

Agenda Item	12
Report No	HC/10/18

HIGHLAND COUNCIL

Committee: The Highland Council

Date: 10 May 2018

Report Title: **Highland Council, Local Scrutiny Plan 2018/19**

Report By: The Chief Executive

1. Purpose/Executive Summary

- 1.1 The annual Local Scrutiny Plan (LSP) 2018/19 for Highland Council has been produced by the Local Area Network (LAN). The plan produced by the LAN is based on a shared risk assessment undertaken by representatives of all the scrutiny bodies who engage with the council. The LSP shows no additional scrutiny is required of the Council during 2018/19.

2. Recommendations

2.1 Members are asked to note:

- I. The Local Scrutiny Plan (LSP) attached at Appendix 1 which highlights that no additional scrutiny of the Council is required for 2018/19.
- II. The positive comments made about the Council's education provision is well organised and well lead and there is a renewed drive for quality improvement in Education
- III. The areas where monitoring is planned as outlined in paragraph 4.2.
- IV. The areas of scheduled audit and inspection activity identified contributing to national audit reports outlined at 4.4 below.

3. Introduction

3.1 Audit Scotland coordinates a Local Scrutiny Plan (LSP) for every council in Scotland. The plan is based on a shared risk assessment undertaken by a local area network (LAN), comprising representatives of scrutiny bodies who engage with the council. In recent years a more streamlined approach has been taken focusing on key areas of audit, inspection and regulatory interest. These changes continue to provide a better targeted and more user friendly risk assessment process. The LAN also moved from producing a three year Assurance and Improvement Plan to a one year LSP.

3.2 The six scrutiny bodies involved are: Audit Scotland; Education Scotland; the Care Inspectorate; Her Majesty's Inspectorate of Constabulary for Scotland; Her Majesty's Fire Service Inspectorate and the Scottish Housing Regulator (SHR). They draw on evidence from:

- the annual report to the Controller of Audit and elected members;
- the Council Programme;
- Highland Outcome Improvement Plan (HOIP);
- Council performance data and self-evaluation evidence;
- SOLACE/Improvement Service, Local Government Benchmarking Framework
- Evidence from the external scrutiny bodies and their work in Highland.

3.3 The principles that underpin the Council's values include that we will be fair, open and accountable. This means we will measure our performance, report on it publicly and listen to our communities, to ensure we are delivering services that provide Best Value for Council Taxpayers. This audit report, as part of our performance management and performance reporting arrangements, contributes to achieving our values, particularly those of improving, being open and listening.

4. The Local Scrutiny Plan – assessment of risk and consequential scrutiny activity

4.1 The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny activity required of the Council in terms of it achieving its strategic priorities and demonstrating good corporate performance. It also takes into account any scrutiny needs arising from risks identified at the national level. The LSP 2018/19 for Highland Council is attached as appendix 1 of this report. All 32 local authority LSPs were published by Audit Scotland on 9 April 2018 along with the national scrutiny plan. The Highland plan identifies no areas where additional scrutiny is required; the same assessment has been received since 2010 when the process was introduced.

4.2 While no further scrutiny is required, the LSP identifies areas of challenge and improvement which require on-going monitoring by the relevant scrutiny body. These relate to the following areas of scrutiny risks:

- Financial management and financial sustainability, in particular long term financial planning;
- The Council Programme and its focus on transformation and delivery of Council priorities within an increasingly strained financial envelope;
- Senior Management and workforce – the impact of restructuring and voluntary reductions in staffing and their impact on reserves and key controls;
- The Capital Plan in relation to the prudential code and longer term financial affordability;

- Health and Social Care integration and the challenges relating to the funding agreement for the cost of care;
- Education in relation to mixed outcomes from school inspections and performance information. There will continue to be on-going oversight of these areas along with the use the Pupil Equity Fund (PEF).

4.3 Positively the LSP notes that:

- Education provision is well organised and well led;
- Renewed drive for quality improvement in Education.

4.4 Planned external scrutiny:

A scrutiny plan is part of the LSP and in paragraphs 11-15 and appendix 1 of the LSP the following areas of scheduled audit and inspection activity have been identified where the Council may be asked to contribute to national audit reports or where this is confirmed:

- Local Best Value audit work on Council arrangements to demonstrate Best Value in relation to performance and outcomes, governance and scrutiny and financial and resource management. In addition Grant Thornton have indicated the Best Value Assurance Report (BVAR) will commence early in 2019;
- Education – Inspection of Community Learning & Development between September and December 2018;
- Care and Learning – routine scheduled audit and inspection work of schools and care establishments by Education Scotland and the Care Inspectorate;
- Audit Scotland have a range of national audit work which the Council may be asked to engage with including children and young people’s mental health and health and social care integration;
- Scottish Housing Regulator (SHR) - engagement in thematic inquiries is possible but detail not yet confirmed. Data accuracy visits in relation to information submitted on the review of the Scottish Social Housing Charter is planned for the second quarter of 2018/19.

4.5 While not forming part of the LSP the Care Inspectorate will start a new programme of joint inspection of services for children and young people in autumn 2018 and Highland is expected to be in scope for inspection early in the process.

5. The usefulness of the LSP

5.1 The LSP seeks to demonstrate that external scrutiny is becoming streamlined, risk based, proportionate and that it avoids duplication. External scrutiny should reduce overall as internal scrutiny and self-evaluation improves.

5.2 While the LSP shows limited scheduled external scrutiny, the full range of external audit and inspection activity includes inspections of schools and care establishments and activity from other regulators, notably the Equality and Human Rights Commission and SEPA.

6. Implications

6.1 Resource – Reducing external scrutiny requires better internal scrutiny and there are costs associated with new reviews such as LEAN in terms of training, materials and staff time. These costs are absorbed into existing budgets.

Legal – External scrutiny operates within a legal framework which places duties on the Council. Legal issues could arise with non-compliance with these duties, but as the LSP does not identify any additional scrutiny, there are no legal implications in considering the actions resulting from this report.

Community (Equality, Poverty and Rural) – Audit Scotland through the LSP will continue to monitor if the council is providing effective leadership of equalities and is meeting its statutory obligations. A set of equalities outcomes have been published through reporting as part of the Council's compliance and these support building equality into all areas of council work. The LSP takes account of the Council Programme and there are a number of commitments which support rural communities and ameliorating poverty including commitments around affordable housing, community transport, local democracy, reflecting rurality, poverty and inequality in policy and partnership working and reviewing the evidence base to better understand issues of poverty across communities. The annual performance report covers a number of relevant key actions and measures relating to these commitments which are also considered by the LAN.

Climate Change/Carbon Clever – SEPA now regulates the Council's progress with the carbon reduction commitment. It is noted above that SEPA is not part of the shared risk assessment process which produces the LSP.

Risk – The LSP identifies no additional scrutiny required of the Council.

Gaelic – The LSP takes account of council performance data and this includes progress on delivering the Council Programme. The Programme contains a commitment to 'continue to promote and support the Gaelic language and culture through the Gaelic Language Plan'.

Designation: The Chief Executive

Date: 16 April 2018

Author: Evelyn Johnston, Corporate Audit & Performance Manager

Background Papers: Highland Council, Local Scrutiny Plan 2018/19 (Appendix 1)

Glossary

BVAR – Best Value Assurance Report (an external audit assessment of the Council)

HOIP – Highland Outcome Improvement Plan (Community Planning)

LAN – Local Area Network (of external auditors and regulators)

LEAN – process review & improvement method

LSP – Local Scrutiny Plan

PEF – Pupil Equity Fund

SEPA – Scottish Environmental Protection Agency

SHR – Scottish Housing Regulator

The Highland Council

Local Scrutiny Plan

2018/19



April 2018

Highland Council

Local Scrutiny Plan – April 2018 to March 2019

Introduction

1. This local scrutiny plan sets out any scrutiny risks identified by the local area network (LAN), proposed scrutiny responses and expected scrutiny activity for Highland Council during the financial year 2018/19.
2. The scrutiny risks and responses are based on a shared risk assessment undertaken by a local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the council. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny risks in the council.
3. Expected scrutiny activity across all councils in Scotland informs the National Scrutiny Plan for 2018/19, which is available on the Audit Scotland [website](#).

Scrutiny risks

4. The council continues to face financial pressures. The council has a longer term financial strategy based on certain funding assumptions and scenarios, but was only able to set a one year financial budget for 2018/19 rather than the anticipated three year budget framework. Financial management and financial sustainability will be areas of focus for the external audit wider scope work in 2017/18.
5. The Council Programme, "Local Voices - Highland Choices" continues to focus on transformation, and the delivery of the council priorities within an increasingly constrained financial envelope. This new council programme was set by the administration in September 2017 with the associated Corporate Plan on delivery approved in December 2017.
6. The council continue to operate a leaner Senior Management structure across four directorates and continue to focus on wider workforce planning. Having reduced the workforce through a voluntary early release scheme in prior years, the financial reserves available to the council for further schemes are limited. In addition, there continues to be a focus on key controls and ensuring that all controls operate as intended, despite the reducing workforce.
7. The approval of the capital plan and revenue budget is now aligned. However, the council's capital plans need to stay within the parameters of the prudential code and the council needs to be mindful of the longer term financial affordability of the borrowing to fund the capital programme.
8. The LAN is aware that there are continuing discussions between the council and NHS Highland in relation to governance arrangements for Health and Social Care Integration, and challenges relating to the agreement for funding related to the cost of care, and scrutiny bodies will follow this up as part of their engagement with the council.
9. The council has appropriate governance in place to ensure that educational provision is well organised and well led. Overall, there has been a renewed drive for quality

improvement in Highland which is positive. However, for some particular aspects, such as mixed outcomes from school inspections and performance information, there are a few concerns. Education Scotland will continue to have ongoing oversight and monitoring of these areas over 2018/19 as part of their ongoing liaison with the council, through Area Lead Officers. Officers will not engage in a formal scrutiny response other than planned inspections and reviews.

10. The council has nine schools participating in the Schools Programme of the Scottish Attainment Challenge. Schools have Pupil Equity Funding plans in place and these are being progressed. Education Scotland will continue to liaise with establishments as appropriate.

Scrutiny activity

11. Any expected scrutiny activity between April 2018 and March 2019 is shown in Appendix 1. For some of their scrutiny activity in 2018/19, scrutiny bodies are still to determine their work programmes and which specific council areas they will cover. Where a council is to be involved, the relevant scrutiny body will confirm this with the council and the appropriate LAN lead.
12. In addition to specific work shown in Appendix 1, routine, scheduled audit and inspection work will take place through the annual audit process and the ongoing inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively. The outcomes of this work will help to inform future assessment of scrutiny risk.
13. Audit Scotland plans to undertake performance audit work in a range of areas covering local government during 2018/19. These include audits on: children and young people's mental health; health and social care integration: update on progress; primary and social care workforce planning; VFM of non-profit distributing models. Any engagement with individual councils is still to be determined and will be confirmed with the council as soon as possible. Details of future audit work are available on the Audit Scotland website: www.auditscotland.gov.uk
14. The Scottish Housing Regulator (SHR) may carry out thematic inquiries during 2018/19 or it may carry out survey or on-site work to follow up on published thematic reports. The SHR will also review the Scottish Social Housing Charter data submitted by landlords and carry out data accuracy visits during the second quarter of 2018/19. Where a council is to be involved in a thematic inquiry, any follow-up work to a published thematic inquiry, or a data accuracy visit, the SHR will confirm this directly with the council and the LAN lead.
15. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five year period. The current proposed BVAR programme includes publication of a report for Highland Council in 2019. The scope and timing of the work to be carried out as part of the 2018/19 audit will be discussed with the council. The BVAR programme could change if the risk profile of councils change; if this is the case we will update the council. In the meantime, Best Value audit work planned in this year will

focus on the council's arrangements for demonstrating Best Value in relation to performance and outcomes, governance and scrutiny, and financial governance and resource management. This will be reported in the Annual Audit Report.

March 2018

Appendix 1: Scrutiny activity

Scrutiny body	Scrutiny activity	Date
Grant Thornton	No additional scrutiny planned. Our Annual Report will be finalised in September 2018.	September 2018
Audit Scotland	Audit Scotland plans to undertake performance audit work in a range of areas covering local government during 2018/19. Any engagement with individual councils is still to be determined.	Ongoing - per individual review timescales
Education Scotland	Inspection of Community Learning and Development.	September - December 2018
Her Majesty's Fire and Safety Inspectorate	No scrutiny planned. A local inspection was undertaken in Late 2017 and is due to report Spring 2018.	Spring 2018