

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of virtual meeting held at 2.00pm on 18 March 2021.

Present:

Councillor Stewart Miller (Chair)	Councillor Annette Ireland
Councillor Barbara Grant (Vice Chair)	Councillor Jim Swift
Councillor Charlie Gilbert	

Councillor Miller in the Chair

Attending:

Mark Ratter, Director of Education; Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Michelle Blair, Chief Auditor; Gill Darbyshire, Chief Executive's Business Manager; Anthony Jenkins, Brexit Coordinator; Linda Hutchison, Clerk to the Committee; John Burke, Committee Services Officer; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

Morven Fraser, Audit Scotland.

Apology:

Councillor Angela Convery.

DECLARATION OF INTEREST

1590. Councillor Grant declared a non-financial interest in relation to Item 1595 by virtue of the fact that she was a member of the East Renfrewshire Culture and Leisure Trust Board.

Variation in Order of Business

In accordance with the terms of Standing Order 19, Councillor Miller agreed to vary the order of business in order to facilitate the conduct of the meeting.

CHAIR'S REPORT

1591. The following matters were raised during the Chair's report:-

Appointment of External Audit Manager

- (i) Councillor Miller confirmed that Louisa Yule had been appointed as the External Audit Manager for the Council as well as the Integration Joint Board. He added that the committee looked forward to working with her in future.

Audit Scotland COVID-19 Guide for Audit and Risk Committees - Feedback

- (ii) Under reference to the Minute of the meeting of 18 February 2021 (Page 1442, Item 1533(ii) refers), when the committee had agreed that a further report on issues raised in the *COVID-19 Guide for Audit and Risk Committees* published by Audit Scotland in August 2020 be prepared and submitted to a future meeting; and noted that the Clerk would liaise with members of the committee to ascertain which specific issues they wished to seek further feedback and focus on now by exception, Councillor Miller reported that he had sought confirmation that the feedback received in November on changes to internal controls required due to COVID-19 remained current. It had been confirmed that this was the case.

He confirmed that taking account of this and other information that the committee already had access to, including reports on risk and Internal Audit's work, no issues had been identified that needed to be followed up at this stage. However it remained an option to seek further updates on specific issues at any point through either himself or the Clerk. He suggested that it might be useful to review the position later in the year in any case, perhaps in late summer, to pick up any issues that may be raised from the year end Accounts process or from the transition to the "new normal" working arrangements which should start to be introduced by then.

Investigation on Income Generation and Commercialisation

- (iii) Under reference to the Minute of the meeting of 26 November 2020 (Page 1338, Item 1445 refers), when it had been noted that an invitation would be extended from the Chair of the committee to the Chair of the Performance and Audit Committee of the Integration Joint Board (IJB) to share information and discuss good practices arising from the Income Generation and Commercialisation review completed by the committee, Councillor Miller confirmed that the meeting had taken place on 15 March 2021. He reported that the matters discussed had been wide-ranging and had included why and how the committee's review had been pursued; the outcome and related recommendations; challenges facing the IJB in the delivery of services including in the context of COVID-19; commercial and ethical issues in relation to the provision of services; and changes in future that could stem from the review of Adult and Social Care in Scotland.

He confirmed that it had been agreed at the meeting that having representation from this committee on the IJB and other related bodies continued to be useful, and that if further discussions on any issue in future would be valuable, that could be arranged.

The committee agreed:-

- (a) that it might be useful to review the position later in 2021 on issues raised in the *COVID-19 Guide for Audit and Risk Committees* published by Audit Scotland, perhaps in late summer, to pick up any issues that may be raised from the year end Accounts process or from the transition to the “new normal” working arrangements which should start to be introduced by then; and
- (b) otherwise, to note the content of the Chair’s report.

STRATEGIC RISK REGISTER AND RISK MANAGEMENT PROGRESS – BIENNIAL REPORT

1592. Under reference to the Minute of the meeting of 24 September 2020 (Page 1276, Item 1375 refers), when the position on the Strategic Risk Register (SRR) and progress with risk management across the Council had been noted, the committee considered a report by the Chief Executive regarding the most recent biennial update of the register and general progress on risk management.

The SRR, a copy of which was appended to the report, itemised key risks that required to be considered and associated actions put in place to manage these. Having referred to related operational risk registers in place, the report confirmed that several strategic risks had been amended to include additional control measures and rescored for significance, clarifying that a thorough review of all the strategic risks had been undertaken by the Corporate Management Team (CMT). In total there were now 42 strategic risks, 18 of which had been evaluated as high and 24 as medium. Risks evaluated as low had been removed from the SRR and would be monitored within departmental or operational registers as appropriate. Relevant significant risks which could impact on achieving the Council’s outcomes regarding the work of the IJB and the Culture and Leisure Trust had been considered.

In addition to referring to risks added to the SRR, information was provided on risk scores that remained high; risks that had been rescored from high to medium; and those that retained the same score but where the risk descriptions had been amended to reflect the current position or provide further clarity. It was confirmed that although reports on the SRR were submitted to the committee every 6 months and the Cabinet annually, the register was considered to be a live document and updated continually, with the review of the SRR playing a fundamental role in ensuring that the Council met its objectives as detailed in Fairer East Ren, the Modern Ambitious Programme and the Outcome Delivery Plan. A risk owner for each strategic risk had been identified from amongst the CMT.

The Business Manager highlighted key aspects of the report, during which she confirmed that the mitigated risk score for risk 6.9 on Brexit had been documented incorrectly as 12. She clarified that the likelihood and impact scores should have been recorded as 2 and 3 respectively, resulting in a risk score of 6.

Councillor Swift commented on the referendum being sought by the Scottish Government on Scottish independence, potential financial consequences of independence and related issues, seeking clarification why such issues were not referred to in the SRR. The Head of Accountancy (Chief Financial Officer) clarified that this issue had been raised at some other meetings, confirming that only risks which at present were considered likely to crystallise were included in the SRR. In terms of recent consideration of the economic and financial outlook for the Council, she reported that independence had not been perceived as an issue that required to be reflected in the SRR for the time being, but that should the Council’s economic

or treasury advisors or banks raise matters associated with independence, the position could be reassessed at a future date. She added that it was possible that the position may be reviewed depending on the outcome of the Scottish Parliamentary elections. Elected Members confirmed that the issue had been raised before, including at the most recent Council meeting, and acknowledged that the SRR was considered live and subject to review.

The committee, having heard Councillor Miller request that Members refrain from raising political issues at meetings of the committee:-

- (a) agreed that feedback be provided to appropriate senior officers on comments made at the meeting on the SRR for consideration; and
- (b) otherwise, noted the development of the SRR; that it was considered to be a live document; and that it would be updated and amended by the CMT.

WITHDRAWAL FROM THE EUROPEAN UNION – UPDATE

1593. Under reference to the Minute of the meeting of 26 November 2020 (Page 1335, Item 1319 refers), when the committee had agreed that a further update on the UK's exit from the European Union (EU) should be provided to a future meeting, the committee considered a joint report by the Directors of Corporate & Community Services and Environment, providing a further update on the UK's exit from the EU and work within the Council in response to this.

The report confirmed that the UK had ceased to be a member of the EU on 31 January 2020, entering a transition period then until 31 December 2020. Both sides had announced that a Trade and Cooperation Agreement had been reached on 24 December 2020, following the ratification of which the UK and EU had entered a new relationship from 1 January 2021. Details on the main points of the Agreement and the particulars of that new relationship in terms of such matters as trade and citizen's rights were outlined. The report also made reference to the potential for supplementary agreements, particularly on issues yet to be resolved, such as financial services, or which may have been unforeseen during the negotiations, clarifying also that the overall Agreement would undergo a substantial review every five years. The position on issues in relation to trade and the economy; data and information sharing; funding; laws and regulations; the EU Settlement Scheme; the work of the Brexit Working Group (BWG); and the Multi Agency Coordination Centre on EU Exit was also summarised.

It was concluded that EU Exit procedures and preparations were well established, having been implemented for previous Brexit deadlines; and that these would be key mechanisms in responding to impacts arising from the exit from the EU that may develop, as the new UK-EU relationship becomes established.

Whilst referring to key aspects of the report, the Brexit Coordinator highlighted some concerns raised on the potential for increased costs or delays when purchasing goods imported from the EU or even Northern Ireland which could impact of services. Having referred to the relaxation of controls for a further 6 months, he cited examples of goods that may be affected in due course, such as fresh food for school meals and care homes, vehicle parts and building materials. In terms of negative impacts, he reported that it was difficult to confirm which impacts were caused by Brexit or COVID-19, or a combination of both.

The Brexit Coordinator highlighted that a lot of guidance and information remained to be received on what would replace EU funding, clarifying that it was intended that the UK Shared

Prosperity Fund would replace EU Structural Funds from 2022/23, pending which the UK Community Renewal Fund would be in place to assist with transition arrangements. Related issues would be discussed as required.

Councillor Grant sought clarification regarding which specific local services would require to assess the implications of replacement funding in terms of service provision, and be impacted in terms of State Aid. Regarding the former, the Brexit Coordinator indicated that changes would impact on investment in skills, local businesses, communities and places and supporting people into employment, and would, for example, impact on services promoting economic development. He undertook to seek and provide further information on this for circulation to members of the committee and to do likewise regarding State Aid.

Citing various examples throughout the document such as the impact of Brexit on Health and Safety and environmental standards, data sharing, State Aid and labour rights amongst others, Councillor Ireland commented that there remained a lack of clarity on the detailed impact of many changes and exactly when many things would transpire. The Brexit Coordinator indicated that, for the time being, some dates remained unclear, such as in relation to State Aid on which information was expected in the autumn, with further clarity on other issues being dependent on progress on the particular issues concerned. For example, the position on import controls would be clarified further in July.

Councillor Ireland sought further clarification on applications to the EU Settlement Scheme, which stood at 58% locally, and asked if this was indicative of the rate across Scotland and the UK. The Brexit Coordinator reported that the position was broadly similar to that in Inverclyde and a couple of neighbouring authorities, that the rates varied considerably across other areas, that the exact number of EU nationals who had applied in East Renfrewshire could potentially vary from 1500 to 2500 as the statistics provided were rounded up to the nearest 500, and that a range of ways of signposting individuals to the Scheme, examples of which were cited, would continue to be promoted locally as the application deadline approached, to complement the promotion of the Scheme at a Scottish and UK level.

The committee agreed:-

- (a) that the Brexit Coordinator provide further information to the Clerk for circulation to members of the committee as requested on funding issues and State Aid;
- (b) that a further update be provided to a future meeting following the summer recess prior to the end of September; and
- (c) otherwise, to note the report and related comments made.

NATIONAL EXTERNAL AUDIT REPORT – HOUSING BENEFIT PERFORMANCE AUDIT – ANNUAL UPDATE 2020

1594. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Housing Benefit Performance Audit: Annual Update 2020*, which, under the committee's specialisation arrangements, had been sent to Councillors McLean and Swift for review. The Head of Communities, Revenues and Change had been asked to provide comments and a copy of her feedback was attached to the report.

The report commented on the scale of the Council's Housing Benefit (HB) service and related issues, including planning for the gradual phasing out of Housing Benefit (HB) as a result of

the implementation of Universal Credit (UC), referring also to the national HB Performance Audit produced annually by Audit Scotland. Regarding the Annual Update, it was explained that the focus had moved to thematic reviews while a smaller programme of work on assessing risk at individual councils also continued, the former having been delayed due to the COVID-19 pandemic.

Reference was made to the findings of a thematic review by Audit Scotland which had revealed a 20% increase in HB overpayments, that the continued roll-out of UC had impacted on councils' recovery options, that only a quarter of councils were reporting improved recovery and five improvements identified, in respect of which East Renfrewshire had been highlighted for good practice where a review of ongoing deductions had provided increased recovery of £42k in 2017/18. Measures and policy changes implemented by the Department of Work and Pensions due to COVID-19 were also itemised. Within that context, the report confirmed that the Council continued to make good progress against key HB performance indicators, that speed of processing times had improved, but accuracy ratings had remained static. It was confirmed that a new compliance resource had been appointed with particular focus on making improvements in that area.

Having referred to various actions underway to recover the historic HB Overpayment debt, the review of data and processes as part of the implementation of the new Council Tax and Benefits system in 2020/21 and related issues, it was concluded that benefits was a complex and frequently-changing area, with a nationally driven landscape and a range of agencies involved. National delays in UC implementation had required HB caseloads to be maintained for far longer than predicted. Against a background of reducing DWP funding and wider pressures on council budgets, it continued to be a challenging time for service delivery both locally and nationally, but the Council had progressed initiatives to understand and improve benefits processing. A firm action plan had been put in place which was starting to deliver results, and the Council remained committed to continuous improvement and high degrees of accuracy. It was anticipated that the current COVID-19 pandemic would have some impact on performance results, with the implementation of the new Council Tax and Benefits system in 2020/21 ensuring that improvements made were embedded, supported by up to date technology to enable the Council's benefits teams to continue to deliver improved performance and meet customer expectations.

The committee agreed to note the report and the related comments made.

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Councillor Grant having declared a non-financial interest in the following item left the meeting prior to its consideration.

EAST RENFREWSHIRE CULTURE AND LEISURE TRUST – BEST VALUE REVIEW ACTION PLAN

1595. Under reference to the Minute of the meeting of 26 June 2020 (Page 1201, Item 1292 refers), when the committee had noted recommendations contained within the Best Value Review of East Renfrewshire Culture and Leisure Trust (ERCLT); and agreed, in light of the COVID-19 pandemic, that the Director of Education in partnership with the Chief Executive of the Trust review the recommendations and report to a future meeting on those still considered valid, the committee considered a report by the Director of Education on this issue and the associated action plan.

The report clarified that the committee had approved the deletion of an audit of the operation of the Trust from the 2019/2020 Internal Audit Plan on the basis that the Scrutiny and

Evaluation Officer in post at that time would progress a Best Value Review (BVR) of the Trust, the findings of which would be reported to the committee in due course. The BVR, which was undertaken prior to the onset of the COVID-19 pandemic, had been submitted to the committee on 25 June 2020, a copy of which was attached to the report as Appendix 1, setting out the key strengths of the Trust and 23 recommendations for improvement.

Having referred to the scope of the BVR, the conclusions reached, and opportunities for further improvement identified originally, the report explained that following a review of the recommendations it had been concluded that 9 required no further action, a further one was considered closed in light of the COVID-19 pandemic, and that Recommendation 17, on Service Level Agreements, was considered annually as part of the year end performance report and would be considered at that time. The remaining 12 recommendations had been incorporated into the action plan associated with the Business Report prepared by SOLACE which had been approved by the Trust's Board in June 2018 and was overseen by the Director of Education, the Chief Finance Officer, and the Trust's Chief Executive. A copy of the updated action plan also accompanied the report.

It was concluded that the ERCLT would continue to self-evaluate its performance and take the necessary steps, in partnership with the Council, to improve those areas identified for improvement in the action plan as part of its business planning process.

The Director of Education highlighted key aspects of the report, during which he emphasised the extent to which COVID-19 was continuing to impact on the operation of the Trust, and commented on three actions for which specific timescales remained to be provided. Regarding the recommendation to market the vacant space at the Foundry in Barrhead, he reported that the space was currently being used for COVID-19 vaccinations as a result of which this action had been suspended, but that it was anticipated that the timescale for this work would be March 2022. He confirmed that the timescales for supporting the further development of improved financial planning for the Trust, and implementing revised procedures for complaints were November and June 2021 respectively.

Councillor Ireland thanked everyone involved in the production of the report and associated action plan, indicating that she was impressed with the Trust's business plan and the extent to which work was being done as referred to in the report.

The committee noted the East Renfrewshire Council and East Renfrewshire Culture and Leisure Trust Finance and Business Review and Best Value Review Action Plan, including the timescales for progressing various actions.

CHAIR

