

Minute of Meeting



Audit Committee
Monday 25 November 2024
Item 4.1

Audit Committee

| Date | Time | Venue |
|--------------------------|----------|-------------------------|
| Monday 30 September 2024 | 14.00 pm | Council Chambers/Hybrid |

Present:

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| Councillor Milligan (Chair) |
| Councillor Bowen |
| Councillor McEwan |
| Councillor Smail |
| Councillor McCall |

In Attendance:

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| Grace Vickers | Chief Executive |
| Alan Turpie | Legal and Governance Manager/Monitoring Officer |
| Kevin Anderson | Executive Director Place |
| Morag Barrow | Director of Health & Social Care: Midlothian HSCP / Chief Officer to Midlothian IJB |
| Derek Oliver | Chief Officer Place |
| Marc Bedwell | Programme Manager, Children, Young People and Partnerships |
| David Gladwin | Chief Financial Officer/S95 Officer |
| Duncan Stainbank | Chief Internal Auditor |
| Claire Gardiner | Audit Scotland |
| Iina Jaara | Democratic Services Team Leader |
| Maria Perez | Democratic Services Officer |

1. Welcome and Apologies for Absence

The Chair welcomed everyone to the meeting.

Apologies were received from Fiona Robertson.

2. Order of Business

The order of business was as detailed in the agenda.

3. Declarations of interest

No declarations of interest were intimated at this stage of the proceedings.

4. Minute of Previous Meeting

4.1 The minute of the meeting of 24th June 2024 was submitted and approved as a correct record.

4.2 The Action Log was submitted and noted.

5. Public Reports

| Report No. | Report Title | Submitted by: |
|--|---|-----------------------|
| 5.1 | Midlothian Council Workforce Innovation: How councils are responding to workforce challenges | Audit Scotland |
| Outline of report and summary of discussion | | |
| <p>The purpose of this report was to provide members of the Audit Committee with an update of how Midlothian Council is dealing with modern day workforce challenges. Audit Scotland is currently on the second year of a Best Value program focusing on workforce integration across the council with its partner bodies and also looks at other factors such as financial constraints, IT strategy and flexible workforce across the council.</p> <p>The Audit Scotland report notes Midlothian is the fastest growing Local Authority in Scotland which brings about challenges. To ensure service delivery to an increasing population Midlothian Council requires a strong reliable workforce. The Transformation Blueprint sets out Midlothian's overall transformation programme. One of the aspects of transformation is the Workforce Strategy which is currently in development. The Audit Scotland report recommends that the Council should ensure it has sufficient capacity to deliver its corporate Workforce Strategy and detailed plans within agreed timescales.</p> | | |

The Audit Scotland report also looked at digital transformation, noting that Midlothian Council had invested in technology, examples of this are the successful introduction of Microsoft 365, and the investment in technology to transform approaches to learning, teaching and assessment which has been also recognised with a Learning Places Scotland Award. These are two areas that are identified as evidence of good practice.

The Audit Scotland report noted that the Hybrid Working Policy was introduced in 2023. This is seen as a significant benefit, but the report recommended that its impact on organisation performance and efficiency is reviewed.

There was also acknowledgment that Midlothian Council is experiencing significant recruitment challenges and demonstrating innovative approaches to dealing with these. This is identified as good practice but the Audit Scotland report made a recommendation to formalise the Council's approach to recruitment.

The report noted that Midlothian is one of few places in Scotland where services are shared between different Local Authorities. The benefits of this decision are not yet fully articulated or quantified and there is a recommendation that the Council reviews this integration in the future but it was identified as another area of good practice.

The Audit Scotland report also recognised that Midlothian Council has workforce data that it monitors to evaluate performance, and a recommendation is made that this is revised once the strategy is fully implanted.

It is hoped this report is useful for driving improvement across the council.

The Chair thanked Audit Scotland for the report and opened it up for questions.

The Chair noted there is not yet sufficient data to determine the impact of the hybrid model of service delivery on the service users, and noted that this is an area that needs to be addressed. Audit Scotland agreed but noted that the impact on the service user was out with the scope of their report as its focus was to look at workforce planning and workforce strategy.

The Chair also noted that in terms of shared services, the report states there are areas where the service delivery arrangements have to be captured and qualified as are the benefits of said arrangements and asked whether the wording on this section can be clarified. The Audit Scotland representative indicated the final version would be amended to clarify the wording on the section wording.

All members of the committee were happy to endorse the report.

Decision

The Audit Committee noted the recommendations set out in the report.

Action

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| Report No. | Report Title | Submitted by: |
|--|--|--------------------------------|
| 5.2 | Scottish Fiscal Commission: Fiscal Update | Chief Financial Officer |
| Outline of report and summary of discussion | | |
| <p>The Chief Financial Officer shared with the members of the Audit Committee the recommendations of the report from the Scottish Fiscal Commission ahead of the budget due to be presented at Council in December 2024.</p> <p>The report from the Scottish Fiscal Commission states how the services delivered by council would be impacted by the proposed Scottish Budget in the current financial year and in 2025/2026.</p> <p>The Chief Financial Officer highlighted section 1.43 in Page 62 of the report that states that while there is some information on how the 2024-25 Scottish Budget may change, there will still be significant uncertainty about the level of UK funding the Scottish Government receives until the UK Government presents its budget on 30 October. The Chief Financial Officer asked the committee to note that the UK budget will set the scene, with complex interaction with the Scottish Budget. It is clear that the Scottish Budget will be under significant pressure and that there are very different political circumstances affecting the 2025/26 budget compared to the one from 2024/25.</p> <p>The Chair thanked the Chief Financial Officer for the report and opened it up for questions.</p> <p>As there were no questions the Chair advised the recommendations of the report were noted by the Audit Committee.</p> | | |
| Decision | | |
| The Audit Committee noted the recommendations set out in the report. | | |
| Action | | |
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| Report No. | Report Title | Submitted by: |
|---|--|-------------------------------|
| 5.3 | Internal Audit Work to September 2024 | Chief Internal Auditor |
| Outline of report and summary of discussion | | |
| <p>The Chief Internal Auditor presented this report. The purpose of this report is to provide members of the Audit Committee with details of the recent work carried out by Internal Audit and Assurance and the findings and recommended audit actions</p> | | |

agreed by management to improve internal controls and governance arrangements.

The Internal Audit Annual Plan 2023/24 was approved by the Audit Committee on 7 March 2023. Internal Audit has carried out work associated with the delivery of the plan to meet its objective of providing an opinion on the efficacy of the Council's risk management, internal control and governance.

The Chief Internal Auditor highlighted Appendix A and Appendix 1 on pages 108-109 on staff absence, and the commentary on the Bowles report on school capacity on Appendix 2, pages 111-120.

Appendix 1 page 109 notes the audit of the operational system in place to monitor absence and ensure staff wellbeing in new working environments and capacity for service delivery. The report provided ample evidence of the capacity for service delivery but pointed out there are limited assurances for absence monitoring. The internal audit report made 4 medium and 4 low grade recommendations which were accepted by management. The key messages to management were the following:

- Requirement to train management on how to monitor absence, review of the maximising attendance policy training materials and stress the need to report absence to Employment and Rewards on a timely basis
- Review instances where staff have not clocked in and do not have absence reason and take action when appropriate implementing effective controls.
- Absence management monitoring report to be updated to include teams from the Chief Executive's service and consideration given to including absence monitoring stages that have been reached by employees
- Documentation to be completed and appropriately retained for all sickness absences, and management to explore whether those documents can be stored centrally.

The Chief Internal Auditor also referred to Appendix 2 and quoted the Bowles assurance report on school capacity, this was an independent review commissioned when the Dargavel state in Renfrewshire was built and resulted on a significant projected shortfall on school capacity. This report requested by Chief Executive Officer of Renfrewshire Council highlighted significant historical failings of leadership, oversight and risk management in relation to provision of school accommodation in Dargavel village.

The scope of the assurance review conducted by the Chief Internal Auditor is to ensure Midlothian Council as the fastest growing Local Authority in Scotland Midlothian has an appropriate methodology to forecast pupil numbers across the local authority. The Chief Internal Auditor referred to the work completed so far on pages 112-113 of report and the conclusions listed on page 117 which lists improvements that can be made including the following key recommendations:

- The catchment area for each development to be added to the Housing Data Main Schedule spreadsheet using the ARC GIS system before this is sent to education
- Relevant officers should undertake an annual review of the new build/child house rations used in the annual pupil roll projections to ensure that they remain accurate and up to date and this should be reported to the CYPE board on an annual basis
- The Roll Projections Procedure should be updated to include the determined percentage allocated for each primary year group
- The frequency of the CYPP Board meetings should be reviewed and aligned with the Capital Asset and Management Board and include the minutes of any additional

individual Project Board meetings on the Capital Asset and Management Board agenda (given the number and frequency of additional Boards required for large projects).

Consider

- Consideration should be given to incorporating ASN needs into the pupil roll projections to ensure that any additional class spaces required are identified.
- The 2017-2047 Midlothian Learning Estate strategy approved in 2017 should be updated to include the correct pupil product ratios and the updated version should be published on the Council's website.
- Consideration should be given to including a clause in S75 developer agreements to protect the Council against the risk of any unusual or unexpected increases in construction costs e.g. large increases in the price of materials or additional legislative requirements for climate change.
- Following the external review of pupil forecasting, risks and ratings relating to school capacity / building should be reviewed and updated where applicable

The Chair thanked the Chief Internal Auditor for the report and opened it up for questions.

Members raised the matter of pupil rejections and expressed their concerns of a risk where housing developers who have been granted planning fall behind and what consequences this could have in terms of school projections. It was noted that the Council could be at risk of facilitating school rolls and building schools then ending up with places surplus to requirements. The Chief Internal Auditor stated it would be necessary to keep these projections under review to ensure they are up to date and added that the Council also has a plan for the future, and understands what the needs in terms of pupil places are if building goes ahead. This is something that needs to be under constant review to ensure the data is correct.

Concerns were raised about the high level of staff absence in Health and Social Care, and it was asked to what extent could the lack of consistency in logging absence explain for this high level of absence, and to what extent it is possible to monitor those staff members working in hybrid conditions to ensure that they are working the hours they are contracted and the taxpayer pays for. The Chief Internal Auditor referred to the report, stating there are some recommendations to ensure reporting is accurate. It was admitted that there is a level of underreporting when it comes to absence but this is not felt to be substantial, and once training and monitoring elements are implemented this is expected to close the gap. In terms of hybrid workers, the Chief Internal Auditor explained that there is software in place for staff who work remotely to log on and off and report absence. While software solutions to monitor computer use exist these are not used at present. A member expressed that logging on and off is not too accurate and noted that other Councils are using tools such as keystroke monitoring, to keep track of the work completed by those working remotely. The Chief Internal Auditor advised that the member could discuss the matter with relevant individuals in the Council.

The Chair referred to section 2.1, page 112 of the report in terms of the Council needing to have the appropriate methodology to forecast pupil numbers and asked if they always had the appropriate methodology. The Chair stated that in the case of Shawfair, the figures are very different now from what they were in the past. Furthermore, the developer contribution agreement was signed many years ago and does not tally with what is needed now and may result in the Council having to provide money to fund additional school places. The Chair asked if there is room for modifying the working on the developer contribution agreement to ensure the Council does not take all the risk. The Chair also noted that trying to determine how

many school places are needed when an estate is planned takes some guesswork as to who will buy the houses. For example, the Brixwold state in Bonnyrigg, was popular with older house buyers moving out of Edinburgh due to rising house prices there, whereas homes in Hopefield were overwhelmingly occupied by young families with children, which resulted in Burnbrae Primary needing additional accommodation. Given these circumstances there could be a risk of the agreements in place falling short, so the Chair asked whether future Section 75 legal agreements may require the developer to build the school rather than give a contribution, or whether it would be better than this contribution is brought in line with the most up to date thinking in terms of pupil forecasts.

The Chief Internal Auditor advised that they looked at the current processes in terms of the audit, and while there has been improvement in the processes it was also noted that there are also changes in societal trends to consider. During the COVID pandemic, there was an influx of people moving in from Edinburgh into Midlothian as people looked for larger accommodation due to them working from home. This is not the case anymore and the trend may end as a result, which would mean the larger houses are mostly bought by families. The Council monitors these trends to ensure they are aware of what may be affecting pupil populations in the area. In terms of the legal agreement, the Council has tools in place to reduce the financial risk as much as possible. While passing more of the risk on to the developer is a possibility, it may open a discussion as to what it can and cannot be done with the developers. The Chief Internal Auditor expressed doubts there is a way to entirely remove the risk. The Chair agreed, noting that if the risk is entirely transferred to the developer it may result in the companies going to other Local Authorities. The Chair stated the Committee was keen to see these recommendations implemented and for more concrete information on how the Council could transfer some of the risks across the board.

Decision

The Audit Committee noted the recommendations set out in the report.

Action

| Report No. | Report Title | Submitted by: |
|------------|--|-------------------------------|
| 5.4 | Audit Committee Annual / End of Term Report 2023/24 | Chief Internal Auditor |

Outline of report and summary of discussion

The Chief Internal Auditor advised that the purpose of annual report for the Audit Committee is to look at how the Committee has performed against its remit. The Chief Internal Auditor thanked the Committee members for completing the questionnaires.

The Chief Internal Auditor pointed at section 4.2 in the report that describes areas for improvement and 3 were highlighted:

- Utilise the CIPFA Skills and Knowledge toolkit responses from all members of the Committee to identify development needs and any requirements for the consideration of any potential Independent Member recruitment, formulate a plan for any development needs.
- Schedule a recruitment, selection and appointment process for independent members of the Audit Committee within the next year.
- Move to 4 scheduled meeting of the Audit Committee each year from the 7 meetings currently scheduled, whilst retaining the capability to call further meetings when required.

The Chair noted the report and opened it up for questions.

Members asked about the meeting schedule and whether the additional Audit Committee meeting scheduled for 29/10/2024 would go ahead. The Chief Internal Auditor stated that it should be possible to cancel the 29 October meeting. Going forwards the recommendation is that the committee will meet 4 times a year, down from the current 7 meetings a year.

Decision

The Audit Committee noted the recommendations set out in the report.

Action

Meeting schedule to be revised and meeting October 2024 to be cancelled

| Report No. | Report Title | Submitted by: |
|------------|--|----------------------------|
| 5.5 | Risk Management Update – Strategic Risk Profile Quarter 1 2024/25 | Chief Officer Place |

Outline of report and summary of discussion

The Chief Officer Place presented this report. The purpose of this report is to provide Audit Committee with an update on the risk landscape and for the Quarter 1 period April 2024 to 30th June 2024 and the responses Midlothian Council has implemented during this period to respond to the current risk climate.

The Chief Officer Place stated that the existing risks and evaluations remain in place from the previous quarter and that there are no new risks added for this period. However, as per request from the Audit Committee, the strategic opportunities section of the strategic risk profile has been updated with specific projects for members' attention. These are referenced in section 3.9 and are the five capital projects of Housing, Transport and Net Zero Infrastructure, Children, Young People and Partnership Learning Estates Programme (primary and secondary) and Regeneration.

The Chair thanked the Chief Officer Place for the report and opened it up for questions.

The Chair asked why the risks listed to cost of living are currently set as medium risk, as are the ones pertaining to Care at Home. The Chief Officer Place advised that steps have been taken to reduce the cost of Care at Home, and that there are also workforce problems. The Chair expressed surprise that cost of living has not

been upgraded to a critical risk as it is likely to be one of the largest challenges nationwide this winter as a result of decisions taken by the government. The Chief Officer Place stated that the risk impact scores for Care at Home and cost of living are as high as they can be. While it would be possible to reconsider the scores with those particular risk owners the Chief Officer Place is satisfied that the likelihood is not as considerable due to controls actions taken by the Local Authority to mitigate the risk. The Chair recommended that the risks associated with Care at Home and cost of living are revisited with each area's risk owners to ensure they are sitting at the right risk category.

Members also referred to page 180 of the report which lists contractor issues at Vogrie and Hillend and asked for clarification on what these issues are and whether there would be scope for litigation. The Chief Officer Place clarified that this risk is in terms of the timeline of delivery of a service as the contractor is taking longer than stipulated to complete the work rather than having detrimental effects on the project as a whole. The scope of the contract in Vogrie is to build an accessible toilet for disabled visitors to the Country Park.

The Executive Director Place explained that for Hillend that the legal option is being explored internally and remains in progress but in terms of liability it is yet to be determined and conversations remain with the public utility company.

Decision

The Audit Committee noted the recommendations set out in the report.

Action

Chief Officer Place – Scores for cost of living and Care at Home to be revisited with individual risk owners.

6. Private Reports

No items for discussion

7. Date of Next Meeting

The next meeting will be held on Monday 25 November 2024 at 11am as the Tuesday 29 October 2024 meeting has been cancelled, in line with the Committee's new agreed meeting frequency schedule.

Councillor McEwan will take over as Chair of the Audit Committee for a period of one year as per procedure.

The meeting terminated at 14.33.