

**Audit and Scrutiny Committee  
25 September 2018**

**IRVINE, 25 September 2018** - At a Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m.

**Present**

Marie Burns, Margaret George, Joy Brahim, Alan Hill, Donald Reid and Tom Marshall.

**In Attendance**

E. Murray, Chief Executive, L. Friel, Executive Director, D. Forbes, Senior Manager (Financial Services), P. Doak, Senior Manager (Internal Audit, Risk and Fraud) and D. Miller, Complaint and Feedback Manager (Finance and Corporate Support); C. Hatton, Executive Director and R. McGilvery, Area Housing Manager (Place); S. Brown, Director (North Ayrshire Health and Social Care Partnership) and C. Whyte, Head of Finance (Health and Social Care Partnership); C. Amos, Head of Service (Inclusion) and D. Walkinshaw, Business Manager (Education and Youth Employment); K. Yeomans, Executive Director and A. Sutton, Head of Service (Connected Communities) (Economy and Communities); and A. Fraser, Head of Democratic Services, M. Davison, Senior Manager (Democratic Services), A Todd, Senior Policy and Performance Officer and A. Little, Committee Services Officer (Chief Executive's).

**Also in Attendance**

Pat Kenny, Deloitte.

**Chair**

Councillor Burns in the Chair.

**Apologies**

John Sweeney.

**1. Declarations of Interest**

There were no declarations of interest by Members in terms of Standing Order 10 and Section 5 of the Code of Conduct for Councillors.

**2. Minutes**

The Minutes of the meeting of the Audit and Scrutiny Committee held on 29 May 2018 were confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

### **3. End of Year Council Plan/Directorate Plan Performance Reports**

Submitted report by the Chief Executive on the 2017/18 Council Plan/Directorate Plan Performance Reports. Appendix 1 to the report provided a status summary for each of the 31 performance measures, with Appendix 2 detailing explanations for those measures adrift of target. Appendices 3 - 8 set out the Directorate Plans for Democratic Service, Finance and Corporate Support, Education and Youth Employment, Economy and Communities, Place, and Health and Social Care Partnership, respectively.

Members asked questions and were provided with further information in relation to:-

#### Democratic Services

- a range of methods to communicate corporate messages and an improvement in staff satisfaction with internal communication; and
- support for municipalisation projects as they develop, such as white label energy.

#### Finance and Corporate Support

- work that is underway to make system generated letters to those on benefits more user friendly; and
- staff vacancies that impacted adversely on the overall percentage of staff who had had a PPD in the last 12 months.

#### Education and Youth Employment

- full names and designations that will be included in future progress sections of the report;
- SQA, the Insight Programme and the stand alone numeracy programme that together identify the percentage of leavers attaining numeracy at National 5;
- the use of PEF funds and a meeting that will be arranged with the Chair of the Committee to discuss the range of information to be presented to a future meeting; and
- the publication of the Scottish Attainment Challenge on the Education Scotland website in the summer of 2018.

#### Economy and Communities

- work on an innovative tourism programme that is underway and includes work to bring hotel and leisure facilities to North Ayrshire;
- partnership working between services to support the Locality Planning Partnerships;
- a review of the Kilwinning Health and Social Care Locality Planning Forum which has been undertaken; and
- investment and running costs of ageing leisure facilities that impacted on the cost per attendance at sports facilities.

## Place

- the success of the C4fe at Cunninghame House, providing catering services to staff;
- the Council's first external contract to provide catering services to the private sector and the use of local suppliers and produce; and
- Phase 1 of the non domestic energy efficiency programme which has implemented a number of energy conservation measures and the viability of a second phase that will be considered during 2018/19.

## Health and Social Care Partnership

- the involvement of North, East and South Health and Social Care Partnerships in the review of health services in Ayrshire; and
- the Primary Care Improvement Plan that will introduce a wider range of health and social care professionals to support GPs.

Noted.

## **4. Public Performance Reporting**

Submitted report by the Chief Executive on 2017/18 Public Performance Reporting and the Annual Performance Report 2017/18. The report detailed the performance of the range of Performance Indicators that will be used to inform the Council's public performance reporting for 2017/18. Appendix 1 to the report provided details of the full set of indicators to be publicly reported. The 2 Red and 10 Amber indicators along with management commentary from the relevant Directorate, were set out at Appendix 2 to the report. Appendix 3 provided more detailed information in relation to the delivery of the maximum capital budget for 2017/18. The Council Annual Performance Report 2017/18 was attached as Appendix 4 to the report and will be published on the Council's website by October 2018.

The Committee agreed to (a) note the status of the Council's performance indicators at Appendices 1 - 3; and (b) endorse the Annual Performance Report 2017/18 set out at Appendix 4.

## **5. Local Government Benchmarking Framework**

Submitted report by the Chief Executive which set out (a) the Directorates' priorities identified through work undertaken following the publication of the latest LGBF report; and (b) the Improvement Service's areas for development that will enable the Council to make further use of the Framework. Appendix 1 to the report provided an explanation and details of improvement activity in terms of the LGBF measures, focusing in particular on the priority measures.

Members asked questions and were provided with further information in relation to joint working between services to help young people sustain positive destinations and improve the slight decline in the percentage of school leavers entering positive destinations.

The Committee agreed to note (a) the LGBF results and priorities identified by Directorates; and (b) that further work will continue within Directorates to identify improvement activity in the priority areas.

## **6. Brexit Risks Update**

Submitted report by the Chief Executive on the work the Council is doing in preparation for Brexit to mitigate real and perceived risks. Appendix A to the report identified the changes, challenges, risks, opportunities and actions by the Council to Brexit. Details of EU citizen's rights in the withdrawal agreement were provided at Appendix B to the report.

Members asked questions and were provided with further information in relation to:-

- the potential impact on the Council's ability to commission services from the private sector, particularly in areas such as construction and social care; and
- the loss of employees from EU27 countries that may affect partner organisations such as the NHS.

The Committee agreed to (a) note the content of the report; and (b) receive a quarterly update report on Brexit development.

## **7. Complaint Report**

Submitted report by the Executive Director (Finance and Corporate Support) on complaint performance information, statistics and trends of complaints received during 2017/18. The report detailed the volume of complaints received and closed, complaints closed at each stage, complaint outcomes, the average time in working days for a full response at each stage, complaints closed within timescale, complaint timescale extensions and changes or improvements made as a result of complaints.

Members asked questions and were provided with further information in relation to:-

- work done to differentiate between a service request and a complaint and training provided to staff on this area; and
- 82% of calls to the Council which are answered by the Contact Centre, as well as improvements to reduce the number of abandoned calls.

Noted.

## **8. Annual Audit Report**

Submitted report by the Executive Director (Finance and Corporate Support) on the findings of the 2017/18 Annual Audit report and a verbal update from the external auditor. The letter of representation to be signed by the Executive Director (Finance and Corporate Support) as the responsible officer for North Ayrshire Council was attached at Appendix 1 to the report. The External Auditor's Annual Report was appended at Appendix 2 and included the findings of the 2017/18 audit and agreed action plan.

Pat Kenny of Deloitte provided a verbal report on the appendices to the report, including the key messages contained within the external auditor's unqualified report on the 2017/18 audit of North Ayrshire Council, the significant findings from the audit in accordance with ISA260, and the significant audit risks identified during the course of the audit.

Members asked questions and were provided with further information in relation to:-

- the reducing balance of some charitable trusts and the wind up of these where appropriate; and
- the Health and Social Care Partnership budget deficit that requires to be paid back to the Council in future years.

The Committee agreed to (a) note (i) the findings of the 2017/18 audit as contained in the External Auditor's annual report at Appendix 2; (ii) the agreed action plan as outlined on pages 51-52 of the annual report; and (b) approve the audited Annual Accounts for signature.

## **9. Early Learning and Childcare Expansion**

Submitted report by the Head of Service (Inclusion) on the Early Learning and Childcare Expansion Programme, which provided an update on (a) the Scottish Government capital funding allocation; (b) the evaluation of the Council's 2 pilot sites; (c) work to consider the impact of 1140 hours on partner providers; and (d) the 6 recommendations contained in the Audit Commission's Report to the Scottish Government on the expansion of early learning and childcare in Scotland.

Noted.

## **10. Audit Scotland: Councils' Use of Arm's-length Organisations**

Submitted report by the Executive Director (Economy and Communities) on Audit Scotland's report on Councils' use of arm's-length organisations, which highlighted how Councils use ALEOs, how Councils oversee and govern ALEOs, what ALEOs have achieved and the future direction of ALEOs.

Members were provided with further information in relation to:-

- confirmation from the Scottish Government that, despite recommendations to the contrary by the Barclays Review, leisure and cultural venues run by arm's-length bodies of local councils will continue to benefit from charity relief from non-domestic rates; and
- funding that will require to be identified for expansion of the Quarry Road proposal

The Committee agreed to note (a) the findings of the Audit Scotland report on Councils' Use of Arm's-length Organisations; and (b) that North Ayrshire Council is well placed in terms of meeting the findings and recommendations of the report in relation to good governance and managing risk in its relationship with its ALEO, KA Leisure, and in its recent approach to options appraisal.

## **11. Gypsy/Travellers Site Standards**

Submitted report by the Executive Director (Place) on the Council's response to the Scottish Government's report of the Minimum Recommended Standards for the Provision of Gypsy Traveller Site. An Action Plan, detailing a programme of works for the site was prepared and carried out. Appendix 1 to the report outlined the works required and confirmed that all necessary works had been completed.

Members asked questions and were provided with further information in relation to:-

- 100% occupancy of the Redburn site; and
- parking space available on each pitch for visiting family and friends.

Noted.

## **12. Health and Social Care Partnership Financial Performance**

Submitted report by the Director (Health and Social Care Partnership) on the financial performance of the Health and Social Care Partnership. Appendix 1 to the report provided information on the projected financial outturn for the financial year 2018/19 as at 30 June 2018, including detailed variances from each service. Appendix A to the report provided the financial overview of the partnership position. Detailed analysis was provided in Appendix B, with full details of savings provided at Appendix C. Appendix D outlined the Integrated Care Funding allocation and Appendix E outlined the delivery of the recovery plan. Appendix F detailed the 2018/19 Budget Reconciliation.

Members asked questions and were provided with further information in relation to:-

- £5.807m that shows as an asset in the Council's accounts and a liability in the Health and Social Care Partnership's accounts;
- the plan agreed by Cabinet to address the £5.807 deficit from previous years and allow the IJB to repay the historic debt to the Council over the next four years;

- the provision of monthly financial reports to the IJB to identify if there is a requirement for further action to be taken to address any projected overspend and mitigate against the risk of overspend on funding partners;
- a Budget Outlook report will be presented to the IJB to outline the estimated budget gap from 2019/20 to 2021/22; and
- an updated Medium Term Financial Plan will be presented to the IJB for approval and will include the service change required to plan for a balanced budget.

The Committee agreed to (a) note the financial position of the HSCP and the actions being taken by the Partnership to secure financial balance; and (b) to receive future update reports.

### **13. National Fraud Initiative in Scotland 2016/17**

Submitted report by the Executive Director (Finance and Corporate Support) on the outcome of the National Fraud Initiative (NFI) concluded in 2018. The report outlined the background to the NFI, the results of the 2016/17 exercise, how public bodies work with the NFI and future developments.

Noted.

### **14. Internal Audit and Corporate Fraud Action Plans: Quarter 1 Update**

Submitted report by the Executive Director (Finance and Corporate Support) on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 30 June 2018. Appendix 1 to the report provided full details of the 5 actions that were not complete within the agreed timescales.

Members asked questions and were provided with further information in relation to:-

- timescales for the completion of actions that are agreed with services and require to be realistic; and
- completion of the Data Protection Information Awareness that has been affected by a range of issues including the limited number of school in-service days, the Working Time Agreement and the length and availability of training sessions.

Noted.

### **15. Internal Audit Reports Issued**

Submitted report by the Executive Director (Finance and Corporate Support) on the findings of Internal Audit work completed between May and August 2018. Appendix 1 to the report detailed the areas where internal control reviews had been undertaken and provided the executive summary and action plan for each audit.

Members asked questions and were provided with further information in relation to:-

- discussions that will take place between the Head of Service (Learning, Teaching and Curriculum) and the Chair on the information required by the Committee on the use of PEF funding; and
- the range of Twitter accounts within individual schools that are set up in line with corporate policies and procedures.

Noted.

## **17. Exclusion of the Public**

The Committee resolved in terms of Section 50(A)4 of the Local Government (Scotland) Act 1973, to exclude from the Meeting the press and the public for the following item of business on the grounds indicated in terms of Paragraph 1 of Part 1 of Schedule 7A of the Act.

### **17.1 Corporate Fraud Reports Issued**

Submitted report by the Executive Director (Finance and Corporate Support) on the findings of corporate fraud investigations completed between May and August 2018.

Noted.

The meeting ended at 12.45 p.m.