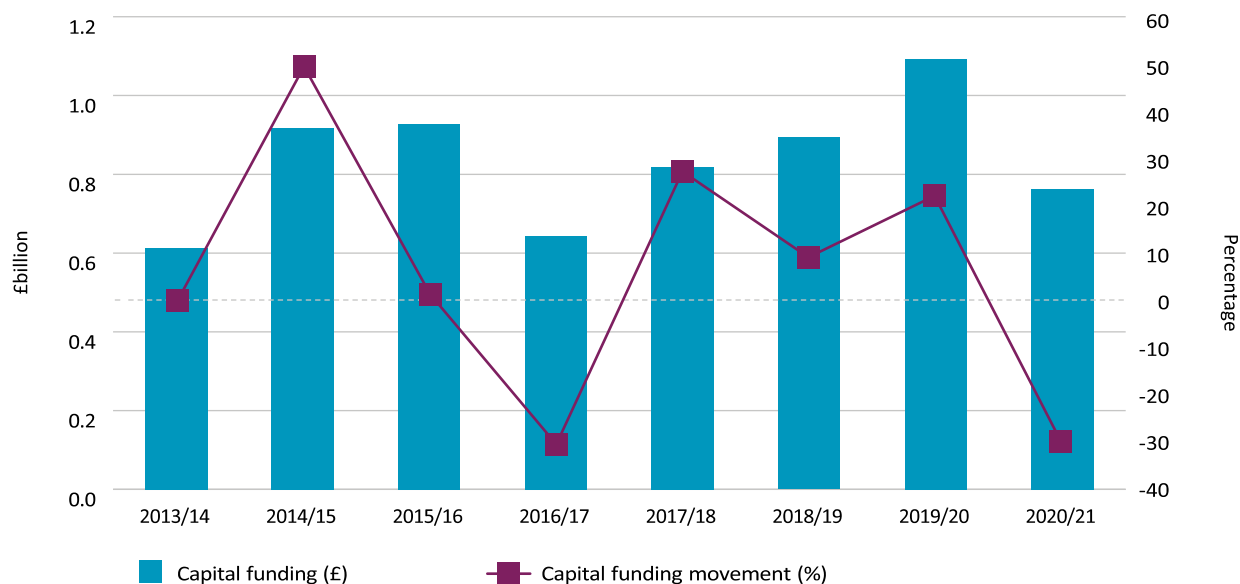
Source: Finance Circulars 04/2020 and Scottish Government budget documents

Integration Joint Boards

Key messages

1   A majority of IJBs (22 of 30) struggled to achieve break-even in 2019/20 or recorded deficits

2   Total mobilisation costs for Health and Social Care Partnerships for 2020/21 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all these costs

3   Revisions will be required to medium-term financial plans to reflect the impact of Covid-19

4   There were changes in chief officer at 12 IJBs in 2019/20

Funding and expenditure

In 2019/20 overall funding to IJBs increased by six per cent

61. Overall funding to IJBs, in 2019/20, increased by £0.5 billion (or six per cent) to £9.1 billion. Most of this increase is in health board contributions to the IJB.

Sixteen IJBs recorded deficits

62. Sixteen of the thirty IJBs reported a total deficit of £32 million in 2019/20, compared with only eight IJBs reporting a deficit of £11 million in 2018/19. Of the remaining IJBs, 13 reported a total surplus of £17 million and one reported a breakeven position.

A further six IJBs needed additional funding to achieve surplus or breakeven

63. Six of the IJBs that reported a surplus or breakeven position would not have achieved this without additional funding from partners. A total of thirteen IJBs had extra financial support from partners of £50 million. Without this, 22 IJBs would have reported a total deficit of £77 million (19 IJBs with a deficit of £58 million in 2018/19).

IJBs reported mixed performance against the achievement of savings targets in 2019/20

64. We reported last year that of the £208 million projected budget gap for 2019/20, 59 per cent of this was anticipated to be met by identified savings and 30 per cent by unidentified savings plans. Comparing this to actual performance and based on a sample of 22 IJBs, only four delivered 100 per cent of planned savings in 2019/20. Generally, there was significant variation in how IJBs performed against savings targets, with savings achieved ranging from 37 per cent at Aberdeen City IJB to 100 per cent at Inverclyde IJB.

IJB reserves have decreased in 2019/20

65. The IJBs' total reserves decreased by £15 million (9 per cent), to £143 million. This contrasts with a £34 million increase in reserves in 2018/19. Last year we reported that some of the increase in reserves was a result of IJBs holding unspent earmarked funding from the NHS, including those associated with Primary Care Improvement Fund and the Mental Health Strategy. The Scottish Government has advised health boards and IJBs that it expects these earmarked balances to be used before further funds are drawn down. Part of the decrease in reserves this year relates to the use of these specific funds (Exhibit 13, page 32).

66. Some of the more significant reductions include:

- Edinburgh IJB used reserves of £7 million to address a budget gap, as outlined in the recent Edinburgh City Council *Best Value Assurance Report* (November 2020).

- Dumfries and Galloway and South Lanarkshire IJBs used up a significant element of specific reserves, including Primary Care Transformation and Mental Health programmes of work.

Exhibit 13

Individual movements in general fund reserves between 2018/19 and 2019/20 Sixteen IJBs reported a decrease in the general fund balance.
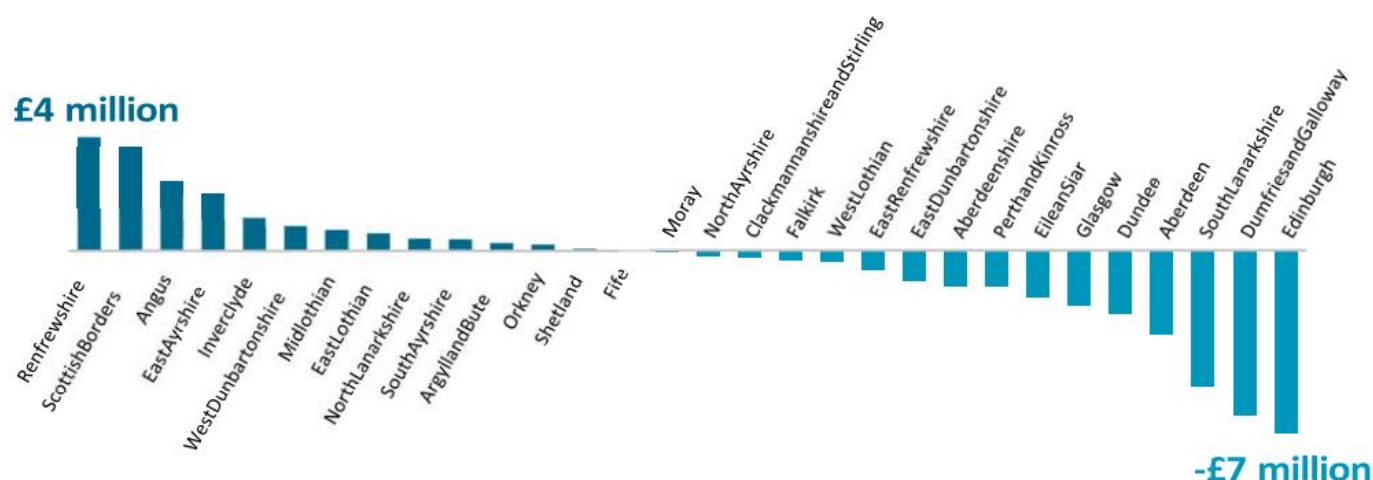
Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified

Financial planning

More IJBs agreed budgets with partners before the start of the financial year
67. Previously we reported that eleven IJBs failed to agree a budget with their partners at the start of the 2019/20 financial year. This position improved for 2020/21, when only six IJBs had not agreed their budgets by 1 April. Auditors identified the main reasons for this as the impact of Covid-19 and the timing of partner bodies setting their budgets.

Prior to Covid-19 costs, the projected budget gap was £185 million for 2020/21
68. Auditors identified a total estimated budget gap of £185 million for 2020/21, representing 2 per cent of total projected net expenditure. This is an improvement in comparison to 2019/20 (£208 million). The 2020/21 budget gap as a proportion of total projected net expenditure varied between 0.6 and 5.7 per cent.

69. Of the £185 million budget gap, 62 per cent (59 per cent in 2019/20) was anticipated to be met by identified savings and 25 per cent (30 per cent in 2019/20) by unidentified savings plans. Five IJBs planned to cover part of the estimated funding gap from reserves.

Covid-19 related costs

As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million

70. Financial data, provided to the Scottish Government by NHS Boards, shows estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships of £422 million for 2020/21. This projected total covers the full financial year and is based on returns submitted to NHS Boards by IJBs in the period June to September 2020. The main contributory factors to this are:

- additional costs for externally provided services, including PPE (£113 million)

- additional payments to Family Health Services contractors (£18 million) and prescribing (£15 million)

- additional temporary staff (£27 million)

- additional care home beds (£21 million)

- additional staff overtime and enhancement (£20 million)

- cost associated with Community Hubs (£27 million)

- homeless and criminal justice services (£10 million)

- mental health services (£10 million)

- expected underachievement of savings (£72 million), and

- loss of income (£24 million)

It is not yet clear if the Scottish Government will provide financial support to IJBs for the full impact of the pandemic

71. Several IJBs have included an assumption within budget papers and monitoring reports that the Scottish Government will provide financial support to cover all 'reasonable' expenditure included in cost submissions. However, there remains uncertainty around the extent to which the Scottish Government will fund these costs. Uncertainty of funding in care elements of the IJB has a significant impact on councils too, as the impact of costs and funding has been assumed to be neutral or excluded from council estimates.

72. At September 2020, the Scottish Government confirmed that £2.6 billion received in consequentials will be passed on for health and social care. This amount should be sufficient to cover the projected Covid-19-related revenue costs of £1.62 billion for health (£1.2 billion) and social care (£0.42 billion) for 2020/21.

73. In late September 2020, the Scottish Government announced additional funding of £1.1 billion to support the health and social care sector in dealing with Covid-19 related pressures. The funding will be allocated to NHS Boards and Health and Social Care Partnerships across Scotland to meet the costs of additional staffing or sickness

expenditure, enhanced infection prevention and control measures, and the purchase of PPE. However, the basis for allocation to individual partnerships is not yet clear.[7]

Revisions will be required to medium-term financial plans

74. More IJBs developed medium-term financial plans in 2019/20. Auditors reported that 26 had a medium-term financial plan in place. The impacts of Covid-19 could be significant for individual IJBs and medium-term financial plans will need to be revised to reflect this.

Wider governance issues

There were changes in chief officer at 12 IJBs in 2019/20 and instability of leadership continues to be a challenge

75. Auditors continued to identify significant changes in senior officers of IJBs. In 2019/20 there were changes in the chief officer at 12 of the 30 IJBs. Two-thirds of the chief officers who resigned left for a new role, either at another IJB (three chief officers) or elsewhere (five chief officers). There were also changes in chief finance officer at two of the IJBs. At Western Isles IJB (Curam is Slainte nan Eilean Siar) the absence of a chief officer has contributed to delays in strategic planning and issues with workforce planning.

Some IJBs did not review their integration scheme due to Covid-19

76. The Public Bodies (Joint Working) (Scotland) Act 2014 sets out that IJBs have a statutory duty to review their integration scheme within a five-year period. Auditors reported that six IJBs had not reviewed their integration scheme within the required timeframe. In all cases, Covid-19 was noted as a reason for the delay.

Instability of leadership continues to be a challenge for IJBs.

Endnotes

1 COSLA returns (3 month and full year returns) – based on 29 councils. Cost projection ranges were derived for the missing councils. Please note that this also includes the loss of the £6 million dividend from Lothian Buses.

2 Debt is total outstanding borrowing and other liabilities, including assets acquired through Private Finance Initiative (PFI), Public Private Partnership (PPP) and Non-Profit Distributing (NPD) models.

3 Excludes additional costs due to the decision to re-open schools and early years establishments full-time from 11 August 2020, as the cost collection exercise was conducted prior to this.

4 Scottish Government announcement (https://www.gov.scot/news/gbp-1-billion-business-support-fund-opens/)

5 Scottish Government announcement (https://www.gov.scot/news/supporting-local-government-recovery)

6 Scottish Government announcement (https://www.gov.scot/publications/coronavirus-covid-19-letter-to-localauthorities-regarding-education-and-early-learning-and-childcare-funding-flexibility)

7 The IJB is a separate legal entity, responsible for the strategic planning and commissioning of the wide range of health and social care services across a partnership area. Health and Social Care Partnerships are the partnerships that deliver services based on decisions made by the IJB.

Local government in Scotland
Financial overview
2019/20

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AUDIT SCOTLAND

To: Audit, Risk and Scrutiny Board

On: 22 March 2021

Report by: Director of Finance and Resources

Heading: Records Management Plan Update

1   Summary

The Council provides the Keeper of the Records of Scotland ("the Keeper") with an annual update on progress made towards our Records Management Plan ("RMP"). The update is referred to as a Progress Update Review ("PUR"). Following our 2019 PUR submission the Council achieved Green status for the Archiving element of the RMP. The Council therefore now has Green status for 13 of the 14 elements. We received our next PUR invitation on 10 August 2020 and provided our response on 30 November 2020. We received a draft PUR response from The Keeper's Assessment Team on 19th February 2021.

2   Recommendations

It is recommended that the Board:

- Note the progress of the Council Records Management Plan.

2

3   **Background**

3.1   In March 2016 the Council submitted its original RMP in compliance with the Public Records (Scotland) Act 2011 to the Keeper and conditional agreement from the Keeper was received on 16 August 2016. This meant that the Keeper had fully accepted 9 out of the 14 elements of the RMP with the remaining 5 elements classed as Amber being on an "Improvement Route" to be completed in a 5-year period.

3.2   Being on an "Improvement Route" meant that the RMP had self-identified gaps in the required elements that required further improvement. The elements requiring further work were:

Element 4 - Business classification
Element 6 - Destruction arrangements
Element 7 - Archiving and transfer arrangements
Element 11 - Audit trail
Element 13 - Assessment and review

3.3   Following annual PUR updates to the Keeper, four of the five elements at Amber were improved to Green. The remaining one Amber element was therefore: Element 4 - Business Classification Scheme ("BCS"). A BCS is a conceptual representation of the business activity performed by an organisation

3.4   To progress against the remaining Amber element, the Council now categorises all SharePoint sites to align with the Council's BCS. The classification(s) relevant to each site are now held on a central SharePoint register.

3.5   Information within specific Council systems (applications) are by default categorised with the classification(s) relevant to the Service(s) which own the system. We have recorded Business Classifications against all systems in the Council's application catalogue.

3.6   The Council's Electronic Document Management system already tags documents relevant to Service and Function, closely in line with the BCS. New functionality within the new EDM version to be rolled out shortly will also enable us to map the tagging within the system to the BCS. Additional functionality is now available to allow a protective marker to be added to a document type so that it always applies the marker.

3.7   In the longer term, the Council will also investigate opportunities to exploit SharePoint as an Electronic Records Document Management System. This will include collaboration with other Local Authorities.

3.8   Records Management has also been incorporated into the ICT & Cyber Security Requirements for Tender specifications. This ensures that, where relevant, future IT tender requirements will include the need for Function Classification and Retention Period monitoring functionality.

3.9   The Keeper's Assessment Team has now provided a draft response to our 2020 PUR submission where we have advised him of the above-mentioned steps towards the Business Classification Element.

3.10   The Assessment Team advised that it is clear that centralised control is part of the plans for the Document Management System (for example the SharePoint register) and that this is commendable.

3.11   The Assessment Team has also sought clarification on the current coverage of the Business Classification Scheme over our IT systems.

3.12   The Assessment Team advised that adoption of SharePoint as the core records management system of the Council is bound to be incremental and take several years to bed-in properly. This element remains at Amber while this work is ongoing.

3.13   The Assessment Team have advised that assurances from an authority on their overall commitment to improvement forms a key part of the Keeper's assessment. As a result, the Keeper's Assessment Team have no concerns regarding the final element still being classed as Amber after the initial 5-year RMP cycle is complete.

Implications of the Report

1.   **Financial** – *none*

2.   **HR & Organisational Development** – *none*

3.   **Community Planning** – Implementing good records management principles within the organisation supports the Council to deliver on its key objectives and priorities.

4.   **Legal** – Implementation of the RMP is a key element in complying with the Public Records (Scotland) Act 2011.

5.   **Property/Assets** – *none*

6.   **Information Technology** – *none*

4

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 of individuals' human rights have been identified arising from the recommendations contained in the report because for example it is for noting only.   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** - Effective records management can only have a positive impact on people's privacy whereby records are only retained for as long as necessary and are kept securely.

12. **Cosla Policy Position** – *none*

13. **Climate Risk** - *none*

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List of Background Papers

(a)   *none*

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                 Andrew.connor@renfrewshire.gov.uk

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Renfrewshire Council

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To: **Audit, Risk and Scrutiny Board**

On: **22nd March 2021**

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Report by: **Director of Finance and Resources**

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Heading: **Absence Statistics – Quarter 3 of 2020/21**

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1. Summary

1.1 The purpose of this report is to provide the Audit, Risk and Scrutiny Board with absence monitoring information. This report provides the absence information for the quarter 3 ending 31st December 2021. The report also highlights the continued support in place for employees in response to the Coronavirus (Covid-19) pandemic and highlights the steady improvements in performance by all services in this quarter.

1.2 The Council has continued to follow Government guidance throughout the pandemic, and this has contributed to a reduction in short term absence with fewer people circulating socially and within workplaces. A significant increase of those working from home has reduced the opportunity for transmission, particularly as a result of not having to commute.

1.3 The strong sense of community and commitment reflected in the workforce ethos to continue to deliver essential services during such an unprecedented time, has undoubtedly reduced short term absence to some degree.

2. Recommendations

2.1 It is recommended that the Board notes the content of this report.

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2

3. Background

3.1 The Scrutiny Board agreed that absence levels will be reported on a quarterly basis. It was agreed that the report will include the following information relating to supporting attendance: -

- Absence statistics broken down by service and category of staff.
- Reasons for absence broken down by service and category of staff.
- Progress made by services in relation to their supporting attendance action plans.

4. Sickness absence statistics Quarter 3 ending December 2020.

4.1 A comparison of service and council overall absence performance for quarters ending December 2019 and December 2020 is detailed in the table 1 below. In line with the reporting requirements for Scottish Councils, absence is expressed as a number of workdays lost per full time equivalent (FTE) employee. The table clearly demonstrates the improved performance by all services compared to the corresponding quarter in the previous year.

4.2 **Table 1: Q3 Year on year service and council absence performance:**

Service	Quarter Ending December 2019	Quarter Ending December 2020	Variance +/- year on year
Chief Executives	2.50	1.55	-0.95
Childrens Services	3.32	3.09	-0.23
Communities, Housing and Planning Services	3.69	3.23	-0.46
Environment and Infrastructure	4.86	3.93	-0.93
Finance & Resource Services	2.56	2.47	-0.09
Renfrewshire Health and Social Care Partnership	4.39	3.84	-0.55
Council Overall	3.65	3.25	-0.40
Council Overall Target	2.80	2.80	n/a

Table 2 details the workdays lost due to absence by employee group for the quarter and again highlights the councils improved performance within the employee reporting groups as defined by the Improvement Service.

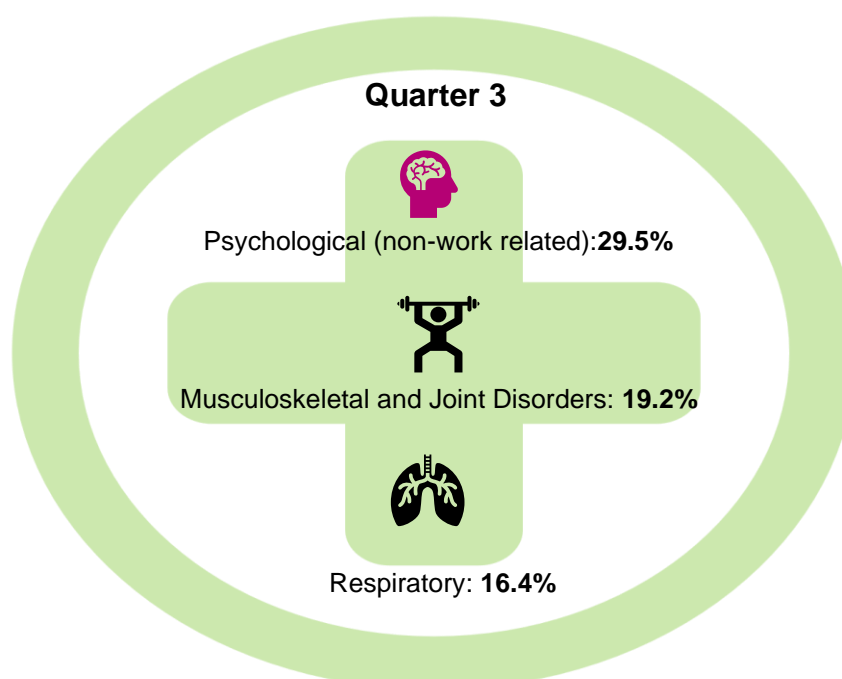**Table 2: Q3 Year on year employee group and council absence performance**

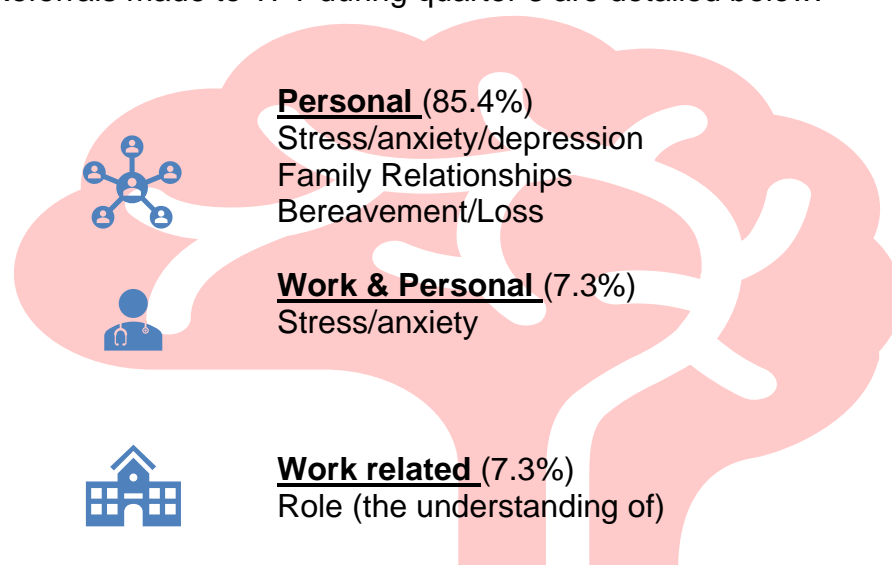| Employee Group	Quarter Ending December 2019	Quarter Ending December 2020	Variance +/- year on year
Local Government	3.94	3.46	-0.48 ⬇
Teachers	2.68	2.62	-0.06 ⬇
Council Overall	3.65	3.25	-0.40 ⬇

5. Sickness absence targets analysis – Quarter 3

5.1 The Council has recorded an overall absence rate of 3.25 days lost per FTE employee, which is **0.45 days above** the target figure of 2.80 days.

5.2 In addition, the Teacher absence level of 2.62 days lost per FTE employee is **1.08 days above** the target of 1.54 days.

5.3 Local Government employee absence level of 3.46 days lost per FTE employee is **0.63 days above** the target of 2.80 days.

6. Sickness absence reasons and related support measures during quarter 3.

6.1 The main sickness absence reasons across the council presented and their percentage contribution in this quarter are:

Quarter 3

Psychological (non-work related):**29.5%**

Musculoskeletal and Joint Disorders: **19.2%**

Respiratory: **16.4%**

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6.2   Psychological (non-work related), Musculoskeletal and Joint Disorders remain the top two reasons, Respiratory replaced Stomach / Bowel /Blood and Metabolic Disorders as the third top presenting issue compared to the previous year.

6.3   To support employees with psychological absences, the council provides a range of support services that employees can be referred to at an early stage for assistance, such as the council's Occupational Health Service and the Time for Talking employee counselling service.

6.4   Through the Occupational Health Service, employees can access Cognitive Behavioural Therapy (CBT) for more complex psychological issues.

6.5   The Time for Talking (TFT) counselling service provides confidential support to employees with a range of personal health and well-being issues. It operates a flexible approach to appointments offering telephone consultations in the early mornings or evenings as well as throughout the day. As part of the Covid-19 control measures, the face to face service was temporarily suspended in line with UK Government's guidance and is currently operated through secure video conferencing and telephone consultations.

6.6   Referrals made to TFT during quarter 3 are detailed below:

Personal (85.4%)
Stress/anxiety/depression
Family Relationships
Bereavement/Loss

Work & Personal (7.3%)
Stress/anxiety

Work related (7.3%)
Role (the understanding of)

6.7   Stress risk assessments are undertaken to support employees who have identified stress as having an impact on their wellbeing. An action plan is agreed and undertaken at a local level with the specialist support from HR and OD.

6.8   HR and OD work in collaboration with the NHS Choose Life Team, who offer safeTalk and ASIST on suicide awareness and prevention. Additionally, work continues with NHS colleagues to promote the "Doing Well" service which supports employees with depression and low moods.

5

6.9 The Physiotherapy service supports employees with Muscoskeletal and joint disorder conditions through the Council's Occupational Health Service. As part of the coronavirus (Covid-19) control measures, the face to face service was temporarily suspended in line with UK Government's coronavirus (Covid-19) guidance. However, the service has continued to be provided throughout the period using secure video conferencing and telephone consultations.

6.10 The Council's usage of the Occupational Health Service is detailed below:

614 appointments

The types of presenting issues to the OH team over the quarter were: Muscoskeletal and back problems, stress and anxiety, asthma, and heart/cardio.

We continue to provide support for those employees who were deemed "clinically at risk" (formerly shielding) and those with an underlying health condition to get them safely back in to the workplace or support them from working from home, using our Covid age risk assessment document in conjunction with the occupational health service to provide professional medical guidance on the safety measures to be applied.

7. Coronavirus (Covid 19)

7.1 Covid19 sickness absence is monitored through a dedicated team within HR and OD and reported to the Corporate Management Team daily. The team work closely with our colleagues in public health and monitor the impact of test and protect within our schools and workplaces.

7.2 The HR and OD team have been working collaboratively with all key stakeholders, including the Trades Unions, across the council to ensure that any activities being undertaken, especially by key workers, are in line with any changes to the guidance or legislation as it has emerged.

7.3 A key priority for the council is protecting the mental health and wellbeing of the workforce. The HR and OD team, working closely with the communications and marketing service, regularly engage with the workforce to provide access to a wide range of mental health and wellbeing support and services. This has included; development of a wellbeing hub on the council

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website for all employees to access; enhancements to the staff counselling service to include specialist Post Traumatic Incident support for employees affected by COVID-19; mental health awareness training for managers and supervisors updated and promoted widely through the wellbeing hub.

7.4   The dedicated helpline has been set up by the Occupational Health provider so that employees can call to discuss any Covid 19 health-related and continues to be operational.

7.5   The corporate personal protective equipment group continues to ensure that stocks of PPE are maintained at a reasonable level and are available for all those who require it. The group monitors new and emerging guidance to manage impact and ensure resilience. Brexit has not adversely affected supplies and the group will continue to monitor this position closely.

7.6   The team continue to implement updated Government guidance, reflecting changes to local policy where necessary. This includes the ways in which those who are currently working from home can apply practical solutions to ensure they are working safely, including display screen equipment or the type of office equipment they require. The health and safety team continue to offer virtual assessments and advice to support everyone with their set up. Employees with existing medical conditions are offered additional support from Occupational Health.

8.   Measures to support attendance at work

8.1   A number of measures being progressed to support attendance at work, include the following: -

- HR and OD, working closely with Occupational Health, delivered a successful employee seasonal flu vaccination programme. To date, there have been over 1700 vaccines allocated to school-based employees and 4000 vouchers offered to all employees across the council.

- The review of the current supporting attendance policies covering all employees, including teachers continues. Meetings have taken place with the respective Trade Unions to ensure this is a fully collaborative process.

- HR and OD and the Business World Team are working to improve the absence information available to managers, and to streamline supporting attendance related processes to facilitate prompt absence reporting, recording, and updating of relevant systems.

- Increased frequency of reporting sickness absence information to the Corporate Management Team.

- In collaboration with the communications and marketing service, regular information and guidance continues to be issued, particularly around well-

being issues as we move through the stages of the Scottish Government's revised recovery route map.

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Implications of this Report

1   **Financial Implications** - Improvement in attendance impacts on the financial costs of absence.

2   **HR and Organisational Development Implications** - HR and Organisational Development Practitioners will continue to work with service managers and consult with the Trade Unions, on the implementation of the Supporting Attendance at Work Policy and Guidance and initiatives detailed in this report.

3   **Community Planning**

        Children and Young People - none.

        Jobs and the Economy - none.

        Community care, health and wellbeing - provides for continuous improvement in health and attendance.

        Safer and Stronger - provides for improved service performance across the Council.

        Greener - none.

        Empowering our Communities - none.

4   **Legal Implications** - none.

5   **Property/Asset Implications** - none.

6   **Information Technology Implications** - none.

7   **Equality and Human Rights Implications** - none.

8   **Health and Safety Implications** - it is integral to the Council's aim of   securing the health and well-being of employees.

9   **Procurement Implications** - none.

10   **Risk Implications** - Without continued effective supporting attendance focus, there is a risk that sickness absence levels will adversely impact on the Council both financially and in terms of service delivery. Consequently, supporting attendance activities are monitored via the Corporate Risk Register.

11   **Privacy Impact Implications** - none.

12.   **Cosla Policy Position –** none

13.   **Climate Risk** - none

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List of Background Papers - none.

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