Agenda

Audit Committee

Date: Wednesday, 16 June 2021

Time: 10:00

Venue: Zoom Video Conference

Contact: committee.admin@west-dunbarton.gov.uk

Dear Member

The Convener has directed that the powers contained in Section 43 of the Local Government in Scotland Act 2003 will be used and so Members will attend this meeting of the **Audit Committee** remotely. The business is shown on the attached agenda.

Yours faithfully

JOYCE WHITE

Chief Executive

Distribution:

Councillor John Mooney (Chair)
Councillor Jim Brown
Councillor Karen Conaghan
Councillor Daniel Lennie
Councillor Jonathan McColl
Councillor John Millar
Councillor Martin Rooney (Vice Chair)
Councillor Brian Walker
Mr C Johnstone
Mr C Todd

All other Councillors for information

Chief Executive
Chief Officers

Date of issue: 3 June 2021

AUDIT COMMITTEE

WEDNESDAY, 16 JUNE 2021

AGENDA

1 APOLOGIES

2 DECLARATIONS OF INTEREST

Members are invited to declare if they have an interest in any of the items of business on this agenda and the reasons for such declarations.

3 MINUTES OF PREVIOUS MEETING 7 – 10

Submit for approval as a correct record, the Minutes of Meeting of the Audit Committee held on 10 March 2021.

4 OPEN FORUM

The Committee is asked to note that no open forum questions have been submitted by members of the public.

5 PRUDENTIAL INDICATORS 2020/21 TO 2030/31 AND TREASURY MANAGEMENT STRATGEY 2021/22 TO 2030/31 11 – 49

With reference to the Minutes of Meeting of West Dunbartonshire Council held on 4 March 2020, submit report by the Chief Officer – Resources providing Members with the opportunity to further scrutinise the Prudential Indicators for 2020/21 to 2023/24, the Treasury Management Strategy (including the Investment Strategy) for 2021/22 to 2023/24, and the indicative indicators for the period to 2030/31.

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6 INTERNAL AUDIT PLAN 2020/21 – PROGRESS TO 19 MAY 2021 **51 – 78**

Submit report by the Chief Officer – Resources advising of:-

(a) progress at 19 May 2021 against the Audit Plan for 2020/21;

(b) recently issued Internal Audit reports and action plans; and

(c) the status of implementation progress relating to action plans from previously issued Internal Audit reports.

7 INTERNAL AUDIT ANNUAL REPORT TO 31 MARCH 2021 **79 – 93**

Submit report by the Chief Officer – Resources advising of:-

(a) the work undertaken by Internal Audit in respect of the Annual Audit Plan 2020/21; and

(b) the contents of the Assurance Statement given to Members of West Dunbartonshire Council, the Chief Executive and the Section 95 Officer (Chief Officer – Resources) in support of the Annual Governance Statement, and outlining how audit assurances are obtained.

8 AUDIT SCOTLAND LETTER: WEST DUNBARTONSHIRE COUNCIL – INTERIM AUDIT TESTING 2020/21 – JUNE 2021 **95 – 100**

Submit report by the Chief Officer – Resources advising of the 2020/21 mid-year report which has been received regarding Key Internal Controls, from our external auditors – Audit Scotland – and providing information as to management actions implemented following receipt of this report.

9 ANNUAL REPORT ON THE AUDIT COMMITTEE – 2020/21 **101 – 105**

Submit report by the Chief Officer – Resources providing an Annual Report on the Audit Committee for 2020/21.

10 AUDIT SCOTLAND – COVID-19 GUIDE FOR AUDIT AND RISK COMMITTEES **107 – 121**

Submit report by the Chief Officer – Resources providing an update on sub-group activity in relation to the Audit Scotland COVID-19 Guide for Audit and Risk Committees.

11	**CODE OF GOOD GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2020-21**	**To Follow**

Submit report by the Chief Officer – Resources in relation to the above.

12	**ACCOUNTS COMMISSION REPORT: *LOCAL GOVERNMENT IN SCOTLAND OVERVIEW 2021***	**123 – 173**

Submit report by the Chief Officer – Resources providing information on a national audit report, for information and consideration, which has been received from the Accounts Commission.

AUDIT COMMITTEE

At a Meeting of the Audit Committee held by video conferencing on Wednesday, 10 March 2021 at 10.00 a.m.

Present: Councillors Jim Brown, Karen Conaghan, Daniel Lennie, Jonathan McColl, John Mooney, Martin Rooney, Brian Walker and Lay Members Mr Chris Johnstone and Mr Christopher Todd.

Attending: Joyce White, Chief Executive; Jo Gibson, Head of Community Health & Care Services, West Dunbartonshire Health & Social Care Partnership (HSCP); Victoria Roger, Chief Officer – People & Technology; Stephen West, Chief Officer – Resources; Angela Wilson, Chief Officer – Supply, Distribution & Property; Malcolm Bennie, Chief Officer – Citizen, Culture & Facilities; Andi Priestman, Shared Service Manager – Audit & Fraud; Gillian McNeilly, Finance Manager; Patricia Kerr, ICT Manager; Julie McGrogan, Senior Education Officer and Craig Stewart, Committee Officer.

Also Attending: Richard Smith, Senior Audit Manager, Audit Scotland.

DECLARATIONS OF INTEREST

It was noted that there were no declarations of interest in any of the items of business on the agenda.

MINUTES OF PREVIOUS MEETING

The Minutes of Meeting of the Audit Committee held on 18 November 2021 were submitted and approved as a correct record.

OPEN FORUM

The Committee noted that no open forum questions had been submitted by members of the public.

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ANNUAL AUDITED ACCOUNTS 2019/2020 – ANNUAL AUDIT REPORT TO MEMBERS AND CONTROLLER OF AUDIT

A report was submitted by the Chief Officer – Resources providing Members with the opportunity to further scrutinise the Audited Annual Accounts 2019/20 and the Annual Audit Report to Members and Controller of Audit covering the Council and the Charities administered by the Council which were previously reported to Council on 25 November 2020.

After discussion and having heard the Finance Manager and relevant officers in further explanation of the report and in answer to Members' questions, the Committee agreed to note the information provided within the Audited Annual Accounts 2019/2020 and Annual Audit Report to Members and Controller of Audit - covering the Council and the Charities administered by the Council - as appended to the report.

TREASURY MANAGEMENT MID-YEAR REPORT 2020/21

A report was submitted by the Chief Officer – Resources providing Members with the opportunity to further scrutinise the Treasury Management Mid-Year report which was previously reported to Council on 16 December 2020.

After discussion and having heard the Finance Manager and the Chief Executive in further explanation of the report and in answer to Members' questions, the Committee agreed to note the terms of the report.

STRATEGIC RISKS 2017-22

A report was submitted by the Chief Officer – People & Technology providing an update on the strategic risks for 2017-22.

After discussion and having heard the Chief Officer in further explanation of the report and in answer to Members' questions, the Committee agreed:-

(1) to note the strategic risks as detailed at Appendix 1 to the report; and

(2) to note the supplementary EU Assurance Plans as detailed in Appendices 2 and 3 to the report.

AUDIT SCOTLAND ANNUAL AUDIT PLAN 2020/21

A report was submitted by the Chief Officer – Resources presenting Audit Scotland's Annual Audit Plan for the audit of financial year 2020/21.

After discussion and having heard the Senior Audit Manager, Audit Scotland, and Shared Service Manager – Audit & Fraud in further explanation of the report and in

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answer to Members' questions, the Committee agreed to note the contents of the report.

INTERNAL AUDIT PLAN 2020/21 PROGRESS TO 10 FEBRUARY 2021

A report was submitted by the Chief Officer – Resources advising of progress at 10 February 2021 against the Audit Plan for 2020/21.

After discussion and having heard the Shared Service Manager – Audit & Fraud and the Head of Community Health & Care Services in further explanation and in answer to Members' questions, the Committee agreed to note the contents of the report.

INTERNAL AUDIT PLAN 2021/22

A report was submitted by the Chief Officer – Resources advising of the planned programme of work for the Internal Audit section for the year 2021/22.

After discussion and having heard the Shared Service Manager – Audit & Fraud and the Chief Executive in further explanation of the report and in answer to a Member's question, the Committee agreed to note the contents of the report.

PUBLIC INTEREST DISCLOSURES AND OTHER INTERNAL AUDIT INVESTIGATIONS – 1 JULY TO 31 DECEMBER 2020

A report was submitted by the Chief Officer – Resources advising of the outcome of investigations into allegations and disclosures in line with the public interest disclosure and business irregularities policies received by Internal Audit between 1 July to 31 December 2020.

After discussion and having heard the Shared Service Manager – Audit & Fraud in further explanation of the report and in answer to Members' questions, the Committee agreed to note the contents of the report.

NATIONAL FRAUD INITIATIVE 2020/21

A report was submitted by the Chief Officer – Resources providing an update on the current position with regard to the National Fraud Initiative in Scotland 2020/2021 Exercise.

After discussion and having heard the Shared Service Manager – Audit & Fraud in further explanation of the report and in answer to a Member's questions, the Committee agreed:-

(1) that further updates would be provided to the Audit Committee as part of the Internal Audit Progress report outlining the Council's progress with the 2020/21 exercise; and

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(2) otherwise to note the contents of the report.

AUDIT SCOTLAND - COVID-19 GUIDE FOR AUDIT AND RISK COMMITTEES

A report was submitted by the Chief Officer – Resources providing an update on sub-group activity in relation to the Audit Scotland COVID-19 Guidance for Audit and Risk Committees.

After discussion and having heard the Shared Service Manager – Audit & Fraud in further explanation of the report and in answer to a Member's question, the Committee agreed:-

(1) to note the progress made by the Sub-Group; and

(2) that an update would be provided to the next meeting of the Audit Committee.

UPDATE OF NON-DOMESTIC RATES MEMBER/OFFICER WORKING GROUP

A report was submitted by the Chief Officer – Resources providing an update on the Member/Officer working group and requesting consideration of issues affecting the Council in relation to Non-Domestic Rates (NDR).

After discussion and having heard the Chief Officer – Resources and the Chief Executive in further explanation of the report, the Committee agreed:-

(1) the revised membership of the Working Group as detailed within the report;

(2) the updated remit of the Group as detailed within the report; and

(3) otherwise to note the contents of the report.

ACCOUNTS COMMISSION REPORT: FINANCIAL OVERVIEW 2019/20

A report was submitted by the Chief Officer – Resources providing information regarding a report recently published by the Accounts Commission.

After discussion and having heard the Chief Officer – Resources, the Committee agreed to note the contents of the report.

The meeting closed at 11.24 a.m.

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WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Officer - Resources

Audit Committee : 16 June 2021

Subject: Prudential Indicators 2020/21 to 2030/31 and Treasury Management Strategy 2021/22 to 2030/31

1. Purpose

1.1 Following approval at Council on 4 March 2020, the purpose of this report is to provide Members with the opportunity to further scrutinise the Prudential Indicators for 2020/21 to 2023/24 and Treasury Management Strategy (including the Investment Strategy) for 2021/22 to 2023/24 and the indicative indicators for the period to 2030/31.

2. Recommendations

2.1 Members are asked to note that Council:

(a) Agreed the following Prudential Indicators and Limits discussed in Appendix 1 and set out within Appendix 6 for the period 2020/21 to 2023/24:

- Capital Expenditure and Capital Financing Requirements (Tables A and B);
- Forecast and estimates of the ratio of financing costs to Net Revenue Stream (Table D);

(b) Approved the policy for loans fund advances discussed in Appendix 1 in section 3;

(c) Approved the Treasury Management Strategy for 2021/22 to 2023/24 (including the Investment Strategy) contained within Appendices 2 to 6;

(d) Agreed the following Treasury Prudential Indicators and Limits discussed in Appendix 2 and set out within Appendix 6 for the period 2021/22 to 2023/24:

- Operational Boundaries (Table F);
- Authorised Limits (Table G);
- Counterparty Limits (Table J); and
- Treasury Management Limits on Activity (Table L);

(e) Noted the draft Prudential and Treasury Management Indicators for the period 2024/25 to 2030/31 discussed in Appendices 1 and 2 and set out within Appendix 6;

(f) Approved the statement by the Section 95 Officer regarding the gross debt level in comparison to the Capital Financing Requirement (Appendix 2 - Point 2.3); and

(g) Noted the report would be referred to Audit Committee for further scrutiny.

3. Background

3.1 With the introduction of the Prudential Code, the Council has freedom over capital expenditure so long as it is prudent, affordable and sustainable. In order to show it is working within these limits the Council must approve, revise and monitor a range of prudential indicators covering the forthcoming three years.

3.2 CIPFA defines treasury management as:

'The management of the local authority's borrowing, investments and cashflows, its banking, money market and capital investment transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

3.3 The Council's treasury activities are strictly regulated by statutory requirements (*Code on the Investments of Money by Scottish Local Authorities*) and a professional code of practice (*CIPFA Treasury Management Code of Practice*). The code requires an annual strategy to be reported to Council in advance of the forthcoming year outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. Further reports are issued as follows:

(a) Mid-year monitoring report on actual treasury activity during the year including revised indicators where appropriate; and

(b) Year-end report on actual treasury activity for the previous year.

3.4 Section 56 of the Local Government (Scotland) Act 1973 Act permits local authorities in Scotland to discharge their functions by committees. Exceptions include setting the council tax (s56 (6) (b)) and borrowing money (s56 (6) (d)), which requires the authority, that is full Council, to discharge. The Section 56 provisions were extended to require Council to approve the Annual Investment Strategy via the *Code on the Investments of Money by Scottish Local Authorities* (issued on 1 April 2010) been issued under section 40 of the Local Government in Scotland Act 2003.

3.5 As a result of Section 56, both the Prudential Indicators and the Treasury Management Strategy (including the Investment Strategy) are required to be approved by full Council before the start of the financial year.

3.6 The CIPFA Treasury Management Code of Practice requires greater Member scrutiny of the treasury polices, increased Member training and awareness and greater frequency of information.

3.7 One of the key clauses is that a responsible body is required to ensure effective scrutiny of the treasury management strategy and polices. Within West Dunbartonshire Council the body identified to fulfil this role is the Audit Committee.

4. Main Issues

4.1 The Local Government in Scotland Act 2003 requires Council to adopt the CIPFA Prudential Code and to produce prudential indicators. Appendix 6 of this report details the Council's expected year end indicators for 2020/21, revises the indicators for 2021/22 to 2023/24 and projects the indicators to 2030/31, with those for the period 2024/25 to 2030/31 being indicative at this time.

4.2 Within this overall prudential framework there is a clear impact on the Council's treasury management activity, either through borrowing or investment activity. As a consequence the treasury management strategy (which includes details of both debt and investment) for 2021/22 to 2030/31 is included in Appendix 6 (with the period 2024/25 to 2030/31 being indicative at this time) to complement the prudential indicators relating to the treasury activity.

4.3 Details of the risks, mitigating controls and limits associated with each of the permitted investment categories are shown in Appendix 3. Credit rating type and definitions are attached as Appendix 4 and a list of approved sovereign countries for investments are attached as Appendix 5.

Changes to Financial Regulations - Leasing

4.4 The Treasury Management Strategy report to Council in March 2020 reported a change to financial Regulations regarding leasing. The change has since been postponed and is now due to change on 1 April 2022.

4.5 Due to changes within the Financial Regulations in relation to Leases, which brings the assets and future liabilities for all leases onto the Council's Balance Sheet from 1 April 2022. The effect of this change will increase the 'level of debt' identified by the Council; the Capital Financing Requirement; Operational Boundary; and Authorised Limit, by the future liability of the leased assets. Forecast and estimates of the ratio of financing costs to Net Revenue Stream may also be affected in future years. This change affects all Councils, though this Council has a low number of leased assets.

Capital Strategy

4.6 For information, in December 2017, CIPFA issued a revised Prudential Code. As a result, from 2019/20, all local authorities were required to prepare a Capital Strategy report, which is intended to provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

4.6.1 The aim of the Capital Strategy report is to ensure that all elected members fully understand the overall strategy, governance procedures and risk appetite entailed by the Strategy.

4.6.2 The Capital Strategy (included elsewhere on the agenda for this meeting) includes capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all Members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

5. Option Appraisal

5.1 No option appraisal was required for this report.

6. People Implications

6.1 There are no people implications arising from this report.

7. Financial and Procurement Implications

7.1 The prudential indicators detailed in Appendix 6 show the Council's likely and indicative capital financing for the period 2020/21 to 2030/31 while the treasury management indicators detailed in Appendix 6 show the likely borrowing requirement for the same period.

7.2 Table E in Appendix 6 indicates that in each year the gross borrowing requirement (which includes short term borrowing for cashflow purposes) is below the capital financing requirement and does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and following two financial years (Appendix 2 – section 2.1 and 2.2).

7.3 As a key indicator of prudence this illustrates that the Council only undertakes long term borrowing for capital purposes and that over the last few years investment balances have been utilised to fund capital expenditure due to the concerns over the general economic environment and restricted counterparty lists.

7.4 There are no procurement issues arising from this report.

8. Risk Analysis

8.1 There are three main risks associated with the formulation of prudential indicators and the treasury management strategy as detailed in Appendix 1 and 2:

(a) Capital receipts which affect the capital financing and borrowing requirement may not materialise and if this occurs then additional borrowing will be required in order to fund the financing requirement;

(b) The risk of Counterparties default (i.e. loss of principal sum invested) must also be taken into account; however the robust controls included within the investment strategy (Appendix 2 – section 6) will assist in mitigating this risk; and

(c) Capital inflation may increase capital expenditure levels, which in turn may affect the capital financing and borrowing requirement leading to an increase in borrowing, assuming no additional capital receipts are available.

9. Equalities Impact Assessment

9.1 No equalities impact assessment was required in relation to this report.

10. Environmental Sustainability

10.1 No assessment of environmental sustainability was required in relation to this report.

11. Consultation

11.1 Legal and Resources have been consulted in relation to this report and appendices.

12. Strategic Assessment

12.1 Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan. This report forms part of the financial governance of the Council.

Stephen West
Chief Officer - Resources
Date: 27 May2021

Person to Contact: Jackie Allison, Finance Business Partner, Church Street, Dumbarton
Email: jackie.allison@west-dunbarton.gov.uk

Appendices:

1. Prudential Indicators 2020/21 to 2030/31
2. Treasury Management Strategy 2021/22 to 2030/31
3. West Dunbartonshire Council and Common Good Funds Permitted Investments, Associated Controls and Limits
4. Counterparty Rating Explanations
5. Approved Countries for Investment
6. Prudential and Treasury Indicators

Background Papers:	Treasury Management Strategy – Council 4 March 2020 Treasury Mid-year update – Council 16 December 2020 Budget Update – Council 24 February 2021 Budget Update – Council 3 March 2021 Treasury Management Strategy Statement and Annual Investment Strategy (Link February 2021) Scotland's Economic and Fiscal Forecasts (Fiscal Commission Scotland January 2021)
Wards Affected:	All wards affected.

Appendix 1

Capital Prudential Indicators 2020/21 to 2030/31

1. The Capital Expenditure Plans

1.1 The Council's gross capital expenditure plans are summarised in Table A within Appendix 6 and this forms the first of the prudential indicators. Total expenditure is partially funded by resources such as capital receipts, capital grants, etc. Any remaining expenditure which cannot be immediately funded from other resources will form a borrowing need.

1.2 A certain level of capital expenditure will be grant supported by the Government; anything above this level will be funded from the Council's own resources.

1.3 There are two main limiting factors which may impact on the Council's ability to undertake unsupported capital expenditure:

- Whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs; and

- The Government may use a control to limit either the total of all councils' plans nationally, or in the event of an assessment by central government that local plans are unaffordable at a specific council, it may implement a local control. No such control has been implemented since the inception of the prudential code, however, HM Treasury keep this under review.

1.4 The summary of capital expenditure, as per the capital plan updates reported to Council 3 March 2020 for HRA and 22 March 2021 for General Services, is shown in the table A in Appendix 6. The HRA capital plan refresh extends to 2025/26 with the period from 2026/27 to 2030/31 extracted from the HRA Business Plan for the purposes of Prudential Indicator calculations.

1.5 Under section 22 of Schedule 3 of the Local Government (Scotland) Act 1975 a local authority may establish a capital fund to be used for "defraying any expenditure of the authority to which capital is properly applicable, or in providing money for repayment of the principal of loans (but not any payment of interest on loans)". Furthermore paragraph 24 of Finance Circular 7/2018 confirms that capital receipts may also be used to "fund the cost of premiums, either as they are incurred, or as they are recharged back to the General Fund/ HRA".

1.6 The capital plan update for General Services reported to Council assumes an element of capital receipts is used to fund the principal element of loan charges between 2020/21 and 2023/24. This has been adjusted for within these indicators, where appropriate.

2. The Council's Borrowing Need (the Capital Financing Requirement)

2.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing need. The net capital financing need (as indicated in Table A in Appendix 6) impacts directly on the CFR.

2.2 Due to accounting requirements the CFR currently includes any other long term liabilities (i.e. PPP schemes, finance leases) brought onto the Balance Sheet. Whilst this increases the

CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £100m for PPP schemes within the CFR. From 1 April 2022, further accounting changes see operational leases (where the Council is lessee) also being brought onto Balance Sheet, which will further increase CFR through other long term liabilities (value to be confirmed).

2.3 The CFR projections for both General Services and HRA are shown in table B in Appendix 6 and show that the CFR for the HRA is projected to increase each year from 2020/21 to 2030/31 with the CFR for General Services being anticipated to increase each year UNTIL 2025/26, due to the levels of projected capital spend in comparison to income anticipated in that year.

2.4 The expected impact of the capital expenditure decisions above on the Council's debt and investment position are shown in the treasury strategy (Appendix 2).

3. Statutory repayment of loans fund advances

3.1 The Council is required to set out its policy for the statutory repayment of loans fund advances. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

3.2 A variety of options are provided to Councils so long as a prudent provision is made each year as detailed below:

Option	Method	Detail
1	Statutory	Loans fund advances will be repaid by the annuity method. The Council is permitted to use this option for a transitional period only, of five years until 31 March 2021, at which time it must change its policy to use alternative approaches based on depreciation, asset life periods or a funding/income profile as detailed below.
2	Depreciation	Annual repayment of loans fund advances will follow standard depreciation accounting procedures.
3	Asset Life	Loans fund advances will be repaid with reference to the life of an asset using either the equal instalment or annuity method.
4	Funding/ Income Profile	Loans fund advances will be repaid by reference to an associated income stream

3.3 Council is recommended to approve the following policy for loans fund advances:

- For loans fund advances made before 1 April 2016, the policy will for all loans fund advances to be repaid by the annuity method, by the appropriate write off period (based upon useful asset lives, following the agreed Council policy).

- Recognising that the Council has forward capital expenditure plans and has already committed to that plan and the revenue implications of that plan, the policy for loans fund advances made from 1 April 2016 to 31 March 2021 the policy will be to mainly repay loans fund advances by the annuity method (with a write off period based upon useful asset lives) unless an alternative method is more appropriate. Advances will be considered on a case by case basis to determine the method to be used.

- For loans fund advances made after 1 April 2021, the policy for the repayment of loans advances will be to apply the following options, selecting the most suitable method from the list below for each individual advance.

    - **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using either the equal instalment or annuity method. It is likely that the equal instalment method will be used;

    - **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream.

3.4 The annuity rate applied to the loans fund repayments is based on historic interest rates and is currently 9%.

3.5 Table C in Appendix 6 details the loans fund repayment profile for 2020/21 onwards based on the balance outstanding at 1 April 2020 and capital expenditure plans 2020/21 to 2030/31 as per Table A.

4. Affordability Prudential Indicators

4.1 The previous sections cover the overall capital and control of borrowing, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These indicate the impact of the capital investment plans on the overall Council's finances. The Council is asked to approve the following indicators:

4.2 Actual and Estimates of the ratio of financing costs to net revenue stream
This indicator is detailed in Table D in Appendix 6, and identifies the trend in financing cost of capital (loan charges and long term liability financing) against the net revenue stream (funding sources e.g. Scottish Government revenue support grant, council tax and HRA rental income).

The estimates of financing costs include current commitments and the impact of capital expenditure as per Table A and this indicator shows the percentage of total council revenue expenditure that is spent on repayment of loan charges and long term liability capital and interest repayments.

5. Financial reporting changes in relation to leases

5.1 From 1 April 2022 there is a significant change to the Accounting Code of Practice for 2022/23 onwards which the Council follows for their Financial Statements, which will impact on debt levels and prudential indicators in the future. This change is in relation to assets the Council leases in.

5.2 Currently there are 2 types of leases which are treated differently through the Financial Statements at present. From April 2022, all leases (where the Council is lessee and with a few exceptions) will require to be accounted for on the Council Balance Sheet as assets. For illustrative purposes, leases currently held by the Council (but not owned and therefore not currently on the Council's Balance Sheet) include leases for properties (such as Aurora/ Clydebank Town Centre Office/ Bridge Street), photocopiers, and vehicles. The treatment of these leases will become similar to the current accounting reporting for PPP assets.

5.3 Accounting for these leases on the Balance Sheet will result in increases to assets and long term liabilities, affecting a number of the prudential and treasury management indicators –

increasing: the ‘level of debt’ identified by the Council; the Capital Financing Requirement; Operational Boundary; and Authorised Limit, by the value of the leases. Forecast and estimates of the ratio of financing costs to Net Revenue Stream may also be affected.

5.4 Currently an exercise is underway to identify all leases and value both the asset value and the liability.

Appendix 2

Treasury Management Strategy 2021/22 – 2030/31

1. Background

1.1 The treasury management service is an important part of the overall financial management of the Council's affairs. Whilst the prudential indicators in Appendix 1 consider the affordability and impact of capital expenditure decisions, the treasury service covers the effective funding of these decisions. There are specific treasury prudential indicators included in this strategy which need approval.

1.2 The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised December 2017).

1.3 As a requirement of the Code Council is required to adopt a Treasury Management Policy Statement and four Treasury Management clauses. These form part of the Council's financial regulations and the following documents were adopted on 5 March 2018:

- Treasury Management Policy Statement
- Treasury Management Clauses
- The Treasury Management Role of the Section 95 Officer

1.4 The policy requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years, however in line with the longer capital planning process treasury management indicators have been provided (where appropriate) covering the period to 2030/31. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. Further reports are issued as follows:

- Mid-year monitoring report on actual activity during the year including revised indicators where appropriate; and
- Year-end report on actual activity for the previous year.

1.5 This strategy covers:

- The Council's debt and investment projections;
- Limits to the Council's borrowing activity;
- The economic climate and expected movement in interest rates;
- The Council's borrowing, debt and investment strategies;
- Treasury performance indicators;
- Specific limits on treasury activities; and
- Policy on ethical investments

2. The Council's debt and investment projections

2.1 The Council's forecast treasury portfolio position at 31 March 2021 with forward projections are summarised in Table E in Appendix 6 and shows the gross debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any under or over borrowing.

2.2 Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. This is illustrated by comparing the estimated gross debt as at 31 March 2021 with the CFR as at 31 March 2024.

2.3 **The Section 95 Officer (Chief Officer - Resources) reports that the Council has complied with this prudential indicator, and no difficulties are envisaged for the current or future years.** This view takes into account the capital plan refresh reports for General Services and HRA.

3. Limits to Borrowing Activity

3.1 The Operational Boundary is detailed in Table F in Appendix 6 and is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

3.2 The Authorised Limit for External Borrowing – a further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is not allowed to exceed. This needs to be set or revised by Members. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit (Affordable Capital Expenditure Limit) determined under section 35(1) of the Local Government in Scotland Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the authorised limit detailed in Table G in Appendix 6. The limit within the appendix has been increased to allow for an estimated increase in debt due to the Accounting requirement change in relation to leasing from 1 April 2022.

3.3 **Advance Borrowing -** This Council will not borrow more than or earlier than required purely in order to profit from the investment return of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.3.1 Advance borrowing will only be taken for risk management purposes subject to sound justification. The Section 95 Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected and so borrowing early at fixed interest rates will be economically beneficial. A cautious approach to any such borrowing will be adopted, however where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities.

3.3.2 Full consideration will be given to balancing investment risks, such as the credit and interest risk resulting from the temporary investment of the sums, against the risk of adverse interest rate movements in addition to the existing debt maturity profile over the medium term.

3.3.3 As required by The Investment Regulations (Code on the Investments of Money by Scottish Local Authorities) which came into force on 1 April 2010 the Council will appraise all risks associated with advance borrowing activity. The Council will fully document the justification for the decision prior to the activity being undertaken, with subsequent reporting either within the mid-year or annual reporting mechanism.

4. UK, World and Scottish Economy Update and Current Forecasts

UK

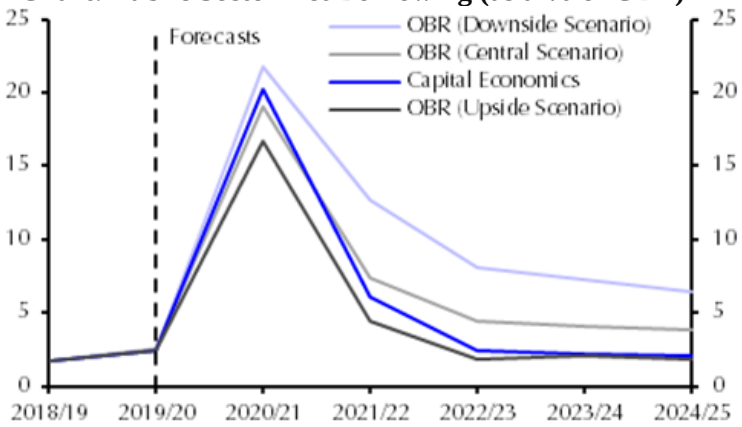
4.1 The Bank of England's Monetary Policy Committee (MPC) kept the Bank Base Rate and quantitative easing (QE) unchanged on 4th February. However, it revised its economic forecasts to take account of a third national lockdown which started on 5th January, which is going to delay economic recovery and do further damage to the economy. Moreover, it had already decided in November to undertake a further tranche of quantitative easing of £150bn, to start in January when the previous programme of £300bn of QE (announced in March to June 2020) finished. As only about £16bn of the latest £150bn tranche had been used towards the end of January, it felt that there was already sufficient provision for QE - which would be made to last to the end of 2021.

Although its short-term forecasts were cut for 2021, the medium-term forecasts were more optimistic than in November, based on an assumption that the current lockdown will be gradually eased after Q1 as vaccines are gradually rolled out and life can then start to go back to some sort of normality. The Bank's main assumptions were that the economy would start to recover strongly from Q3 2021 and:

- £125bn of savings made by consumers during the pandemic will give a significant boost to the pace of economic recovery once lockdown restrictions are eased and consumers can resume high street shopping, going to pubs and restaurants and taking holidays;
- The economy would still recover to reach its pre-pandemic level by Q1 2022 despite a long lockdown in Q1 2021;
- Unemployment will peak at around 7.5% during late 2021 and then fall to about 4.2% by the end of 2022. This forecast implies that 0.5m foreign workers will have been lost from the UK workforce by their returning home;
- CPI inflation was forecast to rise quite sharply towards the 2% target in Q1 2021 due to some temporary factors, (e.g. the reduction in VAT for certain services comes to an end) and given developments in energy prices. CPI inflation was projected to be close to 2% in 2022 and 2023.
- The Monetary Policy Report acknowledged that there were downside risks to their forecasts e.g. from virus mutations, risk of vaccines not being fully effective;
- The Report also mentioned a potential upside risk as an assumption had been made that consumers would only spend £6bn of their savings of £125bn once restrictions were eased. However, the risk is that that consumers could spend a lot more and more quickly;
- The Bank of England also removed negative interest rates as a possibility for at least six months as financial institutions were not yet ready to implement them. As in six months' time the economy should be starting to grow strongly, this effectively means that negative rates occurring are only a slim possibility in the current downturn. However, financial institutions have been requested to prepare for them so that, at a future time, this could be used as a monetary policy tool if deemed appropriate. Gilt yields and PWLB rates jumped upwards after the removal of negative rates as a key risk in the short-term.
- The MPC reiterated its previous guidance that Bank Rate would not rise until inflation was sustainably above 2%. This means that it will tolerate inflation running above 2% from time to time to balance out periods during which inflation was below 2%. This is termed average inflation targeting.

- **Public borrowing** was forecast in November 2020 by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery. It is now likely that total borrowing will probably reach around £420bn due to further Government support measures introduced as a result of further restrictions and the third national lockdown.

Chart: Public Sector Net Borrowing (as a % of GDP)



(if not in colour…… the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.

- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after Q1 2020 saw growth at -3.0% followed by -18.8% in Q2 and then an upswing of +16.0% in Q3; this still left the economy 8.6% smaller than in Q4 2019. While the one month second national lockdown that started on 5th November caused a further contraction of 5.7% m/m in November, this was much better than had been feared and showed that the economy is adapting to new ways of working. This left the economy 'only' 8.6% below the pre-crisis level. However, a strong recovery from a further contraction during Q1 2021 is expected in the second half of 2021 and is likely to mean that the economy recovers to its pre-pandemic level during Q1 2022.

- **Vaccines – the game changer.** The vaccines have significantly boosted confidence that **life could largely return to normal during the second half of 2021**. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for when life returns to normal.

- **Brexit.** The final agreement of a trade deal on 24 December 2020 has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. However, it is evident from problems with trade flows at ports in January and February that work needs to be done to smooth out the issues and problems that have been created by complex customs paperwork, in order to deal with bottle necks currently being caused.

- **US.** Following elections for two senate seats in January, the Democrats now have a majority in the House of Representatives and a very slim majority in the Senate based on the vice president's casting vote. As the Democrats will be dependent on gaining the support of moderate Democrat senators, there will be a limit on just how radical they can be with their legislative and financial programmes. The $900bn fiscal stimulus passed in December will help the economy gain more traction in early 2021. There is a question mark, however, over whether they will be able to get a much bigger $1.9bn fiscal stimulus through both houses, though a smaller package would stand much more chance of being approved. After the Federal Bank unveiled the adoption of a flexible average inflation target in late August 2020, the mid-September meeting agreed by a majority to a toned down version of a new inflation target. This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. Subsequent meetings of the Fed have projected that inflation will not get back sustainably to above 2% for some years and so the vast majority of officials expect the Fed funds rate to still be at near-zero until 2024 or later.

- **EU.** The economy was recovering well from the first lockdowns towards the end of Q2 and during Q3 after a sharp drop in GDP. However, a second wave of the virus has caused a renewed fall back in growth during Q4. The slow role out of vaccines during Q1 2021 will delay economic recovery. In Q2 of 2020, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth contracted by another 0.7% in Q4 and is likely to at least stagnate during Q1 of 2021, as a second wave of the virus has seriously affected many countries. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in the rest of 2020; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending.

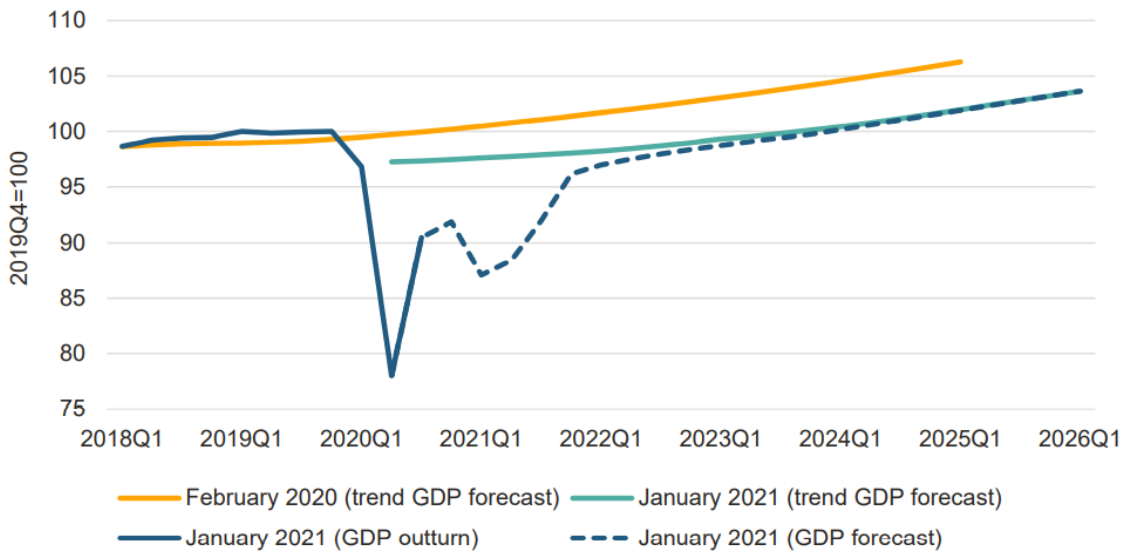
- **World growth.** World growth has been in recession in 2020 and this is likely to continue into the first half of 2021 before recovery in the second half. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

- **Summary -** Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand and the pace of recovery in their economies.

- **Scotland Specific -** Currently, it is forecast that the latest lockdown will reduce economic activity by 5% in the first quarter of 2021, but that GDP grows by 2% over 2021, 7% in 2022, and recovers to its pre COVID level in 2024. By 2025, GDP is forecast 4% lower than the original forecast in February 2020, as can be seen in Figure 1 below.

Figure 1: Trend and actual Scottish GDP, February 2020 and January 2021



Source: Scottish Fiscal Commission, Scottish Government (2020) First estimate of GDP: 2020 Q3 (link).

- The forecast for 2021 as a whole is for growth of 1.8%, picking up to 7.5% in 2022, mainly fuelled by household consumption as higher-income consumers who accumulated savings during the lockdown months start spending again. In contrast, lower-income households who have been disproportionately affected by the COVID-19 crisis, were less able to save during the pandemic, and may have run down savings or borrowed to cover day-to-day expenses, so at best they can be expected to spend cautiously in order to restore their finances.

- COVID-19 will have long-lasting effects on the Scottish economy. Scottish GDP is not expected to recover to its pre-COVID-19 level until the start of 2024. It is forecast that Scottish GDP in 2025 will still be 4 per cent below where it was expected to be in the February 2020 forecast. The long-term GDP outlook has changed because the assumption that there will be longer-term effects of the pandemic on the Scottish economy. In particular, compared to the previous forecast, it is expected that:

    - Productivity is around 2% lower because of factors such as lower levels of capital investment, global trade and migration during the pandemic, and scarring effects from prolonged unemployment;
    - Labour force participation rates for those aged 16 to 24 are 0.9% lower, in part because the long-term employability of younger people may be reduced by unemployment early in their working lives;
    - The long-run unemployment rate increases from 4.0% to 5.5% in 2020, gradually moving to 4.4% at the start of 2023;
    - The population aged 16 and over is 0.5% lower, mainly because of assumptions regarding COVID-related excess deaths and zero net international migration in the short term.

Figure 2: Headline economy forecasts, growth rates

Per cent	2019	2020	2021	2022	2023	2024	2025
GDP							
February 2020	0.9	1.0	1.1	1.2	1.2	1.2	
January 2021	0.8	-10.7	1.8	7.5	1.6	1.6	1.7
Average nominal earnings							
February 2020	2.8	3.0	3.1	3.2	3.3	3.3	
January 2021 [1]	4.2	2.5	2.6	2.4	2.7	3.0	3.3
Employment							
February 2020	0.4	-0.3	0.1	0.2	0.2	0.2	
January 2021	0.1	-2.4	-1.5	1.2	0.9	0.4	0.2

Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2020) Scotland's Economic and Fiscal Forecasts – February 2020 (link).
Shaded cells refer to outturn available at time of publication.

- The job retention schemes have largely, but not completely, protected the labour market from the economic consequences of the pandemic. Although headline unemployment figures from the Labour Force Survey have remained stable, income tax PAYE Real Time Information (RTI) indicates a decrease in paid employment since last April. There is also a fall in workforce jobs for Scotland and the UK.

- The unemployment rate is expected to peak at 7.6% in 2021 Q2 once the furlough schemes end. Forecasts of employment growth in 2020 and 2021 have been revised downwards to account for the effects of COVID-19 on the labour market. Our forecasts of average nominal earnings growth have been revised down in subsequent years, mainly reflecting lower productivity growth, lower public sector pay growth and higher unemployment compared to our previous forecast. With inflation currently very low, and

lower than expected at the time of our previous forecast, real average earnings growth forecasts for 2020 and 2021 have been revised up.

- Another important development is that the UK and EU have reached a free trade agreement which came into effect at the end of the transition period on 1 January 2021. Recent forecasts already incorporated the long-run effects of Brexit on the Scottish economy

5. Prospect for Interest Rates

5.1 The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Table H in Appendix 6 gives the current Link Asset Services central view.

5.2 There are two views in respect of Bank Rate beyond our three-year time horizon:

1. The MPC will be keen to raise Bank Rate as soon as possible in order for it to be a usable tool when the next economic downturn comes along. This is in line with thinking on Bank Rate over the last 20 years; or

2. Conversely, that we need to adjust to the new post-pandemic era that we are now in. In this new era, the shift to average inflation targeting has set a high bar for raising Bank Rate i.e. only when inflation is demonstrably sustainably above 2%. In addition, many governments around the world have been saddled with high levels of debt.

6. Borrowing and Debt Strategy 2021/22 – 2030/31

6.1 At the end of 2019/20 the Council was slightly over-borrowed. Table E in Appendix 6 forecasts that the capital borrowing need (the Capital Financing Requirement) will be almost fully funded with external borrowing which is a mixture of short term and long term debt.

6.2 Against this background and the risk within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Section 95 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

6.3 If it was felt that there was a significant risk of a further fall in long and short term rates, e.g. due to a marked increase of risks around recession or of risks of deflation, then long term borrowing will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

6.4 If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

6.5 Following PWLB increasing its interest rates by 1% on 9 October 2019 with many local authorities now viewing PWLB as a lender of last resort, a further review saw a reduction in PWLB by 1% on 26 November 2020.

6.6 Any decisions will be reported to Members via the Members Bulletin at the next available opportunity.

6.7 Approved sources of long and short term borrowing include:

	Fixed	**Variable**
PWLB	X	X
Local Authorities	X	X
Banks	X	X
Pension Funds	X	X
Insurance Companies	X	X
Market – long term	X	X
Market – short term	X	X
Market – LOBOs	X	X
Overdraft	X	X
Internal (capital receipts / revenue balances)	X	X
Finance Leases	X	X

7. Investment Strategy

7.1 The Council's investment policy has regard to the Local Government Investment (Scotland) Regulations (and accompanying finance circular). Council had also adopted both the Treasury Management Code of Practice and the Prudential Code and is required to adopt the revised editions. The day to day investment policies and practices are contained in the Council's Treasury Management Practices, which reflect the requirements of these codes. These practices are regularly reviewed.

7.2 **Key Objectives** – Following the economic background above, the current investment climate has one over-riding risk consideration - counterparty security risk. As a result of these underlying concerns, officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy. The Council's investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security; and

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

7.2.1 In accordance with the above, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, outlooks and watches published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Link Asset Services ratings service banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

7.2.2 Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Link Asset Services in producing its colour codings which show the varying degrees of creditworthiness.

7.2.3 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

7.2.4 The aim of the strategy is to generate a list of highly creditworthy counterparties which will enable diversification, and thus avoidance of concentration, with the prime intention of providing security of investment and minimisation of risk.

7.3 Investment Strategy – The process for investment strategy under the regulations covers a wide range of Council investments and will be broadly managed in the following way:

- Short Term Cash – Cash relating to day to day cash flow will be maintained on a shorter term basis in cash type products with consideration to the liquidity requirements outlined above.

- Longer Term Cash – Cash relating to reserves, provisions and balances on the balance sheet may be held for longer periods of time in cash type products or in longer term bonds or funds depending on:

  - Cash flow requirements:
  - The underlying expectation for interest rates; and
  - The economic background of these investments may be held longer term.

- Service Type Investments – These types of investments will predominately be policy driven and approved by Members. Shareholdings, development opportunities, loans to third parties, equity instruments and investment properties held for rental returns) will be regularly reviewed to judge the investment performance.

- Non Service Type Investments – Investments such as Joint venture delivery companies such as Hub West Scotland and investments in regeneration partnerships and development opportunities

7.4 Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service
A development for Member reporting is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are additional new requirements to the Member reporting.

7.4.1 These benchmarks are targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

7.4.2 In the context of benchmarking, assessing security is a very subjective area to assess. Security is currently evidenced by the application of minimum quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch/ Moody's and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. Table I in Appendix 6 shows average defaults for differing periods of investment grade products for each Fitch/ Moody's Standard and Poors long term rating category.

7.4.3 The Council's minimum long term rating criteria is currently "A-", meaning the average expectation of default for a one year investment in a counterparty with a "A" long term rating would be 0.05% of the total investment (e.g. for a £1m investment the average loss would be £500). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

7.4.4 As required by the CIPFA Treasury Management Code of Practice The Council will "ensure that it has adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives". In respect to liquidity as defined above the Council seeks to maintain:

- Bank overdraft - £1.000m; and
- Liquid short term deposits of at least £5m available on an overnight basis.

7.4.5 Local measures of yield investment benchmarks that will be used to assess returns are:

- Internal returns above the 7 day LIBID rate;
- Internal returns above the 1 month LIBID rate for fixed investments; and
- Internal returns above the Council's instant access account.

7.5 **Council Permitted Investments** – The Investments Regulations (Code on the Investment of Money by Scottish Local Authorities) requires Council approval of all the types of investment to be used and set appropriate limits for the amount that can be held for each investment type. These types of investment are termed permitted investments and any investments used which have not been approved as a permitted investment will be considered ultra vires.

7.5.1 The permitted investments which may be used in the forthcoming year are noted below. Details of the risks, mitigating controls and limits associated with each of these permitted categories are shown in Appendix 3.

- **Cash Type Instruments**
    - Deposits with the Debt Management Account Facility (UK Government);
    - Deposits with other local authorities or public bodies;
    - Money Market Funds
        - Constant Net Asset Value
        - Low Volatility Net Asset Value;
    - Call accounts, deposit accounts with financial institutions (banks and building societies;
    - Term deposits with financial institutions (banks and building societies);
    - UK Government Gilts and Treasury Bills;

- Certificates of deposits will financial institutions (banks and building societies); and
- Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates, etc).

- **Other Investments**

  - Investment properties;
  - Loans to third parties, including soft loans;
  - Loans to a local authority company;
  - Shareholding in a local authority company;
  - Non-local authority shareholdings;
  - Joint venture delivery companies such as hub West Scotland;
  - Regeneration partnerships and development opportunities;
  - District Heating Schemes; and
  - Local Authority Mortgage Scheme (LAMS).

7.5.2 Permitted investments related to the Common Good are also shown in Appendix 3, and where applicable the same counterparty selection criteria as noted in 6.6 below will be applied.

7.6 Investment Counterparty Selection Criteria

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security; and

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

7.6.1 The Section 95 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria selects which counterparties the Council will choose from, rather than defining what its investments are.

7.6.2 Credit rating type and definitions are attached within Appendices 4 and 6.

7.6.3 Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to any counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

7.6.4 The criteria for providing a pool of high quality cash type investment counterparties is:

- **Category 1 - Good Credit Quality** – the Council will only use financial institutions (including certificates of deposit and corporate bonds) which:

  - Are UK banks; and/or
  - Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AA; The UK will be excluded from any Sovereign rating criteria.
  - And have, as a minimum, the following Fitch, Moody's and Standard and Poors (S&P) credit ratings (where rated):
    - Short Term – F1 (or equivalent from Fitch, Moody's and S&P)
    - Long Term – A- (or equivalent from Fitch, Moody's and S&P)

  The difference between the ratings will be reflected in the money limits as noted in Table K in Appendix 6.

- **Category 2** – **Part nationalised UK banks** – Lloyds Bank Group and Royal Bank of Scotland Group. These banks can be included if they continue to be part nationalised or they meet the ratings in Category 1 above.

- **Category 3**- **The Council's own banker** for transactional purposes if the bank falls below the above criteria specified in category 1, although in this case balances will be minimised in both monetary size and time.

- **Category 4 - Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined in category 1.

- **Category 5 - Building Societies** – the Council will use all Societies which meet the ratings for banks outlined in category 1.

- **Category 6 - Money Market Funds** – the Council will use either CNAV or LVNAV money market funds that are AAA rated (by at least one of the 3 rating agencies).

- **Category 7 - UK Government** (including gilts, treasury bills and the DMADF)

- **Category 8 - Local Authorities, etc**

7.6.5 Due to the uncertainty in the financial markets it is recommended that the Investment Strategy is approved which will provide officers with the flexibility to deal with any unexpected occurrences. Officers can restrict the pool of available counterparties from these criteria to safer instruments and institutions.

7.6.6 The time limits for institutions on the Council's cash type counterparty list are as noted in Table J in Appendix 6.

7.6.7 The Council's bankers are currently the Clydesdale Bank Plc which falls within Category 3. It is recognised that the money limit of £5million may be breached for purely operational purposes on a temporary overnight basis only. The Chief Officer - Resources will endeavour to avoid this scenario but this allows for circumstances that are outwith the Council's control where funds may be deposited unexpectedly or at short notice into the Council's accounts after the dealing deadline for the day has passed. In such a circumstance the funds will require to be kept on an overnight basis in the Council's bank account until appropriate arrangements can be made for investment.

7.6.8 Table J does not include a monetary limit for category 7 which are funds deposited with the UK Government namely the Debt Management Account Deposit Facility (DMADF). This facility allows local authorities to deposit surplus cash on flexible terms and receive a market related rate of interest. Funds are held by the Bank of England and the scheme carried the Government's own sovereign credit rating offering the highest available security and therefore no maximum monetary limit has been set.

7.6.9 **Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above and the list of approved countries for investments are detailed in Appendix 5. In addition:

- No more than 25% will be placed with any country outside of the UK at any time;
- Limits in place above will apply to Group companies; and
- Sector limits will be monitored regularly for appropriateness.

7.6.10 **Use of additional information other than credit ratings** – Additional requirements under the Code of Practice now requires the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

7.6.11 **Economic Investment Considerations** – Current forecasts on shorter-term interest rates, on which investment decisions are based, show a potential for the current 0.10% Bank Rate remain steady until March 2024. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

7.6.12 There is an operational difficulty arising from the current economic situation. There is currently little value investing longer term unless credit quality is reduced. Whilst some selective options do provide additional yield uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security.

7.6.13 The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Section 95 Officer (Chief Officer - Resources) may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.

7.6.14 Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds and strongly rated. The credit criteria have been amended to reflect these facilities.

7.7 **Sensitivity to Interest Rate Movements** - Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. Table K in Appendix 6 highlights the estimated impact of a 1% increase/decrease in all

interest rates to the estimated treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

7.8 **Ethical Investments** - This is the placing of funds and selecting investments in a manner that reflects an authority's ethical values. Generally, two sets of criteria are drawn up – negative and positive values whereby investments are to be avoided or encouraged.

7.8.1 The following policy statement was approved on 25 October 2017:

7.8.2 The Council will not knowingly invest directly in organisations (including financial institutions and money market funds) whose activities and practices pose a risk of serious harm to individuals and/or groups, or whose activities are inconsistent with the Council's vision, values and priorities. This could include avoiding direct investment in organisations with material links to:

- Human rights abuse (e.g. child labour);
- Environmentally harmful activities (e.g. destruction of habitat); and
- Socially harmful activities (e.g. gambling)

7.8.3 In order to give effect to its commitment to this policy the Chief Officer - Resources contacted all investment counterparties on 9 January 2018 advising of our policy.

7.8.4 In accordance with the further commitments that were given in October 2017 it is considered that this policy statement remains relevant and does not require to be amended at this time.

8. Treasury Management Limits on Activity

8.1 There are four further treasury activity limits, which were previously prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs.

- *Upper limits on variable interest rate exposure* – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments

- *Upper limits on fixed interest rate exposure* – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

- *Maturity structures of borrowing* – These limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

- *Total principal funds invested for greater than 364 & 365 days* - These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The proposed indicators are shown within Table L in Appendix 6.

8.2 The upper limit applies to the maturity structure of fixed interest rate borrowing in Table M. The level has been set to take account of the way that local authorities have to record certain

market loans where the maturity date is deemed to be the next call date rather than the eventual repayment date.

9. Performance Indicators

9.1 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Debt – Borrowing - Average rate of borrowing for the year compared to average available;
- Debt – Average rate movement year on year; and
- Investments – Internal returns above the 7 day LIBID rate.

9.2 The results of these indicators will be reported in the Treasury Annual Report for 2020/21.

10. Treasury Management Advisors

10.1 The Council uses Link Asset Services as its treasury management advisors. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments; and
- Credit ratings/market information service comprising the three main credit rating agencies.

10.2 The current treasury advisor contract was awarded to Link Asset Services following a quick quote exercise and commencing on 1 May 2018 until 30 April 2021. A procurement exercise is currently underway with a new contract from 1 May 2021.

10.3 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not place upon external service providers.

10.4 The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value is assessed are properly agreed and documented, and subjected to regular review.

10.5 Whilst the advisers provide support to the internal treasury function the final decision on treasury matters remains with the Council.

11. The Monitoring of Investment Counterparties

11.1 The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief

Officer - Resources and, if required, new counterparties which meet the criteria will be added to the list.

Appendix 3

West Dunbartonshire Council and Common Good Funds Permitted Investments, Associated Controls and Limits

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Cash Type Instruments			
Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	As shown in Table J.
Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	As shown in Table J.
Money Market Funds (MMFs) **(Very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs has an “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	As shown in Table J.
Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than the first three categories above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody’s and Standard and Poors. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Table J.

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments, but will exhibit higher risks than the first three categories above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Table J.
Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity.	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	As shown in Table J.
Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than the first three categories above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Table J.

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Structured deposit facilities with banks and building societies (escalating / de-escalating rates, etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments, but will exhibit higher risks than the first three categories above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Table J.
Corporate Bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. Corporate bonds will be restricted to those meeting the base criteria. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Table J.
Other Types of Investments			
Investment properties	These are properties that are not used to facilitate service delivery but are held solely to earn rentals or for capital appreciation or both. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table L of £7m.

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table L of £7m.
Loans to a local authority company	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table L of £7m.
Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table L of £7m.
Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments, likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by rational behind the service the investment and the likelihood of loss.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table L of £7m.

Type of Investment	Treasury Risks	Mitigating Controls	Council and Common Good Limits
Joint venture delivery companies such as hub West Scotland	Public sector organisations across a hub territory will work in partnership with each other, and a private sector delivery partner, in a joint venture delivery company called hub West Scotland. .	Any investment in hub West Scotland requires approval from the Section 95 Officer (Chief Officer - Resources) and the Chief Executive in consultation with the Leader of the Council and the Leader of the Opposition and each application will be supported by the service rational behind the investment and the likelihood of loss.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table L of £7m.
Regeneration partnerships and development opportunities	Investments undertaken with the prime intention of local area regeneration.	Any investment in a regeneration partnership / development opportunity requires Member approval with each application supported by rational behind the investment and the likelihood of loss.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table L of £7m.
Investment in Projects procured and managed by third parties e.g. District Heating Schemes	Investments undertaken to assist in facilitating third party projects where the Council has an interest in the successful outcome of the project. Expectation of a financial return for the Council.	Any investment in such projects requires Member approval and each application will be supported by a business case for the investment and the expectation of a financial benefit to the Council.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table L of £7m.
Local Authority Mortgage Scheme (LAMS)	These are service investments at market rates of interest. Under this scheme the Council is required to place funds for a number of years with the bank which is participating in this scheme	Any investment in the LAMS requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	The Section 95 Officer will determine monetary and time limits managing risk accordingly, to the maximum total as noted in Table L of £7m.

Appendix 4

Type of Rating	Rating	Explanation
Fitch -Short Term	F1+	Indicates exceptionally strong capacity for timely payment of financial commitments
	F1	Indicates strong capacity for timely payment of financial commitments
Fitch - Long Term	AA-	Indicates very strong capacity for timely payment of financial commitments and this capacity is not significantly vulnerable to foreseeable events
	A-	Indicates strong capacity for timely payment of financial commitments. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings
Moody's - Short Term	P-1	Banks based Prime-1 for deposits offer superior credit quality and a very strong capacity for timely payment of short term deposit obligations
Moody's - Long Term	Aa	Offer excellent credit quality, with susceptibility to long term risks with a vulnerability to greater fluctuations within protective elements
	A	Offer excellent credit quality, but elements suggest a Susceptibility to impairment over the long term
Standard & Poors - Short Term	A-1	Indicates a strong capacity to meet institutions financial commitments. Within this category, certain obligors are design with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is EXTREMELY STRONG
Standard & Poors - Long Term	AA-	Indicates strong capacity for timely payment of financial commitments
	A-	Indicates strong capacity for timely payment of financial commitments. This capacity may, nevertheless, be more susceptible to the adverse effects of changes in circumstances or in economic conditions than is the case for higher rated category

Appendix 5

West Dunbartonshire Council and Common Good Funds Permitted Investments, Approved Countries for Investments*

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- U.K.

Please note that this is the list will be updated as required on an ongoing basis

West Dunbartonshire Council Prudential and Treasury Indicators **Appendix 6**

Table A - Net Capital Financing Need

General Services and HRA Shown Separately

£000	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
General Services	**43,073**	**47,501**	**43,096**	**60,400**	**30,205**	**27,238**	**17,154**	**13,774**	**13,715**	**13,626**	**13,626**
Financed by:											
Capital receipts	3,209	7,077	1,354	(248)	3,588	2,038	2,818	5,464	698	707	707
Capital grants	14,151	8,265	22,875	15,429	14,947	8,594	8,051	7,121	7,121	7,121	7,121
Revenue	76	0	0	0	0	0	0	0	0	0	0
Other funding	138	49	0	0	0	0	0	0	0	0	0
Net financing need for the year	**25,498**	**32,111**	**18,868**	**45,220**	**11,670**	**16,606**	**6,285**	**1,189**	**5,896**	**5,798**	**5,798**

£000	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
HRA	**46,907**	**49,744**	**42,539**	**38,506**	**31,888**	**23,937**	**14,647**	**15,014**	**15,389**	**15,774**	**16,168**
Financed by:											
Capital receipts	0	0	0	0	0	0	0	0	0	0	0
Capital grants	3,656	4,500	7,057	3,372	2,450	0	0	0	0	0	0
Revenue	7,927	8,320	7,051	7,297	6,814	6,814	5,522	5,362	4,987	4,753	4,114
Other funding	0	96	0	0	0	0	0	0	0	0	0
Net financing need for the year	**35,324**	**36,828**	**28,430**	**27,837**	**22,624**	**17,123**	**9,126**	**9,652**	**10,402**	**11,020**	**12,054**

General Services and HRA Combined

£000	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
General Services	43,073	47,501	43,096	60,400	30,205	27,238	17,154	13,774	13,715	13,626	13,626
HRA	46,907	49,744	42,539	38,506	31,888	23,937	14,647	15,014	15,389	15,774	16,168
Capital Expenditure	**89,980**	**97,245**	**85,635**	**98,906**	**62,093**	**51,175**	**31,801**	**28,788**	**29,104**	**29,400**	**29,794**
Financed by:											
Capital receipts	3,209	7,077	1,354	(248)	3,588	2,038	2,818	5,464	698	707	707
Capital grants	17,807	12,765	29,932	18,801	17,397	8,594	8,051	7,121	7,121	7,121	7,121
Revenue	8,003	8,320	7,051	7,297	6,814	6,814	5,522	5,362	4,987	4,753	4,114
Other funding	138	145	0	0	0	0	0	0	0	0	0
Net financing need for the year	**60,822**	**68,938**	**47,298**	**73,056**	**34,293**	**33,729**	**15,411**	**10,841**	**16,298**	**16,818**	**17,852**

Table B - Capital Financing Requirement

£000	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
Capital Financing Requirement											
CFR – General Services	378,459	404,768	416,969	454,332	458,753	467,266	464,733	457,191	454,708	451,925	447,262
CFR – HRA	272,330	302,507	322,725	341,390	355,881	364,385	364,489	363,308	362,228	361,270	360,991
Total CFR	**650,789**	**707,275**	**739,694**	**795,722**	**814,634**	**831,651**	**829,222**	**820,499**	**816,935**	**813,195**	**808,253**
Movement in CFR	50,050	56,486	32,419	56,027	18,912	17,017	(2,429)	(8,723)	(3,564)	(3,740)	(4,942)

Movement in CFR represented by											
Net financing need for the year (above)	60,822	68,938	47,298	73,056	34,293	33,729	15,411	10,841	16,298	16,818	17,852
Less scheduled debt amortisation and other financing movements	(10,772)	(12,452)	(14,879)	(17,029)	(15,381)	(16,713)	(17,840)	(19,564)	(19,862)	(20,559)	(22,794)
Movement in CFR	**50,050**	**56,486**	**32,419**	**56,027**	**18,912**	**17,017**	**(2,429)**	**(8,723)**	**(3,564)**	**(3,740)**	**(4,942)**

Table C - Loan Fund Repayment Profile (excluding PPP)

	General Services	HRA	Total
	£000	£000	£000
Under 12 months	2,691	6,562	9,253
2 years to 5 years	14,077	32,020	46,097
6 years to 10 years	23,540	55,647	79,187
11 years to 15 years	32,907	54,509	87,416
16 years to 20 years	35,622	61,142	96,764
21 years to 25 years	32,108	71,649	103,758
26 years to 30 years	31,866	52,439	84,305
31 years to 35 years	39,491	48,605	88,095
36 years to 40 years	48,753	36,445	85,198
41 years to 45 years	17,569	4,433	22,002
46 years to 50 years	18,437	269	18,706
51 years to 55 years	18,906	408	19,315
56 years to 60 years	20,020	609	20,629
60 years plus	100,899	2,879	103,778

Table D - Ratio of Financing Costs to Net Revenue Stream

	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
General Services	9.25%	8.53%	8.98%	9.48%	10.49%	11.04%	11.28%	11.32%	11.11%	11.17%	16.83%
HRA	22.56%	28.07%	31.68%	33.42%	34.40%	36.13%	36.90%	40.47%	41.02%	41.23%	41.20%

Table E - Gross Debt compared to the Underlying Need to Borrow (CFR)

£000	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
External Debt											
Debt at 1 April	509,677	551,579	611,746	647,541	706,711	729,219	750,558	752,845	748,786	748,990	749,049
Adjustment to 2019/20 year end over-borrowed position	(8,880)	0	0	0	0	0	0	0	0	0	0
New Borrowing - CFR	50,782	60,167	35,795	59,171	22,507	21,340	2,286	(4,059)	204	60	(457)
Debt at 31 March	**551,579**	**611,746**	**647,541**	**706,711**	**729,219**	**750,558**	**752,845**	**748,786**	**748,990**	**749,049**	**748,592**
Long Term Liabilities at 1 April	99,942	96,341	92,660	89,284	86,141	82,546	78,223	73,508	68,845	65,077	61,277
Change in Long Term Liabilities	(3,601)	(3,681)	(3,376)	(3,143)	(3,595)	(4,323)	(4,715)	(4,664)	(3,768)	(3,800)	(4,485)
Long Term Liabilities at 31 March	**96,341**	**92,660**	**89,284**	**86,141**	**82,546**	**78,223**	**73,508**	**68,845**	**65,077**	**61,277**	**56,792**
Gross Debt at 31 March	647,920	704,406	736,825	792,852	811,765	828,781	826,353	817,630	814,066	810,326	805,384
Capital Financing Requirement	650,789	707,275	739,694	795,722	814,634	831,651	829,222	820,499	816,935	813,195	808,253
Under / (Over) Borrowing	**2,869**	**2,869**	**2,869**	**2,869**	**2,869**	**2,869**	**2,869**	**2,869**	**2,869**	**2,869**	**2,869**

Table F - Operational Boundary

£000	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
External Debt	606,738	672,922	712,296	777,384	802,142	825,615	828,130	823,665	823,890	823,955	823,452
Long Term Liability	105,975	101,926	98,213	94,755	90,801	86,045	80,859	75,729	71,584	67,404	62,471
Total	**712,713**	**774,848**	**810,509**	**872,139**	**892,942**	**911,661**	**908,989**	**899,394**	**895,474**	**891,360**	**885,923**

Table G - Authorised Limit

£000	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
External Debt	661,896	734,096	777,050	848,055	875,064	900,671	903,415	898,544	898,789	898,860	898,311
Long Term Liability	115,609	121,192	117,141	113,369	109,055	103,868	98,210	92,613	88,092	83,532	78,150
Total	**777,505**	**855,288**	**894,191**	**961,424**	**984,119**	**1,004,539**	**1,001,625**	**991,157**	**986,881**	**982,392**	**976,462**

Table H - Interest Rate Forecast

Link Asset Services Interest Rate View	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Bank Rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
5yr PWLB Rate	0.90%	0.90%	0.90%	0.90%	1.00%	1.00%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%
10yr PWLB Rate	1.30%	1.30%	1.30%	1.30%	1.40%	1.40%	1.50%	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%
25yr PWLB Rate	1.90%	1.90%	1.90%	1.90%	2.00%	2.00%	2.10%	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%
50yr PWLB Rate	1.70%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	1.90%	2.00%	2.00%	2.00%	2.00%

Table I - Historic Risk of Default

Long term rating	1 year	2 years	3 years	4 years	5 years
AAA	0.04%	0.10%	0.17%	0.26%	0.35%
AA	0.02%	0.04%	0.09%	0.16%	0.24%
A	0.05%	0.15%	0.27%	0.40%	0.55%
BBB	0.15%	0.40%	0.70%	1.05%	1.41%
BB	0.65%	1.84%	3.22%	4.60%	5.84%
B	2.76%	6.66%	10.26%	13.35%	15.82%
CCC	18.96%	26.64%	31.60%	35.08%	37.88%

Note - The AAA default risk is actually higher than the AA default risk due the number of AAA rated institutions left

Table J - Counterparty Limits

Investment Category	Fitch (or equivalent)	Money Limit	Time Limit
1	F1+ / AA-	£10million	364 days
	F1 / A-	£5 million	
2	F1/A-	£10 million (per group)	364 days
3		£5 million	Overnight
4		£5 million	364 days
5	As in 1 above	£10million and £5million	364 days
6	Sector Limit	£25 million	Very liquid no time limit applies
	Fund Limit	£5 million	
7		No limit	6 months
8	Sector imit	£25 million	364 days
	Fund Limit	£5 million	

Table K - Sensitivity to Interest Rate Movements

£000	2021/22 Estimate	1%	-1%
Variable Rate Debt Payments	N/A	N/A	N/A
Variable Rate Investment income	75	150	(75)

Table L- Treasury Management Limits on Activity

	2021/22 Upper	2022/23 Upper	2023/24 Upper
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	50%	50%	50%

Maturity Structure of fixed interest rate borrowing						
	Lower	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Under 12 months	0%	50%	0%	50%	0%	50%
12 months to 2 years	0%	50%	0%	50%	0%	50%
2 years to 5 years	0%	50%	0%	50%	0%	50%
5 years to 10 years	0%	50%	0%	50%	0%	50%
10 years to 20 years	0%	50%	0%	50%	0%	50%
20 years to 30 years	0%	50%	0%	50%	0%	50%
30 years to 40 years	0%	50%	0%	50%	0%	50%
40 years to 50 years	0%	100%	0%	100%	0%	100%
50 years to 60 years	0%	100%	0%	100%	0%	100%
60 years to 70 years	0%	100%	0%	100%	0%	100%
Principal sums invested > 364 & 365 days	£nil	£7m	£nil	£7m	£nil	£7m

ITEM 6

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 16 June 2021

Subject: Internal Audit Plan 2020/21 – Progress to 19 May 2021

1. Purpose

1.1 The purpose of this report is to advise Members of progress at 19 May 2021 against the Audit Plan for 2020/21.

1.2 The report also advises Members of:

- Recently issued Internal Audit reports and action plans; and
- Status of implementation progress relating to action plans from previously issued Internal Audit reports.

2. Recommendations

2.1 It is recommended that Members note the contents of this report.

3. Background

3.1 The annual audit plan for 2020/21 was approved by the Audit Committee on 17 June 2020. This report provides information on the progress in implementing the plan.

3.2 When audit reports are issued by Internal Audit, an action plan is agreed with management in relation to issues highlighted by the audit report. Progress on implementing the actions is monitored by Internal Audit on a monthly basis and regularly reported to the Audit Committee.

4. Main Issues

4.1. The annual audit plan sets out the audit coverage for the year utilising available staff resources to enable the Shared Service Manager – Audit & Fraud to provide the annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council.

4.2 A new risk-based audit methodology has been implemented during 2020/21. For each audit, one of 4 audit opinions is expressed:

Strong	In our opinion there is a sound system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion isolated areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.

Requires Improvement	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered inadequate to ensure that the organisation is able to achieve its objectives.

4.3 Detailed findings and recommendations reported to management are graded using the following criteria:

Red	In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole. Corrective action must be taken and should start immediately. Overseen to completion by Corporate Management Team.
Amber	In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole. Corrective action must be taken (some exceptions may be agreed with Internal Audit) within reasonable timeframe. Overseen to completion by Chief Officer/Head of Service.
Green	In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness. Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit. Managed by service owner. Not reported in Audit Committee papers.

4.4 Since the Audit Committee meeting in March 2021, one audit has been finalised as follows:

Reports finalised since last Audit Committee	**Grading**			**Total**
	Red	**Amber**	**Green**	
Building Services Stock Checks	0	2	1	**3**
Total	**0**	**2**	**1**	**3**

4.5 **<u>Building Services Stock Checks (May 2021)</u>**

4.5.1 In October 2019 the existing management systems within Housing were replaced with the Integrated Housing Management System (IHMS). Among the systems replaced was the Servitor system which included a stock module and had been used by Building Services stores management to carry out perpetual monthly stock checks as a means to control its stock. However, due to development issues/delays following the introduction of IHMS, Building Services were unable to continue with the monthly stock checks from October 2019. It was therefore decided to undertake a full stock check at 31st March 2020 to confirm the value of stock on hand at that date but due to the onset of lockdown due to Covid-19 in March 2020 a full stock check did not go ahead. It was therefore agreed that a full stock check of stock held at the three main Building Services stores would be undertaken during March 2021 and that a member of Internal Audit would be in attendance and carry out tests to confirm the integrity of the stock checks.

4.5.2 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls over the key risks faced by West Dunbartonshire Council in relation to Building Services stock checks carried out during March 2021.

4.5.3 The overall control environment opinion was **Satisfactory**. There were 2 **AMBER** issues identified as follows:

Lack of Monthly Stock Checks (AMBER)
Through observation and enquiry it was identified that perpetual or monthly stock counts have not been carried out since IHMS was brought on line in October 2019 due to the lack of relevant reports available from the Integrated Housing Management System (IHMS which would enable perpetual/monthly stock counts to be carried out. In addition, staff responsible for undertaking stock checks have not been adequately trained in the IHMS reporting functionality to enable staff to generate relevant reports without requiring to ask for assistance from the IHMS team.

Where regular stock checks are not undertaken there is a risk that this leads to increased costs involved in undertaking year end stock counts, a greater number of discrepancies between physical stock count and system records and failure to detect fraud in a timely manner.

Lack of Stock Checks on Building Services Vans (AMBER)
Through observation and enquiry at the recent stock checks carried out it was identified that the value of stock control stored in Building Services vans has been shown to have varied greatly between March 2019 and March 2021. However, there has been no count carried out on stock stored in vans since March 2019 to confirm the correct stock levels held.

Where checks on stock stored in Building Services vans is not undertaken on a regular basis this can lead to misleading value being attributed to van stocks in the Council's Financial Statements and there is also the risk of loss or misappropriation of stock which goes undetected.

4.5.4 The review identified 3 issues, 2 of which we consider to be individually significant and an action plan is in place to address all issues by 31 August 2021.

4.6 The 2020/21 Annual Audit Plan is underway and current status is as follows:

Stage	**Number of Audits**
Final Report	3
Draft Report	0
Fieldwork Complete	1
Fieldwork	4
Planning	0
Not Started/Deferred to 21/22	3
B/f 19/20 Audit Plan – complete	5
Total	**16**

4.7 In relation to audit work for IJB, 2 audits were planned and both audits are complete with reports provided to management and reported to HSCP Board Audit and Performance Committee.

4.8 In relation to the Valuation Joint Board, 2 audit reviews were planned and both are complete with reports provided to management.

4.9 In relation to the Leisure Trust, fieldwork for the risk-based review is underway and the report has been finalised in relation to follow up of actions arising from previous audit reviews.

4.10 The detailed Annual Audit Plan progress to 19 May for the 2020/21 annual audit plans is set out at Appendix 1. Progress has been hampered as a result of staff illness and an unforeseen vacancy arising in the team. The vacancy has now been filled and it is anticipated that fieldwork for the remaining audits will be completed by June 2021.

4.11 There are 3 audits which have been deferred to 21/22 audit plan as follows:

- Financial Assessments Process – a process redesign was undertaken in relation to the financial assessments process. The new process will be subject to audit review during 21/22; and
- Learning Disabilities – Financial Monitoring of Contracts – due to resource constraints it was agreed with Service Management to defer the audit to 21/22 to allow staffing levels to stabilise. This audit will be carried out early in 21/22.
- Occupational Therapy – Waiting Times – due to impacts arising from Covid-19, this audit will be carried out in 21/22.

4.12 Internal and External Audit Action Plans
In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There were 3 actions due for completion by the end of May, 2 of which are now complete and the completion date in relation to one action has been revised.

Work is ongoing with relevant services to ensure action plan dates agreed are realistic. The status report at 31 May 2021 is provided at Appendix 2.

In relation to external audit action plans a status update on actions arising from the 2019-2020 Audit is set out at Appendix 3.

4.13 The Council's Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective April 2013 (updated April 2017) which includes:

- Definition of Internal Auditing;
- Code of Ethics;
- Attribute Standards (responsibility, independence, proficiency, quality); and
- Professional Standards (managing activity, nature of work, engagement planning, performing the engagement, communicating results, monitoring progress, risk management).

Ongoing Corporate Fraud Team Work

4.14 From 1 to 30 April 2021, the Corporate Fraud team's day to day work has resulted in actual recoveries, charges and re-billings as detailed below, against an annual target of £225,000.

Description	**Amount (£)**
Council Tax Reduction	7,332
Council Tax Single Person's Discount	2,725
National Fraud Initiative	0
J/W Housing Benefit/Council Tax Reduction	0
Non DWP Housing Benefit	10,861
Non DWP Council Tax Reduction	0
Total	**£20,918**

4.15 The Internal Audit Team and the Corporate Fraud Team continue to work together as appropriate in order to ensure a joined-up approach to fraud investigation and detection.

National Fraud Initiative

4.16 The National Fraud Initiative (NFI) is a series of biennial exercises run by the Cabinet Office and Audit Scotland to identify or prevent fraud and error by matching electronic data held by public bodies. Participating bodies are required to investigate data discrepancies within a timescale and report back on any savings.

4.17 The most recent biennial exercise for 2020/21 was released data to Councils in January 2021 providing matched datasets for organisations to investigate. There is an expectation that organisations would examine all "High Risk" matches and a proportion of the other matches too. WDC applies a risk-based approach to the NFI matches in the medium and low risk categories.

4.18 Services are progressing with investigations and a status report on the 2020/21 exercise will be presented to the September 2021 meeting of the Audit Committee.

Benchmarking

4.19 In accordance with the Council's Strategic Improvement Framework, services should undertake benchmarking activity with the equivalent function in other Councils. Therefore, WDC Internal Audit has entered into a benchmarking group which involves six other Councils, these being:

- Argyll and Bute;
- Clackmannanshire;
- East Dunbartonshire;
- Falkirk;
- West Lothian;
- Inverclyde.

4.20 Regular meetings will continue to take place during 2021 to review performance against agreed performance indicators and identify other areas for sharing of best practice. Relevant action will be taken where improvements are identified. The outcome of this review will be reported to Committee when completed.

Stirling Council have also expressed an interest in joining the group and will join the benchmarking meeting scheduled for 21 May 2021.

5. People Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

6.1 As a result of Corporate Fraud Team activity, actual recoveries, charges and re-billings of £20,918 from 1-30 April have been identified, against an annual target of £225,000. The comparative figure for the same period in the prior year was £27,355.

6.2 There are no procurement implications arising from this report.

7. Risk Analysis

7.1 There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide a reasonable level of assurance over the Council's system of internal financial control to those charged with governance. The main basis for providing assurance is coverage of the planned risk based systems audits. Every endeavour is made to ensure that no material slippage occurs in risk based audits by concentrating resources on these audits.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Chief Officers.

10. Strategic Assessment

10.1 This report relates to strong corporate governance.

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Stephen West
Chief Officer - Resources
Date: 19 May 2021

Person to Contact: Andi Priestman, Shared Service Manager – Audit & Fraud
E-mail: andi.priestman@west-dunbarton.gov.uk

Appendices: 2021-21 Annual Audit Plan – Progress to 19 May 2021 (Appendix 1)
Status of Internal Audit Action Plans to 31 May 2021 (Appendix 2)
Status of External Audit Action Plans to 30 April 2021 (Appendix 3)

Background Papers: Audit Committee – 17 June 2020: Internal Audit Plan 2020/21
Audit Committee – 21 March 2018: Counter Fraud and Corruption Strategy
Internal Audit Reports - Copies available on request

Wards Affected: All wards

Audit/Status	Not Started	Planning/ TOR	Fieldwork	Fieldwork Complete	Draft Report	Final Report	Date Reported to Audit Committee
Risk –Based Reviews							
LD Services – Financial Monitoring of Contracts	✓						Deferred to 21/22 Plan
IHMS – Inventory Management – Stock Checks		✓	✓	✓	✓	✓	June 2021
Homelessness		✓	✓				September 2021
Management of Rent Arrears		✓	✓				September 2021
OT Waiting Times	✓						Deferred to 21/22 Plan
Client Account Administration Process		✓					September 2021
Financial Assessment Process	✓						Deferred to 21/22 Plan
Corporate Procurement – up to £50k		✓	✓				September 2021
Roads Costing System Process		✓	✓	✓	✓	✓	March 2021
Pupil Equity Funding		✓	✓	✓			September 2021
Limited Scope Financial System Reviews							
Council Tax – Discounts and Exemptions		✓	✓	✓	✓	✓	November 2020
Other Work							
Integration Joint Board – Internal Audit Service	The IJB internal audit annual plan for 2020/21 was approved in April 2020. Both audits are complete and reported to the HSCP Board Audit and Performance Committee.						
Valuation Joint Board – Internal Audit Service	Two audit reviews were completed. Reports have now been issued to management.						
Leisure Trust – Internal Audit Service	Fieldwork in relation to the risk-based review is now underway. The remaining allocation of audit days has been used to undertake a follow up exercise for audit reviews undertaken in prior audit years to provide assurance on the follow up process to the LT Audit Committee. This follow up work is now complete and a status report has been issued to management.						
Covid-19 Post Assurance Review	Not started. New matches from the National Fraud Initiative are now expected to be received by end May 2021.						
National Fraud Initiative	Matches for the 2020-21 exercise have been received. An update on the exercise will be presented to the September 2021 meeting.						
B/f 2019/2020 Audit Plan Completion	Five audit reports from the 2019/20 audit plan were finalised during 2020/21 including: Social Work – Case Management; Social Work Attendance Management; Housing Voids; Taxi Licensing and Cyber Security.						

West Dunbartonshire COUNCIL

REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
AT 31 MAY 2021

Summary:

Section 1 Summary of Management Actions due for completion by 31/05/2021

There were 3 actions due for completion by 31 May 2021, 2 of which have been reported as complete and the completion date in relation to one action has been revised.

Section 2 Summary of Current Management Actions Plans at 31/05/2021

At 31 May 2021 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/05/2021

At 31 May 2021 there were 14 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 May 2021 there were 11 audit action points where the agreed deadline had been missed.

Section 5 Summary of Action Plan Points by Audit Year

REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
SUMMARY OF ACTION PLANS DUE FOR COMPLETION BY 31.05.2021

SECTION 1

Strategic Area	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*
Housing and Employability	2	1	1	
People and Technology	1	1		
Total	**3**	**2**	**1**	

* These actions are included in the Analysis of Missed Deadlines – Section 4

REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
SUMMARY OF CURRENT ACTION PLANS AT 31.05.2021

SECTION 2

CURRENT ACTIONS BY STRATEGIC AREA

HSCP	
Due for completion November 2021	1
Total Actions	**1**
Children and Families	
Due for completion June 2021	4
Total Actions	**4**
Community Health and Care	
Due for completion July 2021	3
Total Actions	**3**
Mental Health, Learning Disabilities and Addictions	
Due for completion June 2021	1
Total Actions	**1**
Regulatory and Regeneration	
Due for completion March 2022	1
Total Actions	**1**
Housing and Employability	
Due for completion November 2021	1
Total Actions	**1**
People and Technology	
Due for completion March 2022	1
Total Actions	**1**
Supply, Distribution and Property	
Due for completion June 2021	2
Total Actions	**2**
Total current actions:	**14**

REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
CURRENT ACTION PLANS AT 31.05.2021

SECTION 3

Current Internal Audit Action Plans

154. Charging Policy - Non Residential Services (Report Issued May 2019)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
T&PSR/IAAP/735	4. Charging Policy As the Community Based Care Charging Policy - Non Residential Services has not been reviewed for at least eight years and as some parts of the policy requires to be more generic and other parts require to be more specific, it is recommended that the policy be fully reviewed and revised. This will therefore provide more clarity, eliminate ambiguity and make it fit for purpose. It is also recommended that all services be included in the review to ensure input from all areas. In addition, once reviewed, the date of the revision should be recorded on the policy to ensure that there is proper version control. (Medium Risk)	A Charging Policy Review Group has been established on 7th Jan with meetings scheduled for every 2 weeks until end of June. The group includes all Heads of Service, the CFO, some Integrated Ops Managers and social care accountant. The draft Terms of Reference were considered at the 2nd meeting and agreement was reached between HoS about seconding a social worker to support the process. The review will consider the impacts of new Carers Act and Free Personal Care for Under 65 as well as Self Directed Support duties. It will also address the current anomalies/inequities between service users and opportunities to maximise charging in the context of the council's Commercialisation Policy – but within COSLA Guidance. Personal care is defined in legislation. A simple "service user guide" to non-residential charges can be added to the website/leaflet for distribution.		31-Aug-2019 30-Sep-2020 31-Mar-2021	30-Nov-2021*	HSCP Heads of Service	Beth Culshaw

165. CM2000 Functionality (Report Issued February 2020)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/028	Overtime Payment It is recommended that: • all timesheets are checked and agreed to CM2000 system before	We are working with CM2000 to develop a payroll report which will be used as the basis for staff payment. This report will be implemented by September 2020.		30-Nov-2020 31-Mar-	31-Jul-2021*	Richard Heard	Lynne McKnight

Status Key

	On track
	Overdue – update required

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
	being authorised for payment; • where there are instances of non-compliant clock in overtime, appropriate additional authorisation should be obtained. (Low Risk)	In the meantime Admin will do cross checks against clocking in and out. A communication will be issued to all home care staff re compliance and claims for overtime.		2021			
IAAP/029	Implementation of additional CM2000 Functionality a) It is recommended that Management pilot and fully implement the Mileage functionality across the Homecare team within the planned time frame. (Medium Risk)	Mileage Wizard will be rolled out in next six months. This will depend on high compliance.		30-Jun-2020 30-Nov-2020 31-Mar-2021	31-Jul-2021*	Richard Heard	Lynne McKnight
IAAP/030	Implementation of additional CM2000 Functionality b) It is recommended that Management develop a plan in collaboration with WDC ICT and Payroll to implement the Financial module. (Medium Risk)	We are working with CM2000 to develop a payroll report which will be used as the basis for staff payment. This report will be implemented for testing by September 2020		30-Nov-2020 31-Jan-2021 31-Mar-2021	31-Jul-2021*	Richard Heard	Lynne McKnight

171. Social Work - Case Management (Report Issued August 2020)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/048	3. Children's services – Supervision of casework Senior Social Workers (SSWs) should be required to discuss all cases allocated to Social Workers on a regular basis to ensure that appropriate review is taken of lower priority cases and that no cases remain open which should be closed. Performance management information showing cases which have not been updated within a specified period should be obtained to enable SSWs to gain assurance that there are no open cases which are not being actively dealt with. (Medium Risk)	Supervision with staff covers a range of issues in addition to discussion about cases. Supervision process requires review and update – can reflect frequency of discussions around cases; consider discussion of a certain number of cases in each supervision session. Explore an improved 'Team around the Child' reviewing model. Monthly report to managers, Head of Service, HSCP Chief Officer and Council Chief Executive includes breakdown of unallocated cases.		31-Mar-2021	30-Jun-2021*	Annie Ritchie	Jonathan Hinds

Status Key

	On track
	Overdue – update required

REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
CURRENT ACTION PLANS AT 31.05.2021

SECTION 3

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
		Develop management exception report re: cases with no activity recorded for periods of time to provide further scrutiny and assurance.					
IAAP/050	5. Children's Services - Peer review of case files Management should consider what level of peer review is required to ensure that the cases are being recorded adequately and assess how the process can be re established given the current team workloads. (Medium Risk)	Management Team are reviewing peer review processes as part of case file audit and monitoring and how this can inform service redesign. Work has commenced as part of the PACE workstream in respect of children looked after at home. Intention to scale up when capacity is increased.		31-Oct-2020 31-Mar-2021	30-Jun-2021*	Annie Ritchie	Jonathan Hinds
IAAP/052	7. Children's Services - Policies and Procedures Management should review and update the procedures and guidance documents to ensure they provide accurate guidance as to what is required of the social workers. Management should reiterate the importance of all procedures being followed. (Low Risk)	Policies to be reviewed and updated in terms of quality assurance, good practice and service redesign.		31-Mar-2021	30-Jun-2021*	Annie Ritchie	Jonathan Hinds
IAAP/053	8. Children's Services - Performance management information Team Leaders and Senior Social Workers should review the information within the reports and validate the figures being provided. Where necessary a data cleanse process should be carried out to identify open cases which should be closed. The Team Leaders should consider whether the information provided is useful and how they can use it going forward to assist in the planning and review of the work being undertaken within their teams. (Low Risk)	Team Leads and Senior Social Workers to review management information reports and check recording processes to ensure accuracy. As 1b, above Fieldwork managers to review how management reports can support allocation processes and case management planning across teams.		31-Aug-2020 31-Mar-2021	30-Jun-2021*	Annie Ritchie	Jonathan Hinds
IAAP/056	11. Community Health and Care Services – Supervision As noted in recommendation 10 above, the Supervision Policy requires to be reviewed. As part of this review management should re-emphasise the importance of including supervision of cases on CareFirst as evidence of review and consider how the supervision meetings should be recorded (Medium Risk).	A review of the supervision policy will be carried out, including consideration of records distribution and storage.		31-Dec-2020 31-Mar-2021	30-Jun-2021*	Sylvia Chatfield	Sylvia Chatfield

Status Key

	On track
	Overdue – update required

REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
CURRENT ACTION PLANS AT 31.05.2021

SECTION 3

172. Taxi Licensing (Report issued October 2020)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/066	Acceptance of Incomplete/ Inaccurate Application forms In the medium term the licensing team should look to phase out paper based applications completely with all licences being required to be submitted online, with originals of documents presented either in the one stop shops or directly to the licensing team. (High Risk)	Paper copy applications will be available in the medium term and the licensing team will work with the Trade to seek to establish a timetable to remove the ability to apply using paper applications.		31-Mar-2022	31-Mar-2022	Raymond Lynch	Peter Hessett

173. Housing Voids (Report Issued October 2020)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/079	1.Void Management Policy Review & Update The Void Management Policy 2013 should be reviewed and updated to take account of current working practices following the 2018 restructure of the Housing Operations Service and the introduction is the new Integrated Housing Management System (IHMS) in October 2019. (Medium Risk)	The previous policy had fallen into abeyance, with the strategic direction for voids led by the Housing Improvement Board. Whereas this has led to significant improvements against the key tenets of the historic policy, given the extent of systemic and structural changes it would be beneficial to codify this within a revised policy. This will be developed with new tenant feedback and wider tenant consultation.		31-May-2021	30-Nov-2021*	Edward Thomas	Helen Black; David Lynch; Edward Thomas

1. Cyber Security (Report issued December 2020)

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/081	**User Education and Awareness Training (Amber)** c) Strategic People and Change Manager will progress the development of reports from ilearn		31-Mar-2021	31-Mar-2022*	Strategic Change and	Chief Officer People and Technology

Status Key

	On track
	Overdue – update required

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
	which will enable managers to review their teams completion of the ilearn modules and add course to Skills Passport.				People Manager	

3. Building Services – Stock Checks (Report issued May 2021)

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/087	**Lack of Monthly Stock Checks (Amber)** Reintroduce perpetual stock taking processes so every commodity is checked at least once within each financial year with high values items having a minimum of 2 stock checks completed within the year. These checks will be completed over a 10 month period from June to March each year. This would replace a year end process and associated costs.		30-Jun-2021	30-Jun-2021	Building Services Manager	Chief Officer – Supply, Distribution and Property
IAAP/088	**Lack of Stock Checks on Building Services Vans (Amber)** The increase in imprest stock held in vehicles is part of the introduction of the IHMS. This allows a reduction in trips to depots to uplift stock items allowing right first time repairs and improved service efficiently. Stock checks of vans will be completed in line with monthly stock checks.		30-Jun-2021	30-Jun-2021	Building Services Manager	Chief Officer – Supply, Distribution and Property

Status Key

	On track
	Overdue – update required

Report	Agreed Action	Original Due Date	Revised Date	Management Comments
154. Charging Policy - Non Residential Services (May 2019)	**Charging Policy (Medium Risk)** A Charging Policy Review Group has been established on 7th Jan with meetings scheduled for every 2 weeks until end of June. The group includes all Heads of Service, the CFO, some Integrated Ops Managers and social care accountant. The draft Terms of Reference were considered at the 2nd meeting and agreement was reached between HoS about seconding a social worker to support the process. The review will consider the impacts of new Carers Act and Free Personal Care for Under 65 as well as Self Directed Support duties. It will also address the current anomalies/inequities between service users and opportunities to maximise charging in the context of the council's Commercialisation Policy – but within COSLA Guidance. Personal care is defined in legislation. A simple "service user guide" to non-residential charges can be added to the website/leaflet for distribution.	31-Aug-2019 30-Sep-2020 31-Mar-2021	30-Nov-2021	The current Social Care Charging Policy was reviewed during 2020/21 to confirm its compliance with COSLA Guidance as well as undertaking an extensive engagement exercise with service users and stakeholder groups in relation to the current Day Opportunities fixed charge. The feedback from this will be considered alongside the current review into the future model of Day Care Services and any proposed change to the charging structure will be presented to a future HSCP Board meeting with recommendations to be considered by West Dunbartonshire Council as the statutory body with the responsibility to set and levy charges. Day services have been closed throughout 2020/21 (except for some high level support) and the Scottish Government have provided Covid-19 funding to the HSCP to cover the loss of income. It is expected that this will continue into 2021/22. In line with Council's Long Term Financial Strategy current charges will be uplifted by 4% in 2021/22. A report will be presented to HSCP Board in September 2021 and then to Council by November 2021.
165. CM2000 Functionality (February 2020)	**Overtime Payment (Revised to Low Risk)** We are working with CM2000 to develop a payroll report which will be used as the basis for staff payment. This report will be implemented by September 2020. In the meantime Admin will do cross checks against clocking in and out. A communication will be issued to all home care staff re compliance and claims for overtime.	30-Nov-2020 31-Mar-2021	31-Jul-2021	Payroll report will be dependent on the full implementation of the upgraded system. Manual checks continue to undertaken in line with the audit recommendations. A service review is being undertaken and this action will be included as part of the improvement plan. The Project Initiation Document, once finalised, will be provided to Internal Audit. Internal Audit will provide support and advice to the service review project.

Report	Agreed Action	Original Due Date	Revised Date	Management Comments
165. CM2000 Functionality (February 2020)	**Implementation of additional CM2000 Functionality (Medium Risk)** Mileage Wizard will be rolled out in next six months. This will depend on high compliance.	30-Jun-2020 30-Nov-2020 31-Mar-2021	31-Jul-2021	This has been held back as this action is dependent on the full implementation of the upgraded system. A service review is being undertaken and this action will be included as part of the improvement plan. The Project Initiation Document, once finalised, will be provided to Internal Audit. Internal Audit will provide support and advice to the service review project.
165. CM2000 Functionality (February 2020)	**Implementation of additional CM2000 Functionality (Medium Risk)** We are working with CM2000 to develop a payroll report which will be used as the basis for staff payment. This report will be implemented for testing by September 2020.	30-Nov-2020 31-Jan-2021 31-Mar-2021	31-Jul-2021	Payroll report will be dependent on the full implementation of the upgraded system. A service review is being undertaken and this action will be included as part of the improvement plan. The Project Initiation Document, once finalised, will be provided to Internal Audit. Internal Audit will provide support and advice to the service review project.
171. Social Work - Case Management (Report Issued August 2020)	**Children's Services – Performance management information (Low Risk)** Team Leads and Senior Social Workers to review management information reports and check recording processes to ensure accuracy. Data cleanse to ensure accurate caseloads is being forward by a sub group of the wider team with Information Team colleagues. Fieldwork managers to review how management reports can support allocation processes and case management planning across teams.	31-Aug-2020 31-Mar-2021	30-Jun-2021	Comprehensive data reports being reviewed by Child Protection Lead Officer to focus on key risks and filter out other information with negiligible value. To report first draft to Public Protection Chief Officers Group June 2021.
171. Social Work - Case Management (Report Issued August 2020)	**Children's Services - Peer review of case files (Medium Risk)** Management Team are reviewing peer review processes as part of case file audit and monitoring and how this can inform service redesign. Work has commenced as part of the PACE workstream in respect of children looked after at home. Intention to scale up when capacity is increased.	31-Oct-2020 31-Mar-2021	30-Jun-2021	A service review is being undertaken and this action will be included as part of the improvement plan. The Project Initiation Document is going to the HSCP Programme Board in June and a copy will be provided to Internal Audit. Internal Audit will provide support and advice where required to the service review project.

Report	Agreed Action	Original Due Date	Revised Date	Management Comments
171. Social Work - Case Management (Report Issued August 2020)	**Community Health and Care Services – Supervision (Medium Risk)** A review of the supervision policy will be carried out, including consideration of records distribution and storage.	31-Dec-2020 31-Mar-2021	30-Jun-2021	The supervision guidance is in final draft. In order to ensure that staff are engaged and compliant, a short life working group with reps from each service will meet to consider the final document, and once agreed, a briefing for staff will be developed and hopefully an ilearn module. There will also be a 6 month audit of compliance and quality from date of launch.
Cyber Security (Report Issued December 2020)	**User Education and Awareness Training (Amber)** c) Strategic People and Change Manager will progress the development of reports from ilearn which will enable managers to review their teams completion of the ilearn modules and add course to Skills Passport.	31-Mar-2021	31-Mar-2022	There are ongoing discussions with WMS in order to create a link between ILearn and HR system.
171. Social Work - Case Management (Report Issued August 2020)	**Children's Services – Supervision of case work (Medium Risk)** Supervision with staff covers a range of issues in addition to discussion about cases. Supervision process requires review and update – can reflect frequency of discussions around cases; consider discussion of a certain number of cases in each supervision session. Explore an improved 'Team around the Child' reviewing model. Monthly report to managers, Head of Service, HSCP Chief Officer and Council Chief Executive includes breakdown of unallocated cases. Develop management exception report re: cases with no activity recorded for periods of time to provide further scrutiny and assurance.	31-Mar-2021	30-Jun-2021	The supervision guidance is in final draft. In order to ensure that staff are engaged and compliant, a short life working group with reps from each service will meet to consider the final document, and once agreed, a briefing for staff will be developed and hopefully an ilearn module. There will also be a 6 month audit of compliance and quality from date of launch. Management information will form part of the service review and this action will be included as part of the improvement plan. The Project Initiation Document is going to the HSCP Programme Board in June and a copy will be provided to Internal Audit. Internal Audit will provide support and advice where required to the service review project.
171. Social Work - Case Management (Report Issued August 2020)	**Children's Services – Policies and Procedures (Low Risk)** Policies to be reviewed and updated in terms of quality assurance, good practice and service redesign.	31-Mar-2021	30-Jun-2021	A service review is being undertaken and this action will be included as part of the improvement plan. The Project Initiation Document is going to the HSCP Programme Board in June and a copy will be provided to Internal Audit. Internal Audit will provide support and advice where required to the service review project.

Report	Agreed Action	Original Due Date	Revised Date	Management Comments
Housing Voids (Report Issued October 2020)	**Void Management Policy Review & Update (Medium Risk)** The previous policy had fallen into abeyance, with the strategic direction for voids led by the Housing Improvement Board. Whereas this has led to significant improvements against the key tenets of the historic policy, given the extent of systemic and structural changes it would be beneficial to codify this within a revised policy. This will be developed with new tenant feedback and wider tenant consultation.	31-May-2021	30-Nov-2021	The process for revising the policy and approving the current relet standard in the interim has been reported to the Housing Improvement Board. We will then proceed with the tenant and stakeholder consultation which will inform a paper seeking committee approval for both policy and standard in November.

REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
SUMMARY OF ACTIONS BY AUDIT YEAR **SECTION 5**

Status at 31 May 2021

Audit Year	No of Agreed Actions	No of actions complete	Current actions by Grade		
			H	M	L
2018/2019	79	78	0	1	0
2019/2020	67	56	1	7	3
Total	**146**	**134**	**1**	**8**	**3**

Audit Year	No of Agreed Actions	No of actions complete	Current actions by Grade		
			Red	Amber	Green*
2020/2021	14	11	0	2	1
Total	**14**	**11**	**0**	**2**	**1**

* Green actions are within the Council's risk appetite and are therefore not included in Audit Committee reports.

Status of External Audit Action Plans arising from the 2019/20 Annual Audit.

Action No	Issue/Risk	Agreed Action	Responsibility/ Date	Current Status
1	**General fund loans fund repayment** The scheduled loans fund repayments were adjusted by £1.6 million to mitigate the impact of budget pressures. *The loans fund repayments do not comply with the council's accounting policy. This is reported as an unadjusted misstatement in the accounts.*	The council accepts audit's view and will review the loans fund repayment scheduling in 2020/21. The 'asset life method' will be consistently applied across the repayment periods from 2020/21.	Chief Officer – Resources 31 March 2021	Completed. The 20/21 approach has been agreed with the external auditors & no further action is required.
2	**Untaken annual leave accrual** Our review of the untaken annual leave accrual identified an error within the calculations. 17 members of staff were duplicated within two tabs. This resulted in a decrease of £85,000 in the accrual. *There is a risk that the annual leave accrual is not properly calculated.*	Officers will review the current procedures and introduce additional checks to reduce risk of future errors.	Finance Manager 31 December 2020	Completed. The procedures have been reviewed & amended. We are still processing the calculation and as such it hasn't been reviewed yet, but it will take on additional checks with additional people this year to ensure the revised procedures are clear.
3	**Financial guarantees** West Dunbartonshire Council issued letters of comfort to both West Dunbartonshire Leisure Trust and Clydebank Property Company. These letters were provided due to the ongoing circumstances surrounding Covid-19 and constitute as financial guarantees. However, the detail had not been included in the annual accounts. *There is a risk that the annual accounts are not complete and transparent.*	Officers will review the current procedures to reduce risk of future errors.	Finance Manager 31 January 2021	Completed. The procedures have been reviewed and updated and additional confirmation has been sought from each chief officer at the year end for any financial guarantees agreed.
4	**Debtors and creditors**	Officers will review the	Finance	Completed.

Action No	Issue/Risk	Agreed Action	Responsibility/ Date	Current Status
	overstatement After the submission of the unaudited accounts, the council identified an error within receivables and payables. Both were overstated by £0.670 million, resulting in a nil net effect. *There is a risk that the figures in the Balance Sheet are overstated.*	current procedures and introduce additional checks to reduce risk of future errors.	Manager 28 February 2021	The procedures have been reviewed and amended. We are still processing DR/CR and as such it hasn't been reviewed yet, but it will take on additional checks to ensure the revised procedures are clear.
5	**Capital project delays** There were significant delays in a number of capital projects during 2019/20. The nature and scale of some of these delays suggest that there is still a level of optimism bias when setting project start dates for the annual capital programme. *There is a risk that the delivery of the annual capital programme is impacted by unrealistic or overly optimistic scheduling.*	The Council has a process in place to consider timing of spend and build in the effects of optimism bias in the phasing of the projects. Finance officers, when compiling future capital programmes will continue to seek assurances from relevant capital programme officers and project leads that the phasing identified is realistic and optimism bias has been considered, in line with the Council's agreed capital planning process.	Finance Manager 4 March 2021	Completed. Finance officers, when reviewing and updating the capital programmes requested assurances from relevant capital programme officers and project leads that the phasing identified was realistic and optimism bias has been considered prior to the budget being reported to and agreed by council.
6	**Revised financial plans to reflect Covid-19** The council's long-term financial strategy was developed prior to the Covid-19 pandemic. *The assumptions made in the Council's long-term financial strategy are out of date as they do not take into account the*	Long term finance strategy is due to be updated and reported to Council in November 2020 and will consider the impact of covid 19 and include scenario planning of key financial assumptions, and will continue to be reviewed via	Chief Officer – Resources 31 March 2021	Completed. Budget for 2021/22 has been set and impact of COVID-19 considered. This also covered the 2020/21 position and any financial impact in 2020/21 that may have an impact on subsequent years.

Action No	Issue/Risk	Agreed Action	Responsibility/ Date	Current Status
	financial impact of Covid-19.	Budget Update and Setting reports to Council ahead of setting the Council budget in March 2021.		
7	**Uncommitted general fund balance** The uncommitted general fund balance of £2.752 million at 31 March 2020 was below the prudential reserve target of £4.122 million, set by the Council for 2019/20. In addition, Covid-19 is placing a significant financial pressure on the council during 2020/21. *There is a risk that the council will not have sufficient free reserves to respond to future unforeseen events.*	The general fund uncommitted reserve balance will be considered as part of the long-term finance strategy and budget process 2021/22.	Chief Officer – Resources 31 March 2021	Completed. This was considered in setting the budget for 2021/22 and the budget agreed aims to attain the prudential target for uncommitted reserves.
CH1	**Governance and investment documentation** As previously reported: • The Deed of Trust for the Dunbartonshire Educational Trust Scheme 1962 and UIE award require to be updated. • The governing documentation for the McAuley Price for Mathematics is not available and a new trust deed required. *There is a risk that the Trust does not hold the title to the investment. There is also a risk of delay in issuing awards.*	Officers continue to work with other Councils involved in these Funds to reach a satisfactory conclusion.	Section Head – Legal Services 31 March 2021	Ongoing. In relation to the Dumbarton Educational Trust, a draft Application for Approval of a Charity Reorganisation Scheme and a draft Supplemental Deed of Trust have been submitted to OSCR for comment. When OSCR's views are received, the finalised documents will be submitted. If OSCR agree to treat the Trust as a "very small" charity, their decision on the Application should be received within 13 weeks of the finalised documents being submitted.

Action No	Issue/Risk	Agreed Action	Responsibility/ Date	Current Status
				The UIE Award Trust has its own constitution document which is not capable of updating at present as the trust is dormant with no trustees. Legal have been in contact with OSCR in 2020 to confirm the next steps which involve the appointment by the Court of new Trustees once the potential new Trustees have been contacted and agree to act. Two new Trustees have recently confirmed potential agreement to becoming involved with the new Trust once it is revived by the Court. Legal are in correspondence with a potential third Trustee to obtain her consent; once a third Trustee is identified then a Petition will be prepared for Court. Minimum 3 trustees required for a quorum.
CH2	**Dormant trusts** As previously reported, some of the trusts have been dormant for a number of years and annual activity on all trusts is minimal.	Officers will continue to review options around the dormant funds and action as appropriate.	Section Head – Legal Services 31 March 2021	Ongoing. See above for Dumbarton Education Trust. As above for the UIE Award Trust.
CH3	**Advertisement of trusts** There is minimal information available regarding the trusts, or the application process to access funds, on the West Dunbartonshire Council website. *There is a risk that this will perpetuate the dormancy of the trusts if information can not be easily accessed.*	The Council will take action to increase any advertising of Trust funds, subject to the above recommendations.	Finance Manager 31 December 2020	The trust are advertised as linked below (CVS is new from last year). We have received only one application in 20/21. https://www.west-dunbarton.gov.uk/benefits-and-grants/trust-grants/ https://www.wdcvs.com/develop/trust-funds/

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 16 June 2021

Subject: Internal Audit Annual Report to 31 March 2021

1. Purpose

1.1 The purpose of this report is to advise Members of the work undertaken by Internal Audit in respect of the Annual Audit Plan 2020/21 and to advise Members of the contents of the Assurance Statement given to Members of West Dunbartonshire Council, the Chief Executive and the Section 95 Officer (Chief Officer - Resources) in support of the Annual Governance Statement. This report outlines how audit assurances are obtained.

2. Recommendations

2.1 It is recommended that Members note the contents of this report.

3. Background

3.1 The Public Sector Internal Audit Standards (PSIAS) became effective on 1st April 2013 (revised in 2017) and require that:

"The chief audit executive [WDC: Shared Service Manager Audit & Fraud] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- *The opinion;*
- *A summary of the work that supports the opinion; and*
- *A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme".*

3.2 Progress reports were provided to the Audit Committee at each meeting during 2020-21 on Internal Audit activity and progress against the annual audit plan.

4. Main Issues

4.1 During 2020/21 Internal Audit implemented a new risk-based audit methodology which means that for each audit, one of the following opinions is expressed:

Strong	In our opinion there is a sound system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion isolated areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.
Requires Improvement	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered inadequate to ensure that the organisation is able to achieve its objectives.

4.2 Detailed findings and recommendations reported to management are graded using the following criteria:

Red	In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole. Corrective action must be taken and should start immediately. Overseen to completion by Corporate Management Team.
Amber	In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole. Corrective action must be taken (some exceptions may be agreed with Internal Audit) within reasonable timeframe. Overseen to completion by Chief Officer/Head of Service.
Green	In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness. Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit. Managed by service manager. Not reported in Audit Committee papers.

4.3 The status of the Audit Plan for 2020/21 is set out at Appendix A. Completion of the audit plan was hampered by staff illness and an unforeseen vacancy arising during 2020/21. There are a number of audits at fieldwork stage and it is anticipated that these will be completed by end of June 2021. There are no significant issues arising through audit work to date which would impact on the overall audit opinion within the Annual Report and Assurance Statement for 2020/21.

4.4 The Internal Audit Annual Report and Assurance Statement for 2020/21 is set out at Appendix B. There are 4 Overall Audit Opinion types as follows:

Satisfactory	Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met. • A limited number of Amber rated issues may have been identified, but generally only green issues have been found in individual audit assignments. • None of the individual assignment reports have an overall opinion of ***Requires Improvement or Unsatisfactory***.
Generally Satisfactory with some improvement needed	A few specific control weaknesses were noted: generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met. • A number of Amber rated issues identified in individual audit assignments that collectively do not significantly impact the system of internal control. • Red rated issues that are isolated to specific systems or processes. • None of the individual assignment reports have an overall opinion of ***Unsatisfactory***.
Major improvement needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met. • A high number of Amber rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A number of Red rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A small number of individual assignment reports have an overall opinion of ***Requires Improvement or Unsatisfactory***.
Unsatisfactory	Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met. • Amber and Red rated issues identified in individual assignments that collectively are widespread to the system of internal control. • A high number of individual assignment reports have an overall opinion of ***Requires Improvement or Unsatisfactory***.

4.5 On the basis of Internal Audit work performed in 2020/21, it can be concluded that the Council's control procedures in key areas are operating as expected during the period under review, although it is recognised that work is ongoing with management to continue to make good progress in implementing agreed action plans arising from Internal Audit reviews. The overall audit opinion is **Satisfactory**.

4.6 Performance indicators for the Audit and Fraud service were reviewed for 20/21 and actual performance against target is set out at Appendix C.

5. People Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

6.1 As a result of Corporate Fraud Team activity, actual recoveries, charges and re-billings of £412,210 have been identified during 2020/21, against an annual target of £225,000.

6.2 There are no procurement implications arising from this report.

7. Risk Analysis

7.1 There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide a minimum level of assurance over the Council's system of internal financial control to those charged with governance.

8. Equalities Impact Assessment (EIA)

8.1 There is no requirement for an EIA.

9. Consultation

9.1 This report has been subject to consultation with appropriate Chief Officers.

10. Strategic Assessment

10.1 This report relates to Assuring Our Success through strong financial governance and sustainable budget management.

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Stephen West
Chief Officer - Resources
Date: 19 May 2021

Person to Contact: Andi Priestman, Shared Service Manager – Audit & Fraud
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E-mail: andi.priestman@west-dunbarton.gov.uk

Appendices:
A – Status of Audit Plan 2020/21
B - Internal Audit Annual Report and Assurance Statement for the year ended 31 March 2021
C – Performance Indicators 2020/21

Background Papers: Audit Committee – 17 June 2020: Internal Audit Plan 2020/21

Wards Affected: All wards

APPENDIX A

Audit Plan 2020/21: Completed Audits

Report Title	Status	Findings			Control Environment Opinion
		Red	Amber	Green	
Risk Based Reviews					
IHMS Stock Checks	Complete	0	2	1	Satisfactory
LD Services – Financial Monitoring of Contracts	C/f to 21/22				
Client Account Administration	Fieldwork	N/a	N/a	N/a	
Pupil Equity Funding	Fieldwork	N/a	N/a	N/a	
Financial Assessment Process	C/f to 21/22				
Homelessness	Fieldwork	N/a	N/a	N/a	
Management of Rent Arrears	Fieldwork	N/a	N/a	N/a	
Corporate Procurement – Up to £50k spend	Fieldwork	N/a	N/a	N/a	
Roads Costing System	Complete	0	2	2	Satisfactory
OT Waiting Times	C/f to 21/22				
Limited Scope Finance Reviews					
Council Tax – Discounts and Exemptions	Complete	0	0	8	Satisfactory
Other Work					
IJB Internal Audit Service	20/21 Audit Plan - Complete				
Valuation Joint Board	20/21 Audit Plan - Complete				
WD Leisure Trust	20/21 Audit Plan – one complete, one fieldwork stage				

B/f from 2019/20 Audit Plan					
Report Title	**Status**	**Grading**			**Audit Opinion**
		H	**M**	**L**	
Social Care - Attendance Management	Complete	1	1	1	Generally satisfactory
Social Work – Case Management	Complete	1	5	3	Generally satisfactory
Taxi Licensing	Complete	6	1	0	Generally satisfactory
Housing Voids	Complete	0	3	0	Generally satisfactory
Cyber Security	Complete	0	4	4	Satisfactory

APPENDIX B

Assurance Statement for the year ended 31 March 2021
From the Shared Service Manager – Audit & Fraud

To the Members of West Dunbartonshire Council, the Chief Executive and the Section 95 Officer (Strategic Lead - Resources)
As Shared Service Manager - Audit & Fraud of West Dunbartonshire Council, I am pleased to present my annual statement on the adequacy and effectiveness of the internal financial control system of the Group Accounts prepared by the Council for the year ended 31 March 2021.

Respective responsibilities of management and internal auditors in relation to internal control
It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal financial control and to monitor the continuing effectiveness of that system. It is the responsibility of the Shared Service Manager – Audit & Fraud to provide an annual overall assessment of the robustness of the internal financial control system.

The Council's framework of governance, risk management and internal control
The Council has a responsibility to ensure that its business is conducted in accordance with legislation and proper standards.

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and how it accounts to communities. It enables the Council to monitor the achievement of its strategic priorities and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The main objectives of the Council's internal control systems are to ensure:

- Adherence to management policies and directives in order to achieve the organisation's objectives;
- Economic, efficient, effective and safe use of resources and assets;
- The relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- Compliance with statutory requirements.

The system of internal control is a significant element of the governance framework. Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control in order to identify and prioritise the risks that would prevent the achievement of the Council's strategic objectives.

The work of internal audit
Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal control processes.

The Council's Internal Audit Section operates in accordance with the *Public Sector Internal Audit Standards* (PSIAS) which have been agreed to be adopted from 1st April 2013 (revised in 2017) by the relevant public sector Internal Audit Standard setters. PSIAS applies the Institute of Internal Auditors International Standards to the UK Public Sector.

PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed in order to provide assurance that internal audit activity:

- Is conducted in accordance with an Internal Audit Charter;
- Operates in an efficient and effective manner; and
- Is perceived to be adding value and improving operations.

An internal self-assessment of internal audit practices has been carried out by Internal Audit every year since PSIAS became effective on 1st April 2013, with improvements identified and implemented as appropriate. PSIAS also requires, as outlined in Standard 1300 "QAIP", that:

"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation".

The last external review was carried out during 2015/16. The next external review was due to be carried out by 31 March 2021 however this was deferred to 31 March 2022 due to the pandemic. The internal review confirms a high level of compliance and that the Internal Audit Section generally conforms with the requirements of the Public Sector Internal Audit Standards.

The Internal Audit Section undertakes an annual programme of work based on a risk assessment process which is revised on an ongoing basis to reflect evolving risks and changes within the Council. All Internal Audit reports identifying control weaknesses and/or areas of non-compliance with expected controls are brought to the attention of management and the Audit Committee together with appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on audit recommendations. The internal auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Agreed actions arising from Internal Audit reports are followed up on a monthly basis as action dates fall due. Regular reporting on action plan implementation is

provided on a monthly basis to senior management and to each meeting of the Audit Committee.

Internal Audit and Corporate Fraud staff regularly attended the following external user group meetings:

- SLACIAG, the purpose of which is to develop and improve the practice of internal audit activity with Scottish local authorities. It achieves this by meeting to discuss issues of common concern, commissioning work to develop ideas, sharing good practice, working in partnership with other professional / governing bodies and promoting SLACIAG as the representative body for internal audit in local authorities; and

- The Scottish Local Authority Investigators Group (SLAIG): This group consists of fraud practitioners from local authorities in Scotland, with the objectives of:

  - Raising the profile of the counter fraud agenda;
  - Sharing good practice;
  - Raising awareness of the risk of fraud; and
  - Ensuring that fraud is investigated in a professional manner.

COVID-19

The significant incident in late March 2020 and the Council's responses as a Category 1 responder during the COVID-19 Pandemic tested how well the Council's risk management, governance and internal control framework was operating. There were examples of innovations, new business processes and solutions and new technology being embraced in order to deliver services to the community in its role as a Category 1 responder to carry out the following three essential functions: Caring for the Vulnerable; Liaising with Resilience Partners; and Supporting Economic Recovery. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings, conference calls and systems remote access. A report was presented to Council in June 2020 which provided an update in relation to actions and decisions taken under the revised governance arrangements put in place following the Government lockdown on 24 March 2020 and regular COVID-19 Update reports were provided throughout 2020/21.

All members of the council's Senior Leadership Team and key stakeholders participated in a variety of Local Authority specific Covid-19/Business Continuity response groups supported by the Civil Contingencies Service. A comprehensive Covid-19 Impact Risk Register was developed covering all aspects of service delivery affected by the pandemic which has been maintained on a regular basis.

With significant disruption to how services were delivered and are likely to continue in the medium term, the CMT have developed plans to ensure the council can continue to meet requirements and achieve the strategic priorities set out in the Strategic Plan. This planning activity considered the reflective learning from the first phase of responding to the pandemic and ongoing engagement with key stakeholders in planning future service provision.

A detailed approval log has been maintained and scrutinised by senior management throughout 2020/21, including approval requirements of any decisions with financial implications for the council. The “new normal” will have an impact on service demand and the consequences of this will have to be clearly laid out within the current performance management and reporting framework.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work undertaken by Internal Audit during the year to 31 March 2021;
- The assessment of risk completed during reviews of the annual audit plan;
- The Code of Good Governance self-assessment process undertaken by the Chief Officers for the services for which they were responsible during the year to 31 March 2021;
- The assurance statement signed by the Chief Executive for the overall Council for the year ended 31 March 2021;
- Reports issued by the Council’s External Auditors, Audit Scotland, and other review agencies;
- My knowledge of the Council’s governance, risk management and performance management and monitoring arrangements.

Limitation to Resources or Scope of Internal Audit Work

There were sufficient resources available for the majority of the year to deliver the programme of audit assignments contained within the 2020/21 Audit Plan. However, staff illness and an unforeseen staff vacancy arising hampered the team’s ability to complete all fieldwork by 31 March 2021. Staffing numbers have now stabilised and the audit plan will be completed by end of June 2021. There were no significant threats identified to the independence of the internal audit activity such as inappropriate scope or resource limitations.

Opinion

The report concludes that the majority of West Dunbartonshire Council’s established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit in 2020/21. The overall audit opinion is **Satisfactory**.

Signature: Andi Priestman

Title: Shared Service Manager – Audit & Fraud

Date: 19 May 2021

Opinion Types

Satisfactory	Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met. • A limited number of Amber rated issues may have been identified, but generally only green issues have been found in individual audit assignments. • None of the individual assignment reports have an overall opinion of ***Requires Improvement or Unsatisfactory***.
Generally Satisfactory with some improvement needed	A few specific control weaknesses were noted: generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met. • A number of Amber rated issues identified in individual audit assignments that collectively do not significantly impact the system of internal control. • Red rated issues that are isolated to specific systems or processes. • None of the individual assignment reports have an overall opinion of ***Unsatisfactory***.
Major improvement needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met. • A high number of Amber rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A number of Red rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A small number of individual assignment reports have an overall opinion of ***Requires Improvement or Unsatisfactory***.
Unsatisfactory	Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met. • Amber and Red rated issues identified in individual assignments that collectively are widespread to the system of internal control. • A high number of individual assignment reports have an overall opinion of ***Requires Improvement or Unsatisfactory***.

Appendix C

Key Performance Indicators – 2020/21

Measure	Description	Actual	Target
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	84.6%	100%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	100%	80%
3. Audit Plan Delivery	Percentage of audits completed v planned.	73.7%	85%
4. Audit Budget	Percentage of audits completed within budgeted days.	68.4%	80%
5. Audit Recommendations	Percentage of audit recommendations agreed.	100%	90%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%	100%
8. NFI recommended matches	Percentage of National Fraud Initiative recommended matches investigated within timescales.	100%	100%
9. NFI other matches	Percentage of National Fraud Initiative other matches investigated within timescales.	100%	90%
10. DWP liaison	Percentage of cases referred to/ actioned for DWP within DWP timescales.	100%	100%
11. Staff compliance with CPD	Number of training hours undertaken to support CPD	100	100
12. Management engagement	Number of meetings with CMT and senior management as appropriate	3 per quarter	1 per quarter

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer - Resources

Audit Committee: 16 June 2021

Subject: Audit Scotland letter: West Dunbartonshire Council – Interim audit testing 2020/21 – June 2021

1. Purpose of Report

1.1 The purpose of this report is to advise Members of the 2020/21 mid-year report which has been received regarding Key Internal Controls, from our external auditors – Audit Scotland – and to provide information to Members as to management actions implemented following receipt of this report.

2. Recommendations

2.1 The Committee is invited to note the report and the agreed management actions.

3. Background

3.1 Part of the planned work of Audit Scotland as the Council's external auditors, is to undertake a review of the Council's Key Controls on and provide a report on any issues or risks arising from this review.

3.2 As part of the work required, the auditors undertook a high level review of the governance arrangements and the main financial systems operated by the Council. The purpose of this review was to evaluate whether the Council have sound governance arrangements in place and whether the key internal controls operating within the main financial systems are adequate and to identify any issues for further consideration in their main audit.

4. Main Issues

4.1 The report, as appended to this report, identifies 3 issues/risks for management to consider. For each of these items management responses around any actions, etc. along with timelines have been provided and are detailed in the appendix within Exhibit 1.

5. Option Appraisal

5.1 No option appraisal was required for this report.

6. People Implications

6.1 The people issues arising from this report are in relation to implementing improved processes in a number of systems and can be implemented from within existing resources.

7. Financial and Procurement Implications

7.1 There are no financial or procurement implications.

8. Risk Analysis

8.1 Failure to address the recommendations outlined in the report could impact on the final audit opinion awarded to the Council in respect of the audit in future financial years.

9. Equalities Impact Assessment (EIA)

9.1 No equalities impact assessment was required in relation to this report.

10. Environmental Sustainability

10.1 No assessment of environmental sustainability was required in relation to this report.

11. Consultation

11.1 This report has been subject to consultation with appropriate

12. Strategic Assessment

12.1 Sound financial practices are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.

Stephen West
Chief Officer - Resources
Date: 3 June 2021

Person to Contact: Stephen West, Chief Officer - Resources
Council Offices, Church Street, Dumbarton,
Email: stephen.west@west-dunbarton.gov.uk

Appendices: Audit Scotland - Interim Audit Testing 2020/21

Wards Affected: All

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8 Nelson Mandela Place
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AUDIT SCOTLAND

Stephen West
Strategic Lead – Resources
West Dunbartonshire Council
16 Church Street
Dumbarton
G82 1QL

3rd June 2021

Dear Stephen,

West Dunbartonshire Council – Interim audit testing 2020/21

1. Audit Scotland's Code of Audit Practice requires us to assess the systems of internal control put in place by management. In carrying out this work, we seek to gain assurance that West Dunbartonshire Council:

- has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests
- has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption
- complies with established policies, procedures, laws and regulation.

Overall summary

2. From our interim testing we identified one area which represents a risk of material misstatement for the 2020/21 financial statements. We have reported this at point 3 in Exhibit 1, along with the other issues identified from our review. These issues will be reflected in our audit approach and will require us to complete additional testing on NDR reliefs to obtain the required assurances for our audit of the 2020/21 financial statements.

System coverage

3. A key focus of our testing was the verification to source documentation of significant income and expenditure transactions (including staff costs) during 2020/21. As testing was performed prior to the 2020/21 financial year end, the need for additional testing will be considered as part of the financial statements audit to ensure sufficient audit coverage for the full year is achieved.

4. During the interim audit we reviewed the key controls in the following systems:

- General Ledger
- Accounts Receivable
- Accounts Payable
- Payroll
- Cash & Bank
- Non-Domestic Rates
- Council Tax
- Housing Benefit

5. This work involved carrying out walkthroughs of the key controls in each system to confirm they were operating as expected. This covered a number of areas including reviewing reconciliations, payroll validation

checks, payroll exception reporting and changes to supplier bank details. We will use the results of this testing to determine our approach during the 2020/21 financial statements audit.

6. West Dunbartonshire Council is responsible for approving and distributing Covid 19 relief grants across a number of new funding streams. As detailed in our annual audit plan, we will review the controls in place for the payment of these funds, with emphasis on business support grant payments. Our work in this area is ongoing, and we will report our findings when this work is complete.

Risk identification

7. Exhibit 1 sets out the risks we identified from our interim audit work.

8. The issues identified in preparing this management letter are only those which have come to our attention during the course of our normal work and are not necessarily, therefore, all the risk areas that may exist. It remains the responsibility of management to determine the extent of the internal control system appropriate to West Dunbartonshire Council. We would stress, however, that an effective system of internal control is an essential part of the efficient management of any organisation.

Acknowledgement

9. The contents of this letter have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit from staff is gratefully acknowledged.

Yours sincerely

Christopher Gardner
Senior Audit Manager

Direct Tel: 0131 625 1610
Email: chgardner@audit-scotland.gov.uk

Exhibit 1
Key findings

Issue/risk	Management response	Responsible officer and target date
1. User access rights Following our review of user access to the Chris21 (HR and Payroll) system, we identified one instance where a member of IT staff had retained a higher level of access privileges as a result of past operational requirements. We understand this has now been rectified. Carrying out regular reviews of user access listings for all key systems may help identify inappropriate access levels, and is particularly important for organisations where working from home is so prevalent. **Risk: Inappropriate user privileges could result in error, fraud or allow access to sensitive data.**	Segregation of duty is used across the user access to the system. An ICT user was awarded access in this same regard for operational reasons for system development. Following discussion with audit a new lower access role was created through system access rules rather than segregation of duty. Quarterly reports to review segregation of task agreed and in place for Q4 2020.	Business Support Manager Complete 10 May 2021
2. Delays in completing and reviewing feeder system reconciliations Last year we reported delays to reviews of feeder system reconciliations. This exercise provides assurance that the data contained within individual accounting systems and the general ledger are in agreement. Our review of a sample of reconciliations for the Council Tax, Non-Domestic Rates and Housing Benefit systems found again in 2020/21 that a number had not been completed within the expected timescale of no later than one month after the period end, or reviewed within one month of completion. We will review the year end reconciliations for assurance on the figures in the financial statements. **Risk: Potential errors are not identified, investigated and resolved in a timely manner.**	We aim to complete and review all reconciliations within 1 month, however we recognise that this is not always possible due to other priorities and requirements. In 2020/21 the team required to change working practices due to mandatory working from home and this resulted in reconciliations taking longer than normal. We continue to aim to complete and review all reconciliations within one month of the period end. The completion of reconciliations is a Performance Indicator that is monitored and reported as part of Delivery Plan suite of indicators. Relevant staff have been reminded of the timescales within which it is expected that reconciliations will be completed.	Finance Manager 31 May 2021
3. Review of NDR reliefs In previous years, the Non Domestic Rates (NDR) team has carried out a secondary check to ensure that reliefs have been awarded correctly, and are valid. We reported in our 2019/20 Management Letter that, from a sample of 15 NDR reliefs, no evidence was retained for five of these to show that a member of staff has checked the relief was correct and valid. Due to pressures as a result of Covid-19, we understand that no verification was carried out on 'recurring' reliefs in	Reliefs for Mandatory, Discretionary and Disabled relief are verified on award. Relief reviews to be undertaken annually were delayed due to COVID payment priorities arising from changes by the Scottish Government to the Rates charging regime due to COVID and also to support the payment of Business Support Grants. It is worth noting that many of these organisations in receipt of reliefs completed similar declarations for these Business Support Grant payments therefore	Business Support Manager 30 June 2021

2020/21, however was carried out for new applications. While we understand the pandemic has placed significant pressures on existing working practices, the council must ensure it is satisfied that discounts and reliefs are free from fraud or error. As a result, we will complete additional testing of NDR reliefs at year-end. **Risk: Without a secondary supervisory check, errors could go unnoticed and invalids reliefs could be granted. This could result in financial loss to the council.**	whilst not undertaking the full review the process for grants included the NDR check on Assessors entry and valid declaration. Relief reviews will be undertaken in Quarter 2 of this financial year to ensure most accurate awards are in place.“	

ITEM 9

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer - Resources

Audit Committee: 16 June 2021

Subject: Annual Report on the Audit Committee – 2020/21

1. Purpose

1.1 The purpose of this report is to provide members with an Annual Report on the Audit Committee for 2020/21.

2. Recommendations

2.1 It is recommended that members:

i) Review and endorse the Chair's Annual Report on the Audit Committee for 2020/21; and
ii) Agree that the report should be presented to a future meeting of the Council.

3. Background

3.1 It is important that the Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a foundation for sound corporate governance for the Council. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated guidance note Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition which incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police. This sets out CIPFA's view of the role and functions of an Audit Committee. The CIPFA Audit Committees Guidance includes the production of an annual report on the performance of the Audit Committee against its remit for submission to the Council.

3.2 The Audit Committee Annual Report 2020/21, which is attached at Appendix 1, provides assurance to the Council over the activity of the Audit Committee.

4. Main Issues

4.1 The Audit Committee Annual Report for 2020/21 is appended with the main issues identified being:

- The Audit Committee has met four times during the financial year with every meeting being quorate;
- The Audit Committee sought assurance on the adequacy and effectiveness of the Council's systems of corporate governance and internal control for efficient operations and for the highest standards of probity and accountability. This was achieved through reports received

from internal audit, other Council functions and external audit with focus in particular on internal control and governance; and

- The Audit Committee has provided assurance to the Council as detailed in the appendix.

5. People Implications

5.1 There are no personnel issues with this report.

6. Financial and Procurement Implications

6.1 There are neither financial nor procurement implications arising directly from this report.

7. Risk Analysis

7.1 There is a risk that the Audit Committee does not comply with best practice guidance in relation to demonstrating its effectiveness in providing a foundation for sound corporate governance. The annual report provides this assurance to the Council on the activity of the Committee.

8. Equalities Impact Assessment (EIA)

8.1 There is no requirement for an EIA.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads. In addition, services have been consulted in the update of action plans.

10. Strategic Assessment

10.1 This report relates to strong corporate governance.

.....
Stephen West
Chief Officer - Resources
Date: 16 June 2021

Person to Contact: Andi Priestman, Shared Service Manager – Audit & Fraud
Telephone (01389) 737436
E-mail: andi.priestman@west-dunbarton.gov.uk

Appendix: Annual Report on the Audit Committee 2020/21

Background Papers: N/A

Wards Affected: All Wards

Appendix 1

West Dunbartonshire Council
Audit Committee
Annual Report 2020/21 from the Chair

Introduction

This annual report has been prepared to inform West Dunbartonshire Council of the work carried out by the Council's Audit Committee during the financial year 2020/21.

Meetings

The Audit Committee met four times during the financial year comprising meetings on 17 June 2020, 16 September 2020, 18 November 2020 and 10 March 2021 to consider reports relevant to the Audit cycle and other matters as deemed appropriate. Pre-Agenda meetings were also held ahead of Committee involving the Chair and appropriate officers. All meetings during the financial year were held remotely via Zoom and audio recordings of all meetings are available on the Council's website.

The purpose and remit of Audit Committee as detailed in the Council's Standing Orders is to:

- Monitor, and make recommendations on the development of the Audit activity of the Council; and
- Scrutinise the monitoring and review activity of the thematic and regulatory committees.

To fulfil this remit, the Audit Committee sought assurance on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control to ensure efficient operations and the highest standards of probity and accountability. This was achieved through reports received from Internal Audit, other Council functions and External Audit with focus in particular on internal control and governance.

At each meeting of the Audit Committee it considered significant findings from Internal Audit reports together with monitoring the progress made by management in completing agreed actions to improve the Council's control environment. It also considered the annual audit plan and reports from Audit Scotland, the Council's External Auditors. In addition, a number of national reports prepared by Audit Scotland on behalf of the Accounts Commission were also considered.

The Audit Committee also received reports on:

- Prudential Indicators and Treasury Management;
- Risk Management;
- National Fraud Initiative; and
- Annual Complaints Report 2019/2020.

There was also specific guidance for Audit and Risk Committees prepared by Audit Scotland relating to COVID-19. A sub-group of members from the Audit Committee was set up to consider the guidance and report on the Council's position. The sub-

group met on 2 March 2021 and a position statement was presented to the June 2021 meeting.

The minutes of Audit Committee meetings are first confirmed as a correct record at the next Audit Committee before being remitted to Council for approval.

Membership of the Audit Committee

In accordance with West Dunbartonshire Council's Standing Orders membership of the Audit Committee comprises 8 Elected Members and 2 Lay Members with Lay Members not being members of any political party. The quorum of the Audit Committee is 3 Elected Members.

The Chair of the Audit Committee is from the Opposition (as is the Vice Chair). The committee has two Lay Members. The Administration has a minority of members on the Audit Committee.

Attendance by members of the Committee at Audit Committee meetings in 2020/21 was as follows:

Member	**Date of Meeting**			
	17/06/20	**16/09/20**	**18/11/20**	**10/03/21**
Cllr John Mooney (Chair)	Present	Present	Present	Present
Cllr Jim Brown	Apologies	Present	Present	Present
Cllr Karen Conaghan	Apologies	Apologies	Present	Present
Cllr Daniel Lennie	Absent	Apologies	Apologies	Present
Cllr Jonathan McColl	Present	Present	Present	Present
Cllr John Millar	Apologies	Present	Present	Absent
Cllr Martin Rooney	Present	Present	Present	Present
Cllr Brian Walker	Present	Apologies	Present	Present
Lay Member Chris Johnstone (from 12/12/18)	Present	Present	Present	Present
Lay Member Christopher Todd (from 16/09/20)	N/A	Present	Present	Present

Every meeting of the Audit Committee during 2020/21 was quorate.

Attendance by Officers

All meetings were attended by the Chief Executive, Chief Officer – Resources and the Shared Service Manager - Audit & Fraud.

Other senior officers also attended meetings as appropriate for items on the Agenda for which their presence was relevant. Representatives from the Council's external auditors - Audit Scotland - were present at every meeting.

Assurance Statement to the Council

The Audit Committee provides the following assurance to the Council:

- The Council has received the Minutes of the Audit Committee meetings throughout the year;
- The Audit Committee has operated in accordance with its agreed terms of reference, and accordingly with the audit committee principles in the CIPFA Position Statement relating to its Audit functions;
- It did this through reports received from Internal Audit, External Audit, and assurances from Management. It focussed on matters of governance, risk management and internal control; giving advice to the Council on the value of the audit process; on the integrity of financial reporting; and on governance arrangements.
- For all audit reports, the Audit Committee considered whether it was satisfied that an adequate management response was in place to ensure action would be taken to manage risk and address concerns on governance, risk management and internal control arrangements. The Committee acknowledges that all the audit recommendations are input to Pentana, the Council's performance management system, and that there is a system in place of ongoing follow-up by Internal Audit and reporting thereon;
- The Audit Committee has received and considered material to fulfil its scrutiny role on treasury management activity; and
- The Audit Committee reviewed the audited Annual Accounts for 2019/20 alongside External Audit's report on their annual audit for 2019/20.

Conclusion

Based on the reports received and reviewed by the Committee they are in agreement with the Chief Internal Auditor's annual audit report which confirms that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in 2020/21. I am satisfied that active monitoring and follow up of recommendations is in place in respect of agreed management action.

Councillor John Mooney
Chair of the Audit Committee
19 May 2021

ITEM 10

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer - Resources

Audit Committee: 16 June 2021

Subject: Audit Scotland - COVID-19 Guide for Audit and Risk Committees

1. Purpose

1.1 To update the Audit Committee on sub-group activity in relation to the Audit Scotland COVID-19 Guide for Audit and Risk Committees.

2. Recommendations

2.1 It is recommended that Members notes the work of the sub-group in establishing the Council's position against the COVID-19 Guide for Audit and Risk Committees.

3. Background

3.1 In August 2020, Audit Scotland published a COVID-19 Guide for Audit and Risk Committees guidance on key issues for consideration by audit and risk committees during the Covid-19 pandemic: "Guide for Audit and Risk Committees" which was presented to Audit Committee in November 2020.

3.2 At the November 2020 meeting it was agreed to form a sub-group from Members of the Audit Committee to consider the questions posed in the guidance.

3.3 A baseline position was co-ordinated by the Shared Service Manager – Audit & Fraud for consideration at the sub-group meeting on 2 March 2021.

4. Main Issues

4.1 The sub-group met on 2 March 2021 to consider the key issues identified in the Guidance and provide comment on the Council's baseline position.

4.2 The output from the sub-group is attached at Appendix 1. The sub-group noted that the Council is well placed to address the key issues identified in the Guidance.

5. People Implications

5.1 There are no personnel issues with this report.

6. Financial and Procurement Implications

6.1 There are neither financial nor procurement implications arising directly from this report.

7. Risk Analysis

7.1 This guide has been prepared for auditors and public bodies and provides audit and risk committee members with suggested questions to help them effectively scrutinise and challenge in the key areas.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with the Chair of the Audit Committee and appropriate Chief Officers.

10. Strategic Assessment

10.1 This report relates to strong corporate governance.

.....
Stephen West
Chief Officer - Resources
Date: 19 May 2021

Person to Contact: Andi Priestman, Shared Service Manager – Audit & Fraud
Telephone 01389 737436
E-mail – andi.priestman@west-dunbarton.gov.uk

Appendix: Appendix 1 **-** COVID-19 Guide for Audit and Risk Committees – self-assessment

Background Papers: COVID-19 Guide for Audit and Risk Committees – Audit Committee report – November 2020, March 2021

Wards Affected: All Wards

Covid-19

Guide for audit and risk committees
Prepared for public bodies and auditors

August 2020

Introduction

1. Covid-19 has already had a significant impact on every aspect of society in Scotland. It has affected individuals and communities, public services and the economy.

2. The response of public-sector bodies has been strong, and the pandemic has highlighted some of their key strengths, such as agility and partnership working. But Covid-19 has also exacerbated many pre-existing risks and challenges facing public bodies in areas such as financial sustainability and service demand pressures. A difficult road lies ahead as public bodies move from response to recovery and renewal.

3. Audit and risk committees have a crucial role to play in providing effective scrutiny and challenge. They help public bodies focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements. As public bodies manage their business during this global pandemic, the role of audit and risk committees becomes even more important.

4. This guide for audit and risk committees draws on our recent experience of auditing public bodies during the pandemic. It also refers to key sources of guidance such as the Scottish Government's Scottish Public Finance Manual and On Board: a guide for members of statutory boards and the Chartered Institute of Public Finance and Accountancy's *Audit Committees: Practical Guidance for Local Authorities and Police*.

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

5. There are a wide range of short, medium and long-term risks and issues emerging from Covid-19 for public bodies to consider. This guide focuses on the short-term challenges facing public bodies in the response phase of the pandemic. During this phase, key areas that audit and risk committees will need to focus on include:

- internal controls and assurance
- financial management and reporting
- governance
- risk management.

6. This guide provides audit and risk committee members with suggested questions to help them effectively scrutinise and challenge in these key areas. Answering the questions in this guide will help audit and risk committees better understand how their organisation is responding to the pandemic and managing both the immediate and longer-term challenges that it creates.

7. Audit and risk committees must assure themselves that they are engaged and well-informed about the changes that are occurring and affecting their organisation due to Covid-19. For example, they should be informed of changes to internal reporting arrangements, and policy and legislative changes and the impact they are likely to have on the organisation. They should also be apprised of any fraud and error risks arising from the response to Covid-19.[1]

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

Internal controls and assurance

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

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

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

11. Exhibit 1 proposes potential questions for audit and risk committee members to consider.

Exhibit 1
Internal controls and assurance – questions to consider

For each question, an assessment of the current status is included within the comment boxes		
1	**Effectively complete or on-going practice**	**BLUE**
2	**Lower risk (some additional work suggested)**	**GREEN**
3	**Medium risk (additional work required)**	**AMBER**
4	**Higher risk (urgent work required)**	**RED**

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

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

Comments:	
Each Chief Officer completed a SITREP which set out any new procedures or changes to existing procedures. Relevant changes would then be communicated as required through social media channels, the employee intranet, via direct workforce briefs and by line managers. Internal Audit and Finance were consulted on proposed changes in relation to financial governance and Internal Audit provided advice to Services as and when required. There were regular reports to Council on the Covid-19 response which included details of revised governance arrangements. In addition, a strategic pandemic risk and associated operational risks were developed and reported through both Audit and Corporate Services Committees. All COVID-19 related additional costs required to be approved by Strategic Leads/Directors as appropriate at the time.	
Status	**BLUE**

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

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

Comments:	
Additional general Scottish Government funding to support Council services have been aligned to the net financial impact of Covid-19 on the Council. Additional Scottish Government grant funding specifically linked to areas for specific support e.g. local businesses, local residents, specific service delivery have been used for the purposes defined by the Scottish Government and all reporting requirements to Scottish Government have been complied with. Covid-19 Update Reports have been provided to Council meetings which provide a full update on the financial position including additional Scottish Government funding. The Council is participating in the National Fraud Initiative exercise for 20/21 which will include Covid-19 Business Grants as a new dataset. Any matches identified will be built into the workplan for the corporate fraud team for 21/22 with relevant links to Human Resources for any employee action.	
Status	**BLUE**

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

Comments:	
Each Chief Officer completed a SITREP on a regular basis and submitted in advance of each Strategic Resilience Group meeting which set out any new procedures or changes to existing procedures as a result of homeworking. Additionally impact was assessed through a workstyle survey returning positive feedback on the overall experience. Assessments about technology demands were made with managers and devices enabled to support almost 2000 home workers at peak. Internal Audit and Finance were consulted on proposed changes in relation to financial governance. SITREPs were provided to and reviewed by ORG and SRG on an ongoing basis.	
Supporting Document:	
COVID-19 updates to Council meetings – 26 August 2020 (item 9), 9 September 2020 (item 9), 24 September 2020 (item 6), 25 November 2020 (item 9), 16 December 2020 (item 9), 24 February 2021 (item 8)	
Status	**BLUE**

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

Comments:	
The Shared Service Manager – Audit & Fraud regularly reviews the Internal Audit Plan and the most recent review was completed as part of the March 2021 Audit Committee papers.	
Status	**BLUE**

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

Comments:	
This is achieved via ongoing communications between the Shared Service Manager – Audit & Fraud and officers from the Senior Leadership Team.	
Status	**BLUE**

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

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

Comments:	
The Council's annual accounts were submitted by the original 30th June deadline and Finance has a well-established process in place to review and update its annual reporting timetable. The external auditor's timetable was extended by the Scottish Government to the end of November 2020 and the external auditor's annual report and audited accounts were reported to Council on 25 November 2020. The external auditor's annual report included a new additional risk identified in relation to the additional uncertainty of Covid-19 and the effects of lockdown presented specific risks to the group accounts. The auditor concluded that the required assurances were received.	
Supporting Document:	
Council Report – 25/11/2020 – Annual Report to Members on the 2019-20 Audit – Item 2	
Status	**BLUE**

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

Comments:	
The Council is a member of the Joint Civil Contingency Service with other neighbouring authorities. This ensures sharing of best practice, provides a wider support team in the event of any incidents and expertise in the resilience field. The Council has also developed and maintained a range of response and recovery plans in consultation with delivery partners and groups. The HSCP has developed and maintained a local mobilisation plan. There is ongoing daily contact between Chief Executives and Health Board Chief Officers. Various members of the Senior Leadership Group have key roles at national level e.g. SOLACE, SPDS, SOLAR, CIPFA Directors of Finance, and these provide vital channels through which to understand the evolving landscape and share practice.	
Supporting Document:	
Strategic risk update report to Audit Committee in September 2020, November 2020 and March 2021.	
Status	**BLUE**

1.8 How have IT services performed during the pandemic?

- To what extent have cyber security controls been considered?

Comments:
ICT Services supported extensive remote working across the Council, our partners and associated organisations before Covid-19 emerged but clearly the extent, scale and complexity of remote working has rapidly increased and changed. Clear guidance has been issued on home working both from a technology and workforce perspective. The requirement for online collaboration tools, the speed and extent of the various technological solutions put significant additional pressure on the ICT team and, as with any large scale project, issues, risks and changes are addressed in a prioritised manner. The work undertaken has already provided greater flexibility in working arrangements. Cyber security is an identified strategic risk with a myriad of mitigations in place. In addition, the Council undertook a 'phishing campaign' during the initial lockdown period to raise awareness of the risks posed to individuals in their work role and in their personal transactions. This exercise, delivered with the support of the Joint Trades Union, deliberately used topics that criminals would use to demonstrate how difficult it can be to spot a phishing email. Any individual clicking on the suspect links would be taken to a learning module to raise awareness and prevent recurrence or falling victim to real scams. Details of the cyber security controls can be found in the Audit Committee reports on Strategic Risk (September 2020, November 2020)
Supporting Document:

Strategic Risk Report to Corporate Services and Audit Committee meetings in September 2020, November 2020, March 2021	
Status	**BLUE**

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

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

Comments:
Services completed scenario plans on the reduced availability of employees as a result of the pandemic. The scenario plans included services which would stop or be reduced in the event of resource issues whilst maintaining essential services. A volunteer database is maintained on an ongoing basis through HR21 of those who can be redeployed to carry out essential tasks. The Council's SRG developed a Key Worker/Essential Services list, used initially for qualification for Key Worker Hubs and latterly to ensure that partner organisations understood which of our workers would be out in the communities during lockdown or other restrictions on movement. The Council monitors absence as a result of Covid-19 – including caring responsibilities, isolation and illness. This allows us to flex or shrink resource to fit demand and gaps. This is a key aspect of workforce planning and included in our workforce console.
Supporting Document:
COVID-19 Update Report to Council Meetings – 24 June 2020, 26 August 2020, 24 September 2020, 25 November 2020, 16 December 2020, 24 February 2021.
Status **BLUE**

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

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

Comments:
We reviewed and raised awareness of our Agile working practices, introducing a rapid deployment of online collaboration tools such as Zoom and MS Teams and increased use of communications and engagement channel, Trickle that can be accessed on desktop and any smart mobile device making it more accessible, especially to those working front line. Advice, hints and tips have also been shared with managers and employees through a range of learning opportunities (webinars/guides/external resources/courses) on how to manage and support teams/colleagues remotely as well as increase employees level of digital skills. In relation to adjusting workloads, a number of measures were put in place including; temporary changes in working hours, a process to allow individual employees to request an early return to an office environment if their personal circumstances made working from home a challenge, advice and guidance in the form of webinars and written guides on how to ensure a work/life balance when working from home as well as more informal supports such as Virtual Cuppa and a reading group to help with the isolation that people can feel when working remotely. All of this activity was informed by our Home Working Survey completed by employees who are working remotely. A range of supports are continuously promoted throughout the Council; this includes but isn't limited to external resources to support mental health such as free mindfulness courses, free courses from local colleges, wellbeing action plans, NHS Musculoskeletal (MSK) App, webinars run by the Scottish Government and websites dedicated to supporting the Scottish workforce through the pandemic. In addition, a number of external specialists have been brought in to deliver webinars to employees on topics from financial wellbeing, dealing with grief, work/life balance, managing emotions, having supportive conservations and mental health awareness. Policies such as Enhanced Annual leave, Cycle to Work, Flexible Working and Parental Leave were all amended to provide additional supportive provisions to employees during the pandemic; these changes were supported by HR training sessions

available to managers. The provision for employee counselling was also increased and access to our complimentary mental health support service (Access to Work) was quickly moved online as was our Workplace Chaplaincy service. Our Winter Wellbeing package provided one place where employees could find our range of supports and this has led to us introducing monthly Wellbeing Round Ups allowing us to spotlight the best resources and supports available. In light of the extensive work undertaken to support employees, the Council was shortlisted and recognised as finalists for the HR excellence awards 2020, in the category of 'Best Health & Wellbeing Strategy' alongside organisations such as DWP and Natwest.	
Status	**BLUE**

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

Comments:	
The redeployment of employees into areas outwith their substantive roles formed a key part of the workforce scenario planning to ensure that essential services were being delivered. Employees from within services were redeployed into other roles as appropriate and a volunteer database was created and maintained through the Council's workforce management system to identify other employees who would be willing to be redeployed to assist deliver essential services. Risk assessments have been undertaken as appropriate and provision of and training on PPE provided where required.	
Status	**BLUE**

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

Comments:	
Reflective learning logs have been developed and refreshed periodically. In addition, key learning has been captured at local level, via TU colleagues and through the resilience groups. This has been acted on accordingly. Amendments to guidance, policies and practice being made as required and communicated through the usual channels for example new/safer ways of working for employees at risk and embracing opportunities presented through new ways of working eg virtual meetings.	
Status	**BLUE**

Financial management and reporting

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

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

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

Exhibit 2
Financial management and reporting – questions to consider

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

Comments:	
Financial and performance information overlap and can be evidenced via on-going reporting to Council and relevant Council Committees. With the reintroduction of scheduled committees from August 2020 the normal schedule of financial reporting was recommenced, though due to the timing of the first lockdown there were no scheduled financial reports missed. In addition Covid-19 Update reports also provided Council with specific information on the covid financial impact and Scottish Government funding.	
Supporting Documents:	
Budgetary Control reports to Committees and Council August 2020, September 2020, October 2020, November 2020, December 2020, January 2021, February 2021. Covid-19 Update reports – June 2020, August 2020, September 2020, November 2020, December 2020, January 2021, February 2021 and May 2021	
Status	**BLUE**

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

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

Comments:	
Each senior officer is responsible for accounting for, and submitting approval documentation for any additional spend linked to Covid-19. This is collated and reported appropriately. Covid-19 Update reports to Council and Budgetary Control reports have provided Elected Members with up to date projections of the financial impact of Covid-19. The Chief Finance Officer lead a review of all budget lines to identify Covid-19 cost pressures, lost income and reduced costs due to changes to activity levels.	
Supporting Documents:	
Budgetary Control reports to Committees and Council August 2020, September 2020, October 2020, November 2020, December 2020, January 2021, February 2021. Covid-19 Update reports to Council in June 2020, August 2020, September 2020, November 2020, December 2020, January 2021, February 2021 and May 2021	
Status	**BLUE**

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

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

Comments:
These issues are covered through the Council's annual accounts reporting arrangements, which includes the work undertaken by External Audit. The Chief Financial Officer continues to advise elected members about material issues involving the valuation of assets and liabilities. The Council's annual accounts disclose the risk attached to property valuations as a result of Covid-19 and the External Audit have referred to property valuations within their 2019/20 annual report to elected members. In relation to the pension fund it is too early to estimate any impact of Covid-19 – the annual review of the pension fund by the independent actuaries will consider this and the pension fund will manage this

as necessary.	
Supporting Document:	
Council Report – 25/11/2020 – Annual Report to Members on the 2019-20 Audit – Item 2 Appendix 1	
Status	**BLUE**

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

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

Comments:	
The arrangements in place to assess the financial impact of Covid-19 also include commitments to external organisations such as school transport contractors, care home providers and the construction providers where appropriate via sustainability payments under the Scottish Government procurement guidance issued in relation to the financial impact on supplier sustainability linked to Covid-19. Council agreed to the provision of a letter of comfort to the West Dunbartonshire Leisure Trust (WDLT). In addition at its meeting in January 2021 the Council agreed that a proportion of the Loss of Income Scheme funding should be passed to the WDLT.	
Supporting Documents:	
Covid-19 Update to Council 24/06/2020 – Item 10 Covid-19 Update to Council 7/1/2021 – Item 5	
Status	**BLUE**

2.5 What impact has Covid-19 had on savings plans?

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

Comments:	
Established mechanisms are in place to manage savings plans via budget monitoring and reporting arrangements. Therefore, the impact of Covid-19 on savings plans is being assessed on an ongoing basis. Planned savings are reported as part of Budgetary Control Reports to Council and Committees and the majority of planned savings are expected to be achieved. As noted above the Chief Finance Officer undertook a review of all budget lines and agreed with the senior team a number of adjustments made to budgets as part of the approach to minimise the financial impact on the Council.	
Status	**BLUE**

2.6 What impact has Covid-19 had on transformational activity?

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

Comments:	
Transformation plans and activity will continue to be reported via the Renew and Recovery Board which includes all senior leadership. Those arrangements allow for a range of factors, including non-controllable external events such as Covid-19, which can delay change projects, to be considered. Delays are flagged up as part of the regular reporting from relevant project boards.	
Status	**BLUE**

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

Comments:
Yes - the Chief Financial Officer continues to closely monitor capacity within the Finance Service. It

can be noted that the Council's annual accounts for 2019/20 were submitted by the normal 30th June deadline.	
Status	**BLUE**

Governance

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

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

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

Exhibit 3
Governance – questions to consider

3.1 What impact has Covid-19 had on governance arrangements?

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

Comments:
Meetings of the Audit Committee and Council have been held remotely since June 2020 to allow Members to undertake their scrutiny role. There were regular Elected Member briefings and cross party meetings in order to further share updates on the developments as a result of the COVID-19 pandemic. It was agreed at the Cross Party Group that committee business during the initial lockdown period would be kept to a minimum with only necessary and urgent papers being considered by committee. A small number of temporary delegations were agreed to enable services within Regulatory to continue, assist with the preparation of the annual accounts and deal with taxation matters. The Council's existing Scheme of Governance was also used to enable urgent decision making and some decisions to be taken which would normally be taken by committee. A report was presented to Council in June 2020 which provided an update in relation to actions and decisions taken under the revised governance arrangements put in place following the Government lockdown on 24 March 2020. The issue of Covid-19 Elected Members briefings was highlighted as an area of good practice by External Audit in their Annual Report to Members 2019-20. The External Auditors concluded that the council had effective governance arrangements in place during 2019/20. The Covid-19 pandemic has impacted on these arrangements, but the revised arrangements are appropriate and continue to support good governance and accountability.
Supporting Documents:
Covid-19 Update to Council 24/06/2020 – Item 10 Council Report – 25/11/2020 – Annual Report to Members on the 2019-20 Audit – Item 2 Appendix 1

Status	BLUE

3.2 Are governance arrangements being reviewed regularly to ensure they remain fit for purpose?

Comments:
As outlined at 3.1 above the reports submitted to elected members show that governance arrangements were regularly reviewed by the Strategic Leadership Team. Governance arrangements are back to normal processes though run as remote meetings.
Status: BLUE

3.3 Are non-executive directors providing appropriate levels of support, scrutiny and challenge to your organisation as it responds to the current environment and new risks?

Comments:
The Strategic Leadership Team and elected members continue to undertake their respective roles when dealing with the impact of Covid-19 on the Council's strategic goals and the ongoing delivery of services. The decision to establish a dedicated email address for all elected member/MP/MSP enquiries was taken by the Chief Executive and Chief Officer for People & Technology having due regard for the need to inform and update members while avoiding any delays with emails going directly to those most involved in the response actions. The issue of Covid-19 Elected Members briefings was highlighted as an area of good practice by External Audit in their Annual Report to Members 2019-20. Specifically that the Council has produced regular and comprehensive member briefings to keep them abreast of developments in relation to Covid-19 and how this is impacting on the delivery of services across West Dunbartonshire. These include responses to members questions to ensure that all members have the most up-to-date information for any queries raised. With the benefit of hindsight, this process may have been improved with the inclusion of Audit Committee lay members to ensure that they were appraised of the extensive activity. Lay Members on the Education Committee were already receiving copies of Education related Elected Members briefing.
Status: GREEN

3.4 What barriers, if any, have affected your organisation's ability to continue to provide services for individuals and communities during the pandemic?

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

Comments:
The impact of Covid-19 on the delivery of services was being gauged and actively managed by each Strategic Lead on an on-going basis, this continues. The Council had to react to quickly changing SG guidance; ongoing review of level of resource required to respond. The Council also required to implement the various additional and restricted SG Covid-19 related schemes (such as Business Support Grants, changes to Non-Domestic Rates, additional Free School Meals, Winter and Spring hardship payments, death in service for social care workers and £500 bonus payments to certain staff and to staff in social care partner providers).
Supporting Documents:
COVID-19 updates to Council meetings – 26 August 2020 (item 9), 9 September 2020 (item 9), 24 September 2020 (item 6), 25 November 2020 (item 9), 16 December 2020 (item 9), 24 February 2021 (item 8).
Status: BLUE

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

- Does performance reporting highlight any changes on your organisation's ability to meet its objectives as a consequence of Covid-19?
- Has the pandemic caused new risks to achieving your organisation's objectives? If so, how are these being addressed?

Comments:	
The impact of Covid-19 on achieving the Council's priorities within the Strategic Plan will vary and existing performance reporting arrangements will continue to identify those impacts. Detailed planning is delivered through each Service Area's Delivery Plan and reported to service committees bi-annually. Delivery Plans for 2020/21 were delayed as a result of Covid-19 and planned outcomes and performance targets reconsidered to take into account any Covid-19 impact. A new Strategic Risk register was developed and reported to Committee specifically for Covid-19 risks.	
Supporting Documents:	
Delivery Plan updates to Corporate Services Committee – 11 November 2020 (items 7, 8, 9 and 10) Delivery Plan update to Education Services Committee – 2 December 2020 (item 9) Delivery Plan update to Housing and Communities Committee – 4 November 2020 (item 14) Annual and Quarterly Performance Reports to HSCP Board Audit and Performance Committee – 23 September 2020 (items 9 and 10), 26 November 2020 (item 5), 25 February 2021 (item 9) Report on Strategic Risks to Corporate Services Committee – 9 September 2020 (item 9) and 17 February 2021 (item 10) Strategic Risk Register Report to HSCP Board Audit and Performance Committee – 25 February 2021 (item 10)	
Status	**BLUE**

3.6 What impact has Covid-19 had on collaborative working?

Comments:	
The decision was taken early on to expedite elements of the Office 365 project including online collaboration tools to facilitate meetings and discussions that would otherwise have taken place face to face. This, over a period of months, included the committee and council meetings. The teams within People & Technology and Regulatory worked tirelessly to deliver this successfully while also juggling their own contribution to the COVID response. The Council's Resilience Lead is the key adviser to the Chief Executive and SRG. Therefore the chair of the Operational Resilience Group was delegated to a competent key member of the 'peace time' Resilience Group. This facilitated the regular meeting of both strategic and tactical groups, ensuring that all relevant officers were focused on the level of activity appropriate to their remit. In terms of TU engagement, colleagues from all signatory unions were invited to attend the COVID ORG to ensure clear lines of communication and participation in decision making throughout. In addition to this and established consultation and information forums, a weekly (then latterly fortnightly and monthly) session with the Chief Executive and Resilience Lead took place. There is also a Chief Officers Public Protection Group which carried out a strategic risk assessment of all of the risks and developed a risk register of the additional risks. In addition, the Community Planning Partnership formed a CPEG (Community Planning Executive Group) to look at the work being done in the community to help us recover from the pandemic. The Local Resilience Partnership was stepped up and the format of the group was reviewed to align with the Health focus on the pandemic. The frequency of meetings for all forums was increased in general as a result of the pandemic.	
Status	**BLUE**

Risk management

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

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

20. Exhibit 4 proposes potential questions for audit and risk committee members to consider.

Exhibit 4
Risk management – questions to consider

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

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

Comments:	
A specific operational risk register was developed to document key risks arising from the Covid-19 pandemic. This was initially reviewed on a weekly basis by the Operational Resilience Group. There is regular reporting on the Strategic Risk Register to Corporate Services Committee and Audit Committee which includes pandemic risk. Delivery plans have recently been reviewed to ensure due cognisance has been taken of the impact and severity of the Covid-19 pandemic on current service delivery.	
Status	**BLUE**

4.2 Has your organisation's risk register been updated to reflect new risks arising from Covid-19? Is there a need for management's risk appetite framework to be reviewed to ensure it is appropriate in this rapidly evolving environment?

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

Comments:
A specific operational risk register was developed to document key risks arising from the Covid-19 pandemic. This is reviewed on a weekly basis by the Operational Resilience Group and ratified by the Strategic Resilience Group. There is regular reporting on the Strategic Risk Register to Corporate Services Committee and Audit Committee which includes pandemic risk. Delivery plans have recently been reviewed to ensure due cognisance has been taken of the impact and severity of the Covid-19 pandemic on current service delivery. Targets will be considered as part of the next round of Delivery Planning and the bi-annual reporting to committees.
Supporting Document:
Report on Strategic Risks to Corporate Services Committee – 9 September 2020 (item 9) and 17 February 2021 (item 10) Strategic Risk Register Report to HSCP Board Audit and Performance Committee – 25 February 2021

(item 10)	
Status	**BLUE**

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

Comments:	
There are regular updates to Committee on the Council's financial strategy and existing budget monitoring arrangements adequately address this issue. There is potential financial risk to the Council, however this is expected to be covered through tight financial controls, additional Scottish Government funding and agreed financial flexibilities to be provided by the Scottish Government for 2020/21. A similar assumption is in place for 2021/22.	
Supporting Document:	
General Services Budgetary Control Report to Corporate Services Committee – 26 August 2020, (item 11), 30 September 2020 (item 12), 25 November 2020 (item 13), 24 February 2021 (items 9 and 10), 22 March (item 5)	
Status	**BLUE**

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

Comments:	
The Council's financial strategy allows for different scenarios which could arise. In addition, senior officers continue to manage the risks arising from the UK's withdrawal from the EU. The Council's Business Continuity Group has a role to play in ensuring concurrent risk are being managed. There is a separate risk register maintained for EU Exit Planning which has recently been updated for UK and Scottish Planning Assumptions.	
Status	**BLUE**

Conclusions:
It is clear that the issues raised by Audit Scotland are being actively and directly addressed by the Strategic Leadership Team in partnership with elected members. This is evident from the various reports which have been submitted to elected members since March 2020. Improvement actions have been identified and are set out in the action plan below.

Action Plan:

Section	Agreed Action	Responsibility	Date
3.3	Inclusion of lay members in relevant elected member briefings.	Chief Executive	Complete

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer - Resources

Audit Committee: 16 June 2021

Subject: Accounts Commission report: Local government in Scotland Overview 2021

1. Purpose of Report

1.1 The purpose of this report is to provide Committee with information on a national audit report, for information and consideration, which has been received from the Accounts Commission.

2. Recommendations

2.1 Committee is invited to note the attached report and the report's key messages as detailed at 4.1 below.

3. Background

3.1 The Accounts Commission report: *Local government in Scotland Overview 2021*, published on 27 May 2021, is the latest in a series of reports on local government in Scotland. It is also the first in a series of reports that will reflect the evolving and long-term nature of the impact of COVID-19. It considers the initial response phase to the pandemic from March 2020; and provides case study examples of council responses to the challenges. The report advises:

"The report this year is taking place amidst the Covid-19 pandemic, which has created an unprecedented set of issues and challenges for councils, their partners and for communities. The shape of the recovery and renewal curve is not yet clear, nor are many of the longer-term impacts on the economy, communities, and public services."

4. Main Issues

4.1 The report identifies a number of key messages:

Key message headline	Key message detail
The Covid-19 pandemic is having a profound impact on all aspects of society, including the economy, jobs, and the physical and mental health of the public	The negative impacts have been greater for those already experiencing socio-economic disadvantage, and existing inequalities have intensified. Councils have been at the centre of the response to the pandemic, supporting communities through these difficult times. They responded quickly and put their initial focus on maintaining service delivery and protecting communities.

Relationships with communities have been vital	Councils and communities have worked well together to manage local responses to Covid-19. These included supporting initiatives to promote wellbeing and support people who were shielding and facilitating community support hubs. Existing partnerships that were stronger before the pandemic made a smoother transition into the response phase, as there were fewer barriers. Moreover, some communities were able to offer a faster and more targeted response and deliver some vital services as a result of having fewer formal decision-making structures. In some cases, Community Planning structures have been strengthened and community groups have been able to work more flexibly, demonstrating the value of community empowerment.
Levels of service disruption have varied	Services such as education, social care and culture and leisure were badly affected, while other core services continued on a reduced basis. Services that could be delivered by people working from home were most resilient. The disruption to services had significant negative impacts on vital areas and on some client groups. These included carers who lacked access to respite care, people with learning disabilities who lacked access to important services and wider support, and school children, who experienced significant disruption to their education. Communities experienced significant service disruptions alongside the wider impact of the pandemic. This created further challenges including job losses and increased economic uncertainty, the impact on people's mental health, and increased child protection risks during lockdown.
Some services were delivered virtually	For example, education continued where students were able to access learning materials online. Councils worked fast to enable homeworking for staff and to provide innovative IT (information technology) solutions. There were challenges for some councils in the early days of the move to homeworking, including limited internet connectivity and

	insufficient supplies of IT equipment to enable the required numbers of staff to work remotely.
The workforce demonstrated the versatility to take on new roles	Staff were redeployed from services that were closed or reduced into services facing increased pressure while working at pace under challenging circumstances. There will be an increased need in future for staff to be agile as services continue to evolve in line with the pandemic and the recovery phases. Councils must also manage the pressures on staff to ensure their people are not put at risk of burnout as the pandemic continues.
There were significant changes in council governance and processes	At the onset of the crisis, councils suspended or revised their meeting schedules, and adopted different approaches to decision-making. Virtual meetings were established in growing numbers of councils, and all councils now hold remote meetings. There is now less reliance on delegation to officers or emergency committees than in the early stage of the pandemic, but councils must continue to balance the need for urgent decision-making with transparency.
Councils continue to face significant financial challenges, and these have been exacerbated by the pandemic	The Convention of Scottish Local Authorities (COSLA) estimated that the total net financial impact of Covid-19 in 2020/21 would be £767 million. This includes forecast financial pressures of £855 million, with loss of income accounting for around £400 million of this total. The financial pressures have been offset slightly by estimated cost reductions of £88 million from a range of areas such as lower property costs and reduced school meal costs.
The Scottish Government has provided substantial additional financial support, but the nature and timing of funding has created further challenges for councils	Funding announced by the Scottish Government by February 2021 is likely to support councils in covering the net financial impact of the pandemic for 2020/21. This additional funding includes a significant element of one-off grant funding, therefore this may present financial sustainability risks for some councils in future years. Furthermore, funding announcements have been frequent but not regular, and in some cases specific conditions are attached. This has created

	an additional administrative burden for the Scottish Government and councils arising from awarding and accepting grants and completing the related reporting requirements.
Councils have started to plan for longer term recovery from the crisis	While restarting services is led largely by national guidance, and the response to a second wave of Covid-19, councils are beginning to think about how to rebuild local economies and support communities in the long term. Councils will play a pivotal role in this, and as they progress through the recovery phases, there must be recognition that a return to 'business as usual' will not be possible and that the negative impacts of the pandemic will be felt for years to come. Councils' recovery plans have signalled this kind of thinking, focusing on areas that were already priorities before the pandemic, such as digital, tackling inequalities and climate change. We are still learning about the significant long-term challenges, and councils' recovery and renewal plans should address the longer-term implications of the pandemic for local economies, communities and individuals. Recovery plans must also recognise the longstanding issues of inequality that exist and set out actions to address the differential impact of Covid-19 on different groups.
There has been some ongoing learning resulting from the emergency response to the pandemic	Councils' service delivery arrangements and working practices changed at an unprecedented pace and on a scale that would have been considered impossible in the past. The need to respond quickly with simplified procedures has allowed councils to operate more flexibly and achieve outcomes that would previously have taken much longer. For example, the use of digital technology, to support changes to service delivery and councils' governance arrangements, has accelerated at a greater pace than many councils had planned for or thought achievable. It is important that councils now consolidate and build on the factors that allowed this level of change and innovation to take place so quickly. Councils should also identify the positive

	developments to take forward into renewal planning to maintain this momentum. It is also important for councils to avoid the risk of reverting to 'business as usual' in areas where new ways of working are having positive outcomes, for example flexible working and an increase in digitally enabled services. We will consider further lessons learned in more detail in future local government overview reports.

4.2 Throughout the report there are sections highlighting lessons learned and also some examples of practices implemented by a number of Councils.

4.3 Throughout the pandemic the key messages identified within the Accounts Commission report were key issues for the Council and continue to be as the pandemic continues. Officers have provided regular COVID-19 Update reports to Council updating the Council response to the pandemic, how it is affecting our residents and businesses and how they have been supported, how services have continued or been changed due to COVID-19 restrictions, how our workforce has adapted and changed approach and roles as appropriate throughout, how temporary changes to governance structures have worked and advised on delegated decisions made, the projected financial impact and Scottish Government funding provision, recovery approaches and lessons learned have been considered.

4.4 The ongoing and longer-term prevalence of COVID-19 and impact on our communities, finances, approaches to working, etc. are still not known and the messages and lessons learned within this report will allow the council to consider ongoing approaches and interventions. The report is clear that:

"adverse effects of the Covid-19 pandemic on different communities will last for years to come. Some people have faced greater hardship than others, and inequalities have increased in areas such as health, deprivation, employment and digital access. Communities have been integral in supporting councils and their partners' responses to the pandemic. Covid-19 recovery planning needs a sustained focus on addressing inequalities with community empowerment at its heart."

5. People Implications

6.1 There are no people implications arising from this report.

7. Financial and Procurement Implications

7.1 There are no financial or procurement implications arising from this report.

8. Risk Analysis

8.1 There are no risks directly arising from this report.

9. Equalities Impact Assessment (EIA)

9.1 No issues were identified in a screening for potential equality impact of this report.

10. Environmental Sustainability

10.1 No assessment of environmental sustainability was required in relation to this report.

11. Consultation

11.1 Legal and Financial Officers have been consulted in preparing this report.

12. Strategic Assessment

12.1 The report is for noting and, therefore, does not directly affect any of the strategic priorities, though clearly the issues identified may well impact on the achievement of the strategic priorities.

Stephen West
Chief Officer - Resources
Date: 3 June 2021

Person to Contact: Stephen West, Chief Officer - Resources,
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Appendix: Account Commission's 'Local Government in Scotland Overview 2021'

Background Papers: None

Wards Affected: All wards

Local government in Scotland

Overview 2021

ACCOUNTS COMMISSION

Prepared by Audit Scotland
May 2021

Who we are

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services. Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website:
www.audit-scotland.gov.uk/about-us/accounts-commission

Chair's introduction

In 2020, Covid-19 changed the world and will have a profound impact on our lives in the years ahead. The public services we all receive and many of us depend on each and every day have adapted, in some cases transformed and will certainly continue to change.

Covid-19 has laid bare and exacerbated existing ***inequalities*** such as health, work, income, housing and education across Scotland's communities. The multiple impacts of these inequalities have affected the most vulnerable, minority groups and women.

Reporting on how inequalities are being tackled is, and will be, a core priority for the Accounts Commission in our future reporting. The recovery from Covid-19 isn't going to be quick, again exacerbating the impact on the lives of those already most affected. The recovery plans and priorities need to recognise this.

Councils must put robust and realistic plans in place and work alongside partner organisations best placed to help. They must work with and for their communities, focusing on the needs of local people.

This will have to be achieved against an increasingly challenging ***financial outlook.*** There is rarely financial certainty for councils beyond the current financial year. For many years the Commission has reported on the importance of long-term financial planning for our councils and they need the certainty of a multi-year financial settlement to do this. Without this Scotland is faced with a clear risk to the financial sustainability of our councils. During the last few years we have seen increasing amounts of funding provided by the Scottish Government being ring-fenced for specific purposes and this limit on local flexibility has also emerged through the funding arrangements for Covid-19. Councils have also been impacted by the significant loss of income and additional costs caused by Covid-19 which will have a consequential impact in the coming years. Support for councils will be needed to allow them to take a comprehensive and holistic approach as they look to stimulate economic recovery, address inequalities and build back communities.

Of course, this complex and difficult set of circumstances will, inevitably, mean that councils must make difficult decisions about the services they deliver, and indeed how these services are delivered.

A key issue will therefore be reaching agreement between the Scottish Government and COSLA to achieve a funding model for local government that targets and supports those most in need.

Throughout 2020 and beyond, the ways in which councils and communities have worked together to deliver services and support the most vulnerable has been incredible. Many communities and individuals continue to step in to provide crucial local services, empowered to do so by councils. Those local areas where partnership working was already strong and embedded were able to respond and react more quickly to the developing needs caused by Covid-19. This brought into focus the value and importance of ***partnership working*** and empowering communities to deliver services that meet very local needs.

Chair's introduction continued

The Accounts Commission will look to ensure that the significant amounts of funding given to councils to deliver and provide support to mitigate the impact of Covid-19 achieved value for money. ***Following the 'pandemic pound'*** will be central to our future work.

Our audit work has already seen so much positive work in councils, not least the swift and vital move to delivering services remotely and digitally. This new way of working needs to be harnessed and consolidated, with ***lessons learned, shared and improved upon***. It is vital that councils do not default to previous ways of working in areas where new approaches are having positive outcomes.

This latest Local Government Overview is the first in a series of reports that will reflect on the evolving and long-term nature of the impact of Covid-19. Here we consider the initial response of councils. And our future reporting will give a more detailed analysis of the impact and lessons learned from the pandemic, including an assessment of progress being made in early phases of recovery in 2022 before looking ahead to how councils have supported their local communities to begin recovering.

Elma Murray
Interim Chair of the Accounts Commission

Key messages

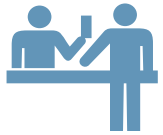
Communities and people | Service delivery and partnership working | Resources and governance

1. The Covid-19 pandemic is having a profound impact on all aspects of society, including the economy, jobs, and the physical and mental health of the public

The negative impacts have been greater for those already experiencing socio-economic disadvantage, and existing inequalities have intensified. Councils have been at the centre of the response to the pandemic, supporting communities through these difficult times. They responded quickly and put their initial focus on maintaining service delivery and protecting communities.

2. Relationships with communities have been vital

Councils and communities have worked well together to manage local responses to Covid-19. These included supporting initiatives to promote wellbeing and support people who were shielding and facilitating community support hubs. Existing partnerships that were stronger before the pandemic made a smoother transition into the response phase, as there were fewer barriers. Moreover, some communities were able to offer a faster and more targeted response and deliver some vital services as a result of having fewer formal decision-making structures. In some cases, Community Planning structures have been strengthened and community groups have been able to work more flexibly, demonstrating the value of community empowerment.



3. Levels of service disruption have varied

Services such as education, social care and culture and leisure were badly affected, while other core services continued on a reduced basis. Services that could be delivered by people working from home were most resilient. The disruption to services had significant negative impacts on vital areas and on some client groups. These included carers who lacked access to respite care, people with learning disabilities who lacked access to important services and wider support, and school children, who experienced significant disruption to their education. Communities experienced significant service disruptions alongside the wider impact of the pandemic. This created further challenges including job losses and increased economic uncertainty, the impact on people's mental health, and increased child protection risks during lockdown.

Key messages continued

4. Some services were delivered virtually

For example, education continued where students were able to access learning materials online. Councils worked fast to enable homeworking for staff and to provide innovative IT (information technology) solutions. There were challenges for some councils in the early days of the move to homeworking, including limited internet connectivity and insufficient supplies of IT equipment to enable the required numbers of staff to work remotely.

5. The workforce demonstrated the versatility to take on new roles

Staff were redeployed from services that were closed or reduced into services facing increased pressure while working at pace under challenging circumstances. There will be an increased need in future for staff to be agile as services continue to evolve in line with the pandemic and the recovery phases. Councils must also manage the pressures on staff to ensure their people are not put at risk of burnout as the pandemic continues.

6. There were significant changes in council governance structures and processes

At the onset of the crisis, councils suspended or revised their meeting schedules, and adopted different approaches to decision-making. Virtual meetings were established in growing numbers of councils, and all councils now hold remote meetings. There is now less reliance on delegation to officers or emergency committees than in the early stage of the pandemic, but councils must continue to balance the need for urgent decision-making with transparency.

Key messages continued

7. Councils continue to face significant financial challenges, and these have been exacerbated by the pandemic

The Convention of Scottish Local Authorities (COSLA) estimated that the total net financial impact of Covid-19 in 2020/21 would be £767 million. This includes forecast financial pressures of £855 million, with loss of income accounting for around £400 million of this total. The financial pressures have been offset slightly by estimated cost reductions of £88 million from a range of areas such as lower property costs and reduced school meal costs.

8. The Scottish Government has provided substantial additional financial support, but the nature and timing of funding has created further challenges for councils

Funding announced by the Scottish Government by February 2021 is likely to support councils in covering the net financial impact of the pandemic for 2020/21. This additional funding includes a significant element of one-off grant funding, therefore this may present financial sustainability risks for some councils in future years. Furthermore, funding announcements have been frequent but not regular, and in some cases specific conditions are attached. This has created an additional administrative burden for the Scottish Government and councils arising from awarding and accepting grants and completing the related reporting requirements.

Key messages continued

9. Councils have started to plan for longer term recovery from the crisis

While restarting services is led largely by national guidance, and the response to a second wave of Covid-19, councils are beginning to think about how to rebuild local economies and support communities in the long term. Councils will play a pivotal role in this, and as they progress through the recovery phases, there must be recognition that a return to 'business as usual' will not be possible and that the negative impacts of the pandemic will be felt for years to come. Councils' recovery plans have signalled this kind of thinking, focusing on areas that were already priorities before the pandemic, such as digital, tackling inequalities and climate change. We are still learning about the significant long-term challenges, and councils' recovery and renewal plans should address the longer-term implications of the pandemic for local economies, communities and individuals. Recovery plans must also recognise the longstanding issues of inequality that exist and set out actions to address the differential impact of Covid-19 on different groups.

10. There has been some ongoing learning resulting from the emergency response to the pandemic

Councils' service delivery arrangements and working practices changed at an unprecedented pace and on a scale that would have been considered impossible in the past. The need to respond quickly with simplified procedures has allowed councils to operate more flexibly and achieve outcomes that would previously have taken much longer. For example, the use of digital technology, to support changes to service delivery and councils' governance arrangements, has accelerated at a greater pace than many councils had planned for or thought achievable. It is important that councils now consolidate and build on the factors that allowed this level of change and innovation to take place so quickly. Councils should also identify the positive developments to take forward into renewal planning to maintain this momentum. It is also important for councils to avoid the risk of reverting to 'business as usual' in areas where new ways of working are having positive outcomes, for example flexible working and an increase in digitally enabled services. We will consider further lessons learned in more detail in future local government overview reports.

About this report

Our local government overview this year is taking place amidst the Covid-19 pandemic, which has created an unprecedented set of issues and challenges for councils, their partners and for communities. The shape of the recovery and renewal curve is not yet clear, nor are many of the longer-term impacts on the economy, communities, and public services.

This report

- is the first in a series of reports that reflects the evolving and long-term nature of the impact of Covid-19
- considers the initial response phase of the pandemic from March 2020, and includes financial data correct as at the end of February 2021
- provides case study examples of council responses to new challenges.

Future reporting

- will give a more detailed analysis of the impact of the pandemic and lessons learned from it, including an assessment of progress being made in early phases of recovery in 2022
- will cover further progress, with renewal and recovery reported on in 2023.

Timeline of key events

March

18th - £350m funding announced for councils, the third sector, and community groups

20th - Closure of schools

24th - Scotland goes into 'lockdown'

30th - The Scottish Gov. announce that local authorities' August 2020 deadline to deliver 1140 funded hours of Early Learning and Childcare will be removed

April

6th - Coronavirus (Scotland) Act receives royal assent

20th - Covid-19 deaths peak in Scotland

May

5th - Scottish Gov. announce that £155m in Barnett Consequentials will be passed to Local Government

7th - Announcement of the 'Connecting Scotland' Initiative

29th - Scotland enters phase 1 of Scottish Gov. route map

June

16th - Summer provision of free school meals announced

19th - Phase 2 of Scottish Gov. route map begins

23rd - £257.6 million of additional funding for councils to help tackle Covid-19 is approved (includes £155m consequentials)

July

10th - Phase 3 of Scottish Gov. route map begins

13th - UK Government announce the Eat Out to Help Out Scheme for establishments serving food

20th - The University of Oxford publishes its findings from a coronavirus vaccine trial, noting that the vaccine appears safe and triggers an immune response

August

5th - Local restrictions in Aberdeen following rise in infections

4th - Scottish pupils receive SQA results

11th - Re-opening of schools

Initial response phase, March to August 2020

Timeline of key events

September

1st - New restrictions introduced in the West of Scotland

22nd - New national restrictions and hospitality curfews introduced

24th - Scottish Gov. publish 2020/21 Autumn Budget revision. Covid-19 guaranteed consequentials reach £6.5bn

October

7th - Further temporary restrictive measures for hospitality, particularly in the central belt

20th - Further funding announced for free school meals and additional flexibility for councils to use the £20 million welfare fund

November

2nd - Local Authority protection levels take effect

5th - UK Gov. announce furlough extended to March

20th - 11 local authorities move into Level 4

24th - UK wide relaxation of restrictions over Christmas announced

December

8th - Covid-19 vaccination programme commences

14th - It is confirmed that the ELC expansion deadline has moved to August 2021

19th - The Scottish Gov. announce tightening of festive period restrictions

26th - National lockdown in Scotland begins

January

5th - Mainland Scotland goes into lockdown with a new legal requirement forbidding anyone from leaving their home except for essential purposes.

11th - The rollout of the Oxford/Astrazeneca coronavirus vaccine begins

29th - Scottish Gov. announce the Western Isles will move to Level 4 due to rise in cases

February

22nd - Children in early learning and childcare and primaries 1 to 3 return full-time to classrooms

25th - Scottish Gov. announce Scotland's vaccination programme has delivered first doses of the Covid-19 vaccine to a third of those eligible

28th - Scottish Gov.t announce three cases of a Covid-19 Variant of Concern first identified in Brazil, have been identified in Scotland

Initial response phase, September 2020 to February 2021

Key facts/Context

About local government

Councils in Scotland operate in a complex and challenging landscape. The scale of Covid-19 has created an unprecedented set of issues and challenges for councils, their partners, and communities. These include unprecedented economic and social impacts, additional financial pressures and increased service demand, the need for new service delivery models and negative impacts across communities and groups, particularly those who were already vulnerable. For several years, councils have been dealing with increasing challenges and uncertainty while continuing to address the needs of local people and national priorities.
The Covid-19 pandemic has put into clear focus the pivotal role of councils in delivering not only the day-to-day services that communities rely on, but also in responding to risks. It emphasises the essential importance of effective leadership, good governance and good financial management for all councils.

Additional Covid-19 actions and responsibilities

- support to communities
- business support grant administration and distribution
- infrastructure amendments
- advice services
- staff redeployment
- virtual service delivery

32 councils

£12.6bn net expenditure budget in 2019/20

Workforce of **206,000** local government staff

Providing services to **5,463,300** people in Scotland

431,000
claims for the Self-employment Income Support schemes

£0.8bn
estimated additional Covid-19 costs in 2020/21

180,000
people shielding in Scotland

£0.4bn
estimated loss of income in 2020/21

9,000
households receiving kit through 'Connecting Scotland'

£1.02bn
administered in business support grants

Our Local government in Scotland: Financial overview 2019/20 and Digital in Local Government reports explore some of these issues in more detail.

Key characteristics of the response

We have organised our analysis of the local government response to the pandemic and the wider risks that have emerged under the following themes. Early lessons learned relating to each theme are highlighted in the following sections of the report.

Each characteristic can be navigated to by the tabs at the top of the pages.

Communities and people

Community wellbeing and the role of communities in responding to the crisis

- differing impacts of Covid-19 on demographic groups
- the impact of the pandemic on inequalities
- communities' contributions in responding to the crisis

Service delivery and partnership working

The adaption of service provision and working with partners

- reduced service provision and prioritised services
- innovation and digital delivery
- enhanced collaboration and more positive working relationships

Resources and governance

The financial impact of responding to Covid-19, use of resources and changes to governance arrangements

- challenging financial outlook– additional spending and lost income
- new funding and financial flexibilities
- staff redeployed to fulfil essential roles
- virtual decision-making
- changes to governance arrangements

Communities and people

The adverse effects of the Covid-19 pandemic on different communities will last for years to come. Some people have faced greater hardship than others, and inequalities have increased in areas such as health, deprivation, employment and digital access. Communities have been integral in supporting councils and their partners' responses to the pandemic. Covid-19 recovery planning needs a sustained focus on addressing inequalities with community empowerment at its heart.

Covid-19 has had a profound impact on society and the economy

- The impact of Covid-19 on society has been hugely disruptive. Social distancing measures have markedly changed people's daily lives and, for many, have had a detrimental impact on mental health and wellbeing.

- Covid-19 has created significant uncertainty for many sectors of the economy. The national restrictions have forced many industries to shut down completely, resulting in substantial job losses and reliance on the national furlough scheme. At November 2020 the unemployment rate was 4.4 per cent, compared with 3.8 per cent for the same period in 2019.[1] The Improvement Service has created a Covid-19 economic impact dashboard[2] which shows the current uptake of government support at a Scottish local authority level. This uses publicly available data and includes details of the types of employment furloughed, the Self-Employment Income Support Scheme, unemployment benefit claims, and the Covid-19 Business Support Fund Grant Scheme.

- Covid-19 will also bring longer-term impacts on the economy and labour market, potentially leading to structural changes and the risk of long-term scarring for those exposed to extended periods of unemployment. The pandemic has created unequal effects on the economy so far, with digital and tech industries thriving whereas retail, hospitality, tourism, and creative industries have been the worst affected. Many of the workers within these worst affected industries are among the lowest paid and include groups such as young people, women, those with disabilities, and minority groups. This creates a risk that existing social and economic inequalities will be exacerbated. There is also the potential for some areas to be disproportionately affected, for example in economies surrounding city centres relying on footfall and in rural economies relying on tourism. The Improvement Service comments on these issues in more detail in its Covid-19 Supplement to the Scottish Local Authorities Economic Development Group (SLAED) Indicators Report 2019-20.[3]

1. Labour marker in the regions of the UK: Office for National Statistics, March 2021
2. COVID Economic Impact dashboard (shinyapps.io)
3. Covid-19 Supplement to SLAED Indicators Report 2019-20

Covid-19 had a significant impact on children and young people

- Significant disruption to education has had an adverse effect on children and young people. The move to home learning has been challenging for many families and has led to loss of learning and loss of school experiences. Our report Improving outcomes for young people through school education looks at these issues in more detail and notes that the negative impacts of the pandemic may affect children and young people across a range of outcomes, and has had a detrimental effect on mental health and wellbeing.
- Covid-19 has also had a significant impact on young carers, many of whom have had to take on additional caring responsibilities during lockdown. These young people provide essential care for their families, often 24 hours a day, and this can lead to challenges in maintaining their social, educational, and economic wellbeing, as well as their physical and mental health. The pandemic and associated lockdown restrictions and social distancing measures have had far-reaching implications for young carers. These include increases in the complexity of the care provided, the withdrawal of some aspects of external support, difficulties associated with home learning and increased stress and anxiety levels as care loads grow.

Covid-19 has had a disproportionate impact on some communities and groups in society

- Covid-19 has had disproportionate effects on peoples' health, particularly those with existing health conditions, but the pandemic and society's response to it is also having an unequal impact on disadvantaged and vulnerable people and communities.
- Those living in areas of high deprivation in Scotland are twice as likely to die from Covid-19,[4] and structural inequalities, for example poor access to good-quality education, employment, health and housing, place black and minority ethnic groups at much higher risk of becoming severely ill with Covid-19.[5]
- One-third of 18-24-year-olds have been furloughed or lost their job, in contrast to just over one-sixth of working-age adults overall. A cause for concern is prompted by further analysis by the Resolution Foundation which suggests that those currently on furlough have an increased risk of later unemployment when the job retention scheme ends.[6]
- The financial impact of Covid-19 has been substantial for many individuals and families. Over half of families in receipt of Universal Credit or Child Tax Credit in Scotland have had to borrow money since the start of the crisis.[7] The economic impact has also affected some groups to a greater degree than others, for example young people and women in low-paid job sectors that have faced service closures. Women have historically been exposed to labour market inequality, through comprising more underpaid and undervalued work and are also more likely to have caring responsibilities, making it harder to balance work and care commitments. These issues have been heightened through the response to Covid-19, as women have been disproportionately affected by job disruption and the need for more unpaid care.[8]
- In addition, digital exclusion has been exacerbated, resulting in reduced access to information, goods, and services for some. In the 20 per cent most deprived areas in Scotland, 82 per cent of households have access to the internet, in comparison with 96 per cent in the 20 per cent least deprived areas.[9]

4. Deaths involving Coronavirus (COVID-19) in Scotland, National Records of Scotland, December 2020
5. Supporting community recovery and resilience in response to the COVID-19 pandemic: a rapid review of evidence, Glasgow Centre for Population Health, May 2020
6. Getting Britain working (safely) again, The next phase of the Coronavirus Job Retention Scheme, May 2020
7. A stronger Scottish lifeline in the economic storm, Joseph Rountree Foundation, July 2020
8. The impact of COVID-19 on women's labour market equality, Close the gap: Disproportionate disruption May 2020
9. Scottish Household Survey 2019: annual report

New vulnerabilities have also emerged as a result of Covid-19

- Covid-19 has created new vulnerabilities and exacerbated existing inequalities and exposure to risk factors.[10] The response to the pandemic has had a huge impact on vulnerable adults and children, for example through care services being removed from people with disabilities and elderly people, children with additional support needs having reduced educational support, and increased child protection risks as a result of children being less visible to support services.
- These services provide important streams of both practical and social support for those in need. The reduction or cessation of services has had a significant impact. For example, the Care Inspectorate found that children and young people, whose school education and building-based social activities had been suspended, were particularly adversely affected.[11] Similarly, parents in some situations became quickly exhausted. The Care Inspectorate also note the risk of hidden harm being a concern.
- The disproportionate impact has also been reflected in the challenges for those with caring responsibilities, including carers who have faced reduced access to support services and respite care.

Case study 1

East Renfrewshire Council

East Renfrewshire Council's multi-layered approach to shielding.

The council contacted those on the shielding list to assist with essential tasks such as delivering food and medicine. Further support was provided to other groups by cross matching the shielding list with the lists of those accessing other services, such as homecare, telecare, housing, learning disability, food hubs and young mums' services. This allowed the council to co-ordinate various elements of support and contact people who had not used services before. It also helped to identify wider issues that were emerging during the pandemic, such as communities being at risk of food poverty.

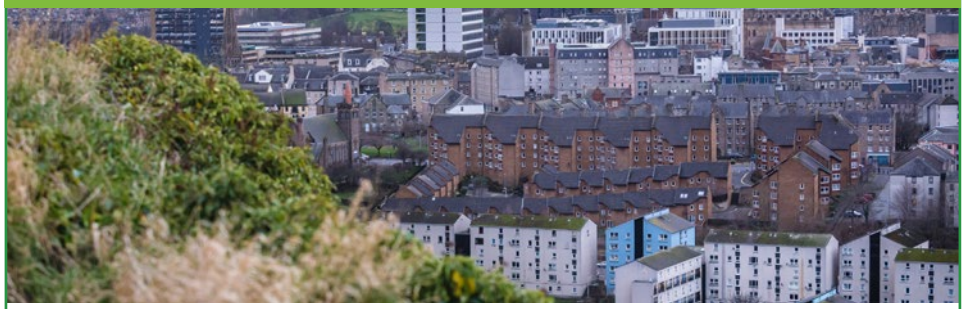
10. A brief summary of some issues and potential impact on those living in socio-economic disadvantage, The Improvement Service: Poverty, Inequality and Covid-19
11. Delivering care at home and housing support services during the COVID-19 pandemic, September 2020

Councils were innovative and worked at pace to provide support to those most at risk

- In the initial phases of the pandemic, councils identified vulnerable people using sources such as databases of those accessing food banks, households receiving free school meals and people on the shielding list. This allowed for a targeted response to those at greatest risk.
- Councils have been at the forefront in adapting services and providing support to communities. Diverse approaches were taken to respond to the changing circumstances and to support the most vulnerable. For example, innovative solutions to provide accommodation for homeless people were established. The rapid response to housing the homeless, through additional funding and using private sector resources, is unprecedented.
- Councils are also contributing to national efforts to minimise the negative effect of digital exclusion on vulnerable communities, working with the Scottish Government and third sector to distribute digital devices through the 'Connecting Scotland' initiative.

Case study 2

The City of Edinburgh Council



The City of Edinburgh Council private sector leasing scheme to tackle homelessness.

The council increased its provision to homeless people by using private sector resources, such as hotels, B&Bs and rented accommodation through the private sector leasing scheme. Working with Link Housing, the council is looking to enhance the scheme in the longer-term, where landlords can lease their properties to the council for up to ten years at guaranteed rents. The council began a new contract for the scheme in April 2020 and, despite the challenges of Covid-19, the scheme has increased by 89 properties, and 321 new tenancies were established between 1 April and 6 November 2020.

Councils were innovative and worked at pace to provide support to those most at risk

Case study 3

Scottish Borders Council

Scottish Borders Council's 'Inspire Learning' programme:

'Inspire Learning' is an ambitious digital learning programme developed in July 2019, through which all secondary pupils and teachers received their own iPad. A range of partners have contributed to the programme's success by adopting a 'one vision' approach. The initial phase was completed six months ahead of schedule in March 2020, providing an invaluable tool for remote learning in response to Covid-19. In the first week of home learning, over 90 per cent of secondary pupils were using their iPads at home. The programme has also now been extended to all primary pupils in P4 and above and primary teaching staff. It also aims to aid collaboration between schools, enhance delivery of the curriculum, and address future employment challenges, by teaching young people digital skills such as coding, working with Apple's education initiative.

Councils will continue to play a significant role in addressing future inequalities

- The Convention of Scottish Local Authorities (COSLA) has recently prepared a Blueprint, based on the empowerment of people and communities, that outlines the steps local government needs to take to overcome inequalities which increase the chances of contracting Covid-19, and longer-term impacts of the virus. However, it is too early to assess councils' progress in applying the blueprint or to understand the full impact of the pandemic on inequalities.
- Councils will play an integral role in Scotland's recovery from Covid-19 and putting communities at the centre of recovery will be vital. As well as managing the specific impacts of the pandemic, councils will also need to address the challenges that existed before the pandemic, many of which have been heightened.
- The impact of the crisis will require targeted interventions to ensure that people can be supported to overcome its damaging social and economic effects. Councils have demonstrated early signs of this kind of thinking, for example by developing virtual skills programmes for young people, and job-matching websites to help people find employment.

Case study 4

Falkirk Council

Falkirk Council's Employment and Training Unit.

The council's Employment and Training Unit has ensured that more than 800 people could continue to develop employability skills during Covid-19 by providing virtual support, replacing typical face-to-face learning. The team supports young people in Falkirk who wish to develop skills outwith traditional higher or further education settings. The service offers a range of support, from specific training and qualifications to wider life skills in wellbeing, health, and finance. The team has signposted people to other services to help with challenges arising from Covid-19. It has been successful in securing jobs for some despite the fragile employment market, in areas such as health and social care, retail, food and administration.

Lessons learned

The impact of Covid-19 has been extremely detrimental for many of Scotland's most vulnerable people and communities. The impact will be long-lasting and will significantly increase inequalities. Recovering from the pandemic will require tackling inequalities to be a priority.

As councils may look to embed longer-term changes to service provision as seen during the pandemic, it is important that they are adaptable in their approach, to ensure that services are reaching communities in the right way. Councils need to understand the needs of those experiencing digital exclusion and put a strategy in place to ensure equal access to services for all citizens and communities.

Communities were an asset in councils' response to the pandemic

- As councils worked at pace to adapt service provision and provide additional support to vulnerable people, community groups made significant contributions, for example local people helping to coordinate the shielding response.
- Community-led responses were delivered through initiatives such as Community Planning Partnerships and third sector volunteering. Communities made important contributions to delivering these support systems.
- The establishment of community hubs was a common approach to coordinating local support by providing emotional support and services such as deliveries of food and medicines.

Case study 5

North Ayrshire Council

North Ayrshire Council's 'Three Towns' Community Hub.

The council established community hubs around its localities, one being the three towns of Saltcoats, Stevenston, and Ardrossan. Existing community engagement work provided a robust base for developing a collective response from different services, and from community groups that acted as volunteers.

The hub linked together expertise from the community, health, social work, libraries, community development and voluntary organisations. The hubs provided a local telephone point of contact for community need arising as a result of Covid-19, also helping to distribute food, medicine, mental health support, and books. Holistic working provided an efficient response to serving communities with various services 'under one roof'.

Communities experienced increased levels of activity and collaboration

- As a result of reduced levels of governance and decision-making protocols, communities embraced the opportunity to take charge in responding to the crisis. For example, communities quickly organised themselves to help councils to provide essential supplies to vulnerable people, often in a matter of days.
- Before the pandemic, this type of innovation and activity from local people faced barriers, including limited opportunities to influence or take control of decision-making processes, poor relationships and a lack of trust between communities and the public sector, continued financial pressures and austerity measures, and leadership and cultural challenges. However, the need for more streamlined processes allowed communities to make significant contributions in response to the pandemic. Our report Principles for community empowerment outlines the benefits of community empowerment in more detail.
- Collaboration was more effective where pre-existing relationships with communities were strong. Shared values and trust were important in helping councils to target support and achieve buy-in from community groups.

Case study 6

East Lothian Council

East Lothian Council Connected Communities Resilience Bases.

The council established six bases (one in each ward) across the local authority area to support vulnerable people or those who are self-isolating and have no other local support. Staff coordinated the despatch of essential goods including food, sanitary products, and hearing aid batteries. They proactively contacted those on the shielding list and worked with community groups to tackle concerns over wellbeing and isolation.

Lessons learned

Action taken by communities has been vital in supporting councils and their partners to deliver an emergency response. Partnerships that were well-established before the pandemic had a smoother transition into the response phase and acted more quickly than others.

The importance of strengthening relationships with communities has been apparent. Greater flexibility in decision-making structures has been an effective tool for communities, empowering them while allowing the council to operate more efficiently. Giving communities more scope to use initiatives like this will be important in the future but must be balanced with the return of robust governance arrangements and continued openness and transparency in decision-making.

Service delivery and partnership working

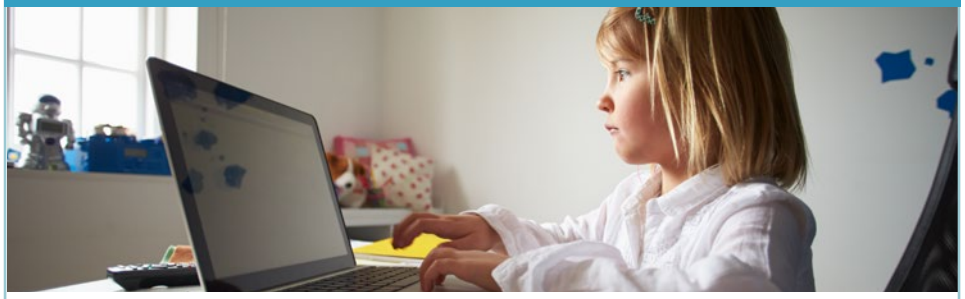
Councils were central to the national Covid-19 pandemic response to supporting communities and vulnerable groups, alongside partners in health and social care and voluntary sectors. They responded quickly to the pandemic, placing their initial focus on maintaining essential services and protecting communities. Levels of service disruption varied during the early stages of the spring 2020 lockdown. Some councils worked well with their communities to respond to the challenges.

Councils proved agile in adapting service provision, by redirecting resources and using digital technology

- In their initial response to the national lockdown in March 2020, councils had to take quick decisions on their priorities to maintain key services while changing the way they delivered services and pausing some altogether.
- Generally, the most resilient services were those that were able to embrace home working, particularly administrative, support and processing functions.
- The impact of the pandemic and disruption to services varied. Services such as education, social care, culture and leisure, and housing repairs were significantly disrupted, and it is likely that these impacts will have longer-term consequences for communities and councils.
- Our report Improving outcomes for young people through school education found that those involved in planning and delivering school education and their partners had developed a strong foundation of working together before the pandemic. That foundation helped them deliver a quick response to the crisis. However, the move to home learning was less effective for children and young people living in already challenging home circumstances. This has exacerbated learning and development inequalities among pupils.

Case study 7

Aberdeen City and East Dunbartonshire



Councils including Aberdeen City and East Dunbartonshire distributed digital equipment to school pupils.

Aberdeen City Council's Education Service provided laptops and internet access for children and young people to support their access to the curriculum and continuing their studies at home. Teachers came up with interactive ways to provide more engaging learning for students. Guidance on delivering a digital curriculum was also issued to parents and staff.

- The pandemic impacted on councils' ability to carry out their social care functions, and the Coronavirus (Scotland) Act 2020 temporarily relaxed many of the usual statutory requirements on councils. These changes had significant negative impacts on some vulnerable groups and communities. In its review of care at home services, the Care Inspectorate found that health and social care partnerships effectively prioritised support for people with critical needs; but the impacts of this prioritisation on other people using services was very variable across the country.
- The suspension of day care and respite services had a particular impact on children and young people with additional support needs, learning disabilities or challenging behaviours. Children and young people whose school education and social activities had been suspended were particularly adversely affected.
- The Care Inspectorate also found that social isolation, disruption of daily activities, limitations on physical activity and the suspension of reablement services had an adverse impact on the health and wellbeing of people who experience care and carers.
- All councils and partner providers closed their leisure centres, libraries, museums, and cultural centres to the public.
- Councils initially restricted housing repairs to emergencies and essential repairs only, and the right to repair timescales were suspended in cases where landlords and contractors could not meet them because of the disruption caused by Covid-19.

Case study 8

Midlothian Council

Midlothian Council's Registrations service moved to a seven-day service, to make sure that deaths would be registered on time, and in line with social distancing requirements.

The service adapted to enable remote digital registrations, coordinating the early stages of each registration before completing it in the office. The council's library support team provided administrative assistance to the registrations team.

- Other services such as waste collection and administration functions continued on a reduced basis in the early stages of the spring 2020 lockdown. For example, in waste management, most councils continued kerbside bin collections, but recycling centres were temporarily closed. Most planning services were moved online with site visits suspended and a focus on responding to urgent matters.
- Councils made creative use of digital technology, responding to challenges across services. For example, school pupils were given access to learning materials online while learning at home (the 2021 report Improving outcomes for young people through school education looks at councils' responses to the pandemic and their impacts in detail). In addition, fitness classes and library collections moved online; some care homes provided virtual visiting for residents; and some councils live-streamed funeral services privately for family and friends.
- The Digital progress in local government report found that the pandemic has had a huge impact on council workforces, resulting in a large-scale shift to homeworking and remote working. Getting the right technology, skills, and support in place to give staff the confidence to use new cloud-based tools has been a key challenge. Councils' digital and information communication technology (ICT) teams have responded with unprecedented speed, agility, and resilience.

Case study 9

Perth and Kinross Council

Perth and Kinross Council live streamed funeral services from Perth Crematorium, to allow families to say goodbye to their loved ones safely while following social distancing guidelines.

The webcam service was made available privately to relatives, and the feedback received from families has been overwhelmingly positive.

Councils rapidly changed service delivery arrangements

- Councils reacted quickly to take on new responsibilities brought about by the pandemic, including distribution of business support grants (see Resources and governance section) and involvement in the shielding response.
- Councils have also experienced an impetus for digital change from the challenges of the pandemic, with some taking the opportunity to accelerate their digital transformation plans by, for example, adopting online meetings and reducing staff travel. The Digital progress in local government report provides more details on how councils met these challenges.
- Data sharing between councils and partners enabled resources to be directed to those in need. The Digital progress in local government report highlighted the example of the Helping Hands platform which councils and third sector partners jointly developed to coordinate support for citizens who were shielding or otherwise vulnerable. This allowed councils and partners to identify and support those at greatest risk. However, the Improvement Service found that a lack of data sharing in some cases created challenges, for example relating to councils and Public Health Scotland sharing Test and Protect data from households required to isolate.
- Our review of the 32 council websites found that councils took similar approaches to communicating with the public and staff through their websites by providing periodic updates on most services. But some councils' websites had gaps in information on key services such as homelessness and social care in the early stages, creating the risk of people not being kept fully informed about the services they needed.

Case study 10

Perth and Kinross Council

Perth and Kinross Council staff such as parking attendants worked with NHS Tayside to collect and deliver prescriptions and other medical equipment to patients.

This followed the suspension of parking charges, to allow key workers to get to their places of work more easily. The council's Public Transport Unit also worked with businesses that normally take pupils to school to instead take key workers to and from work back home.

Council workforces demonstrated versatility by adapting quickly, taking on new roles and working under pressure to maintain key services

- Councils redeployed staff from closed or reduced services to services that faced increased demand or pressures. Staff have had to work at pace and under significant pressure.
- Homeworking and staff redeployment have created challenges for council workforces. The additional pressures created by new and changed ways of working reinforce the need for the workforce to be versatile now and in the future.
- The impact of the pandemic on staff wellbeing and mental health means that there is an increased need for leaders to be aware of staff wellbeing and their role in supporting staff, as well as ensuring the effectiveness and accuracy of councils' workforce data and planning. These challenges have been highlighted by the Improvement Service Organisational Development Local Authority Network (ODLA).
- There is an increasing and ongoing need for council workforces to be agile as services continue to adapt to the impact of Covid-19, and as recovery moves into renewal. But councils must also manage the pressures on their staff to ensure their people are not at risk of burnout as the pandemic continues.

Case study 11

North Ayrshire Council

North Ayrshire Council redeployed staff to its community support hub network to work with volunteers in supporting local communities.

The hub network was established in March 2020 providing services including support to vulnerable residents and people in isolation to access emergency food supplies, and connecting with people struggling with money worries, social isolation, and poor mental health. The links to a wide range of disciplines allowed the hub to respond quickly in the initial phases of lockdown by taking a multi-agency approach. In one week, the hubs answered over 2,200 calls, carried out 2,153 food deliveries and 746 prescription drop-offs, and provided advice and signposting to over 400 residents to key statutory services.

Lessons learned

Councils must closely monitor the impacts of service changes and disruptions on people and communities. There are growing concerns about the effects of service disruptions on different groups, for example the impacts of moving school education into homes and online on disadvantaged and vulnerable children and young people, and of reduced or paused care services on people who rely on them and their carers. Councils must develop targeted responses to tackle both the immediate negative impacts of the pandemic and the long-term inequalities that have been exacerbated.

As councils embrace longer-term digital service provision, they must balance the efficiencies digital services bring against the needs of communities and the workforce. Citizens must be at the heart of decisions about the services they rely on.

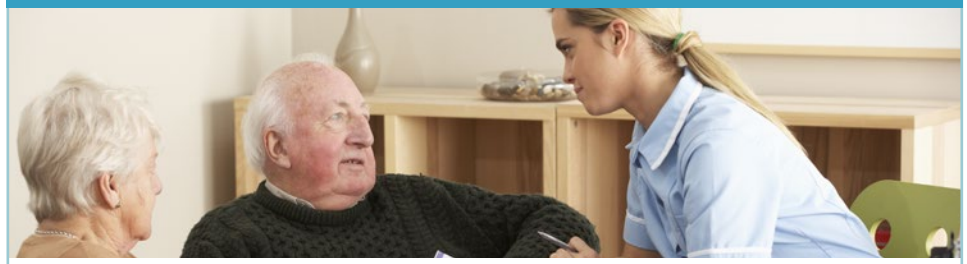
Councils have worked effectively with community partners to respond to the impacts of Covid-19. Partnerships between councils and community partners have developed and strengthened in some areas

- Councils play a key role in leading and coordinating partnerships focused on supporting and improving the lives of people in their communities. This role has been crucial as councils have coordinated and managed local responses to the pandemic. There have been many positive examples of these partnerships - including in mandatory Local Resilience Partnerships, through data-sharing responses to support shielding - and community resilience responses.
- During the early stages of the spring 2020 lockdown, it was not always clear how councils identified those in need of additional support. Some councils outlined their approaches on their websites, for example in providing additional support to individuals and families by coordinating data on those accessing other support such as food banks, households receiving free school meals, and those on the shielding list. Not all councils detailed their approaches publicly. This created a risk that people were not fully informed about the services they could access and were entitled to, particularly those in vulnerable groups, or about the council's response to Covid-19 in their local area.
- Partnerships with the third sector and communities have been particularly important in protecting people's wellbeing and supporting community hubs. As noted in the Communities and people section, partnerships that were well established before the pandemic had a smoother transition in the response phase. Many councils set up community hubs, and some communities were able to offer a faster and more targeted response to deliver vital services as a result of having fewer formal decision-making structures.

- Councils played an active role in national initiatives such as Connecting Scotland, working with the Scottish Government and third sector to distribute digital devices to people in need.
- Collective action from Community Planning Partnerships (CPPs) had a significant positive impact. CPPs provided a much-needed way of coordinating local support activities and communications. Work carried out by the Improvement Service highlighted how CPPs have added value, through emergency resilience planning and by providing an immediate response involving key partners and communities.
- CPPs' impacts highlighted the value of Community Planning, in coordinating local and national responses, mobilising communities to take charge of supporting vulnerable people, developing existing relationships within Community Planning, and marshalling third sector resources. Following this initial reactive phase, there is evidence of CPPs now looking to join councils' efforts in recovery planning.

Case study 12

East Renfrewshire Council

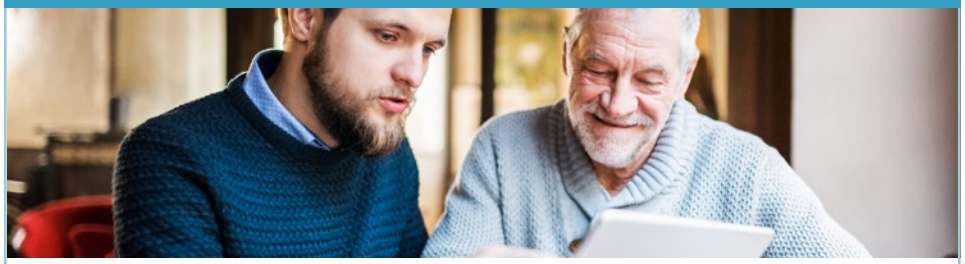


East Renfrewshire Council contacted the 2,500 people on the shielding list to check whether they needed any assistance, for example in obtaining food and medicine provision, digital support, or financial help.

The council also carried out a social care needs assessment at that point to determine what support was already in place, for example district nursing or home care, and then worked with Voluntary Action East Renfrewshire to meet the additional needs.

Case study 13

Fife Council



Fife Council worked with Fife Voluntary Action to deliver the Helping Hands initiative.

This aims to support local communities across Fife, providing a range of essential services, including delivery of shopping and prescriptions, and providing transport and befriending services. There are eight active community resilience groups in Fife, six of which were established before the pandemic. These linked directly with the Emergency Resilience Team which provides advice on and support for developing local resilience arrangements and community-led responses. The groups have been key to providing a foundation for building capacity and additional resources to respond to the impacts of Covid-19 and support communities.

- The Improvement Service has worked with COSLA and the Society of Local Authority Chief Executives (SOLACE) to develop a local government Covid-19 dashboard, to help councils to coordinate and draw insights from the significant volume of Covid-19 data they hold. The dashboard has been created to put greater focus on evidence-based service arrangements and to help councils use timely data to inform their decision-making. It is too early to assess the overall effectiveness of the dashboard, but the early signs are positive, and councils now have access to current data on key figures and emerging trends analysed nationally and at family grouping level. Further consideration will be given to the dashboard in future local government overview reports.
- More broadly the Improvement Service has played a key role in sharing good practice examples of effective ways of working by councils during the pandemic, preparing a paper on the role of Community Planning in the response to the crisis and producing economic dashboard outputs on its website to show differences in councils' uptake of the furlough schemes. COSLA's Recovery Special Interest Group is currently reviewing lessons learned and developing policy on the national recovery from Covid-19. The group is chaired by the COSLA vice-president and includes COSLA's president and five policy spokespersons. Its aim is to develop political direction from local government to shape the medium- to longer-term recovery work.

Councils' approaches to restarting paused services have varied, but they have been guided by the Scottish Government's national guidance

- As well as recovery planning, early action has already been taken in some councils to address the profound and immediate economic and social consequences of the pandemic. Some councils are working with partners to develop skills programmes to tackle future employment issues and using place-based approaches to address wider economic challenges.
- Councils have also maintained their focus on key challenges that they faced before the pandemic, and progress has been made in some areas despite the unprecedented pressures that emerged. For example, in March 2021, the Improvement Service[12] noted that data returned by local authorities indicated that 114,222 children were accessing funded early learning and childcare services as at the end of February 2021. Of these, 98,474 children (86 per cent) were accessing more than the statutory entitlement of 600 hours, and 74,096 children (65 per cent) were accessing 1,140 hours, despite the legal obligation to do so being suspended for a further 12 months.
- But there are significant challenges facing councils as they move from the response to recovery from the pandemic. As we highlighted earlier in this report, there are longstanding and wide-ranging inequalities in children's and young people's education outcomes that have been exacerbated by the impacts of and actions taken in response to Covid-19. The impacts of reduced services for pupils and for care service users for example, may not be known for some time and will require long-term efforts to address them.
- Services that were paused or reduced during Covid-19 restrictions will have built up backlogs of demand that may take some time to become clear. Councils' responses to these backlogs and the restarting of services will need to be effectively resourced and managed.
- Looking to the medium and longer term, councils recognise the challenges of repairing the damage to communities caused by Covid-19. Recovery planning began in many councils early in the pandemic, primarily focusing on recovery and renewal. The priorities that demanded councils' attention before the pandemic have become even more pressing, such as tackling inequalities, improving outcomes for young people, and tackling climate change.

12. Early Learning and Childcare Expansion Delivery Progress Report, March 2021

Case study 14

Glasgow City Council

Glasgow City Council acted promptly in establishing its Covid-19 Recovery Group to tackle the economic and social consequences of the pandemic by looking at economic impact data.

At the end of this process, the group will publish a report containing recommendations on the actions that will guide the economic recovery of the city and city region. The group consists of members of the Glasgow Economic Leadership, the Glasgow Partnership for Economic Growth, the Glasgow Economic Commission, and some external advisers. Members include representatives from the public sector, academia, the voluntary sector, and the tourism, retail, financial services, and energy sectors.

Case study 15

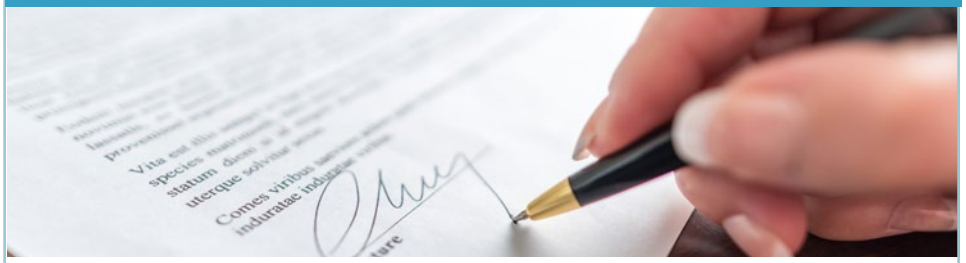
Edinburgh and South East Scotland

Edinburgh and South East Scotland City Region Deal partners, through the Integrated Employer Engagement workstream of the Integrated Regional Employability and Skills programme, launched a new job matching website, c19jobs, as a rapid response to promote key worker roles and to help reduce unemployment caused by the pandemic impacts.

The site offers vacancies in key sectors such as the NHS, supermarkets, and take-away services. The site also provides information and guidance for both employers and employees.

Case study 16

North Ayrshire Council



North Ayrshire Council launched its Community Wealth Building Strategy in May 2020 which is the first of its kind in Scotland.

The strategy underlines how the council and other 'anchor' organisations – including NHS Ayrshire and Arran, Ayrshire College, and wider partners - will support more local business to bid for public sector contracts. The council seek to continue to enhance its strategy, recognising that Covid-19 has had a negative impact on inequalities to ensure that the recovery is strong, resilient, and fair. It aims to 'keep wealth local' and provide more sustainable solutions to tackle Climate Change.

Lessons learned

Councils and their staff have been at the centre of unprecedented efforts to protect and support people and communities through the Covid-19 pandemic. Demands on people have been intense, and both council staff and the citizens they serve will need continued targeted support through the move to recovery and renewal. Councils' recovery and renewal efforts must be informed by comprehensive understanding of the issues that affect all those who live and work in their communities, and the positive partnerships built on during their initial response should be a core element in this.

The impacts of the pandemic, particularly its unequal impacts on groups in society and the awareness it has raised of issues of fairness and equality, the importance of community and the value of local services are all key to deciding future priorities for public services and what 'building back better' might mean for communities.

Resources and governance

Councils have been dealing with the unprecedented economic and fiscal consequences of the Covid-19 pandemic alongside other challenges. Significant changes were also required to governance arrangements in the early stages of the pandemic.

Councils face significant financial challenges as a result of the pandemic

- Our Local government in Scotland: financial overview 2019/20 report explains how the Covid-19 pandemic and associated lockdown has affected many aspects of councils' finances and created significant financial challenges and uncertainty.
- As part of COSLA's cost collection exercise carried out in July 2020, councils estimated that the total 2020/21 net financial impact of Covid-19 would be £767 million. This includes financial pressures totalling £855 million, offset by cost reductions of £88 million from a range of areas such as lower property costs and reduced school meal costs. Loss of income accounted for around £400 million of the forecast financial pressures. Other areas forecast to come under increased pressure include the costs associated with delaying capital projects, underachievement of savings and the additional costs associated with delays in the redesign and reconfiguration of services.
- The closure of sport and leisure facilities is likely to result in a significant loss of income for councils. In summer 2020, COSLA estimated that this could be around £75 million for 2020/21, however this was based on assumptions in line with the Scottish Government's route map out of lockdown at that time. It is likely that the further lockdown restrictions implemented in December 2020 will exacerbate this challenge, resulting in a greater loss of income than first anticipated. This also applies to other areas of lost income for councils, including from the closure of other buildings and services, reductions in fees and charges and the impact of school closures on income from food and drink. In addition, the council tax reduction scheme and loss of council tax revenue continues to put significant pressure on revenues, alongside similar challenges faced by councils in collecting housing rent payments. Councils also projected that they will miss out on over £50 million in savings as a result of opportunities forgone and the pressures faced in response to Covid-19.
- Councils' auditors also reported wider financial consequences of Covid-19 in the 2019/20 annual audit reports. These include the suspension of capital programmes, delays in bad debt collection and the uncertainty of capital receipts.

Case study 17

Projected loss of income – ALEOs

Several large urban councils have arm's-length external organisations (ALEOs) that were set up to manage commercial activities and provide income back to councils. These include conference facilities and transport services.

Councils' projected loss of income from these organisations in 2020/21 is £39 million. This includes Lothian Buses, Edinburgh Trams, the Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre.

The UK and Scottish governments have provided substantial additional funding to support the pandemic response

- Scotland has had guaranteed additional funding from the UK Government of £8.6 billion. As at February 2021, over £2 billion of Scottish Government Covid-19 support for councils had been either allocated or announced. This includes the following:
  - £800 million of non-ringfenced revenue support, including £200 million (estimated) of dedicated funding to compensate councils for loss of income
  - £267 million to support education recovery
  - £255 million to support individuals, families and communities
  - £434 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.
- As part of their new responsibilities resulting from the impact of the pandemic, councils have administered funding of over £1 billion under the Covid-19 Business Support Fund Grant Scheme. These grants are administered by councils on behalf of the Scottish Government, and funding is made available to councils to finance the costs incurred. 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 December 2020.[13]

Covid-19 Business Support Fund Grant Scheme (December 2020)

- Total number of applications: **106,662**
- Number of grants awarded: **91,258**
- Value of grants awarded: **£1,019,526,016**

13. Coronavirus (COVID-19): business support fund grant statistics - gov.scot (www.gov.scot)

More councils added to their revenue reserves in 2019/20. Further increases may occur in 2020/21 as a result of carry-forward of late grant funding and allocations of cash from the Scottish Government

- In 2019/20, 22 councils reported increases in their revenue reserves balance (13 in 2018/19), with a net increase of £65 million (or three per cent) across all councils. 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, and enable funds to be built up for known future commitments. With continued uncertainty around available funding and additional costs resulting from Covid-19, increases in revenue reserve balances may help councils to deal with short-term cash-flow challenges in 2020/21.
- Some elements of funding announced by the Scottish Government in late 2020/21 may need to be carried forward by some councils. This, along with late allocations of cash that are unlikely to be spent before the year-end, is likely to have an impact on councils' year-end reserves. Although an increase in revenue reserves would provide some additional flexibility for councils at a time of significant financial challenges, this is more likely to reflect the timing and nature of funding allocated rather than favourable financial positions resulting from strategic decisions made by councils. Late funding carried forward from 2020/21 is also likely to be earmarked for specific purposes rather than being available for general use. It is important that councils continue to recognise the sustainability challenges of using reserves to fund recurring expenditure, particularly as the impact and challenges of Covid-19 continue to develop.

COSLA is working closely with the Scottish Government to obtain additional financial support for councils

- Discussions continue around an additional package of spending powers and financial flexibility that the Scottish Government claims could be worth up to £600 million for councils. This figure would apply if all councils were able to use all the new flexibilities, but 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 impact that Covid-19 may have on some areas, for example expected capital receipts. The additional spending powers being discussed apply to Covid-19-related pressures only and to the years 2020/21 and 2021/22 and include:
  - 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.
- The Scottish Government has also provided flexibility in its guidance on how councils use specific education and early learning and childcare funding. This includes Pupil Equity Funding and deploying early learning and childcare funding flexibly to deliver critical services for children and families. The extent of how these individual flexibilities may be used by each council is as yet unclear. Each council will need to consider the flexibilities available and decide how funding is used. This may depend on the extent of unavoidable commitments already made, for example in early learning contract commitments to parents.

The total net cost of Covid-19 in 2020/21 will be challenging for councils but is likely to be managed through savings, use of reserves and additional funding provided by the Scottish Government. Nevertheless, significant uncertainty remains around future financial planning and support

- The report Local government in Scotland: Financial overview 2019/20 estimated that funding announced by the Scottish Government by November 2020 would meet 60-70 per cent of the revenue cost pressures identified by councils, with total costs and funding still uncertain. Councils have taken steps to manage this position in-year through delivery of savings and use of reserves. Subsequent announcements of additional funding by the Scottish Government at the end of February 2021 indicate that the total net cost of Covid-19 in 2020/21 may now be fully covered. However, a significant element of this additional funding is non-recurring and ringfenced for specific purposes. Councils may still have cost pressures in other separate areas, including in core services, which may not be met by this specific funding. This therefore puts increased pressure on councils to identify ways to close remaining budget gaps with limited flexibility in some of the funding allocated.
- Funding of councils beyond 2021/22 remains uncertain. Currently, funding is being provided incrementally, and this presents challenges for councils in planning effectively. Significant levels of grant support have been provided by the Scottish Government in 2020/21, but it is not yet clear whether this will continue in future years as the impact of the pandemic develops. COSLA anticipates that the impact on council finances will be felt for years to come, particularly in relation to recovery of income streams and collection of council tax debt. Furthermore, the flow of funding in late 2020/21 has created an additional administrative burden for the Scottish Government and councils in awarding and accepting grants and completing the related reporting requirements. This may have an adverse impact on councils' ability to respond to local needs should a large proportion of future funding come with similar conditions.

Lessons learned

The timing and nature of funding for local government is creating pressure and uncertainty for councils beyond the current financial year. Funding is being provided incrementally and the lack of certainty regarding future budgets makes effective short- and medium-term planning very difficult for councils. Covid-19 will have long-term impacts on councils and the communities that they serve. Councils are likely to require additional support to address the challenges of remobilising services, and supporting social and economic recovery. If additional funding is provided with specific conditions or is ring-fenced for specific purposes councils will then be forced to make difficult prioritisation decisions with potential negative impacts on other services. A lack of flexibility in future funding may lead to a differential impact on service delivery and exacerbate existing financial sustainability risks.

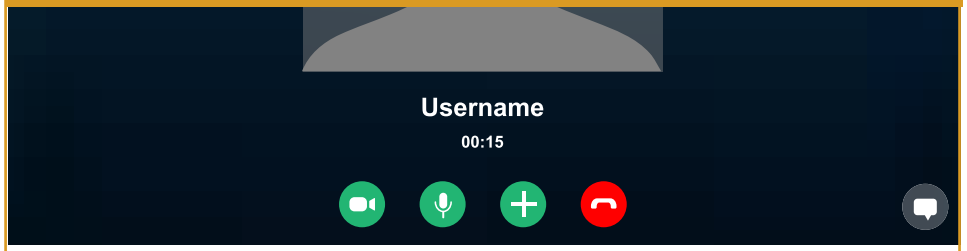
As reported in Local government in Scotland: Challenges and performance 2018, services such as planning, cultural services, environmental health and roads have borne the brunt of service cuts in recent years. The trend has been one of larger reductions to relatively smaller service areas with no change in real terms to social care and education spending. The increased financial constraints created by Covid-19 are likely to create a further risk to recovery should smaller services face further cuts. This will adversely affect councils' ability to provide importance services that people and communities rely on.

Councils made swift changes to governance arrangements

- Councils moved quickly to a revised/suspended schedule of meetings. Many councils held only meetings dealing with urgent business, while some councils maintained other committees. Several councils established a Covid-19 committee, which was helpful in providing key information and updates in relation to council business during the pandemic.
- Some councils have since moved to virtual committee meetings, while others have operated blended or socially distanced meetings. There was some initial inconsistency in how councils made decisions, with some establishing 'emergency' or 'special' committees to take key decisions that would otherwise have been taken by other committees, and others delegating key decisions to senior officers. All 32 councils now have arrangements in place for remote meetings and are not relying on delegation to officers or emergency committees to the extent seen early in the pandemic.
- The Improvement Service notes in its November 2020 paper 'Transitioning to the new normal: Political Governance' that around half of councils are now livestreaming meetings or allowing members of the public to participate. Many of the councils that do not currently livestream or allow the public to participate are exploring options for doing so. Microsoft Teams is the most popular platform, and some councils are using it in conjunction with other technology. Although not in breach of the provisions in the Coronavirus (Scotland) Act 2020, a lack of public participation restricts the openness and transparency of decision-making.
- The new governance arrangements introduced by councils have created greater flexibility and safer conditions for officers, elected members, and the public. However, councils will be required to decide on the longer-term sustainability of these arrangements. Some feedback gathered by the Improvement Service notes that remote meetings are taking longer and need additional support staff to facilitate them, placing greater strain on resources. Councils will face difficult decisions in resourcing governance arrangements that are flexible and safe but that also enable effective scrutiny and decision-making.

Case study 18

Aberdeenshire Council



Aberdeenshire Council was able to ensure minimal disruption to democratic processes from the beginning of the pandemic as it already had the technology in place.

This enabled a smooth transition to virtual meetings by Skype and remote working – ahead of other councils. One committee meeting was postponed, but otherwise all council meetings continued as scheduled. The council produced guidance for elected members, chairs, committee officers and board members to ensure proceedings ran as smoothly as possible. Guidance was also available to help the public understand how meetings would be conducted and recorded, and how they could participate in meetings and access those recordings.

Lessons learned

Councils have reacted well to the changing environment and have acted quickly to implement new governance arrangements that are safe and flexible. Although delegation to officers and emergency committees was undertaken at some councils in the early stages, it is welcome that all 32 councils now have arrangements in place to support remote meetings. It is likely that the requirement for remote meetings will continue for some time, therefore all councils should ensure that public participation is facilitated as soon as possible to provide openness and transparency in decision-making.

The pandemic created significant challenges for councils in financial planning and reporting

- There was inconsistency in the pace at which councils prepared financial updates during the initial response phase of the pandemic. Early monitoring of councils' websites found limited reporting of financial considerations. A few councils prepared detailed financial analysis papers in the early months of the pandemic, but most were slower to make this information available to the public. There has since been an improvement in the pace at which councils are providing financial updates, but the cost projections and assumptions included remain uncertain as the situation continues to develop.

- Councils will need to revise their medium-term financial plans. The wide range of financial and service demand pressures councils faced before the pandemic still exist, alongside a new set of future challenges created by the pandemic. These include restarting services and dealing with backlogs, developing new services and strategies to address the long-term harm caused to communities by the pandemic. In 2019/20, auditors reported greater uncertainty in current financial planning arrangements at councils due to Covid-19. Medium-term financial plans will now need to be revised by all councils to consider additional financial pressures and updated funding arrangements, as well as updated savings requirements and financial assumptions.

- The strategic uncertainties around Scotland's public finances and fiscal plans may also create challenges for councils in updating their own financial plans. Prioritising services such as the NHS may have an adverse impact on local government funding levels. In the Local government in Scotland: Financial overview 2019/20, we reported that between 2013/14 and 2019/20, local government funding underwent a larger reduction than the rest of the Scottish Government budget over the same period. The Scottish Government will have to make difficult fiscal decisions in response to the pandemic and this may exacerbate the financial uncertainty challenge for councils.

- The differential impact of Covid-19 on some groups and communities has implications for the Scottish Government's approach to the distribution of funding. It needs to be targeted to those most in need. As reported in the Local government in Scotland: Financial overview 2017/18, we recognise that a review of funding distribution is difficult in times of reduced budgets and financial challenges, as there will inevitably be some councils that end up with smaller allocations of funding, putting further strain on already tight budgets. Nevertheless, as the effects of the Covid-19 pandemic develop it is increasingly important that the Scottish Government and COSLA assure themselves that the funding formula remains fit for purpose.

Case study 19

Inverclyde Council

Inverclyde Council prepared a 'Covid-19 Financial Considerations' paper in late March 2020.

This paper was used to highlight the financial pressures and supports relating to Covid-19 and to seek delegated powers where required to release funding. All councils are now preparing regular Covid-19 related financial updates for elected members and the public.

Lessons learned

Councils' medium-term financial plans will need to be updated to reflect the significant financial impact of the Covid-19 pandemic. Although considerable challenge and uncertainty still exists, it is important that councils have a plan in place that identifies medium-term impacts so that steps can be taken to manage risk and plan effectively. Good medium-term financial planning, based on modelling various future scenarios and focusing on clear priorities, is more important now than ever.

Local government in Scotland: Overview 2021

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