



Council Building  
2 High Street  
Perth  
PH1 5PH

12 February 2020

A meeting of the **Audit and Performance Committee of the Perth and Kinross Integration Joint Board** will be held in the **Council Chamber, 2 High Street, Perth, PH1 5PH** on **Monday, 17 February 2020** at **09:30**.

If you have any queries please contact Adam Taylor on (01738) 475163 or email [Committee@pkc.gov.uk](mailto:Committee@pkc.gov.uk).

**Gordon Paterson**  
**Chief Officer/Director – Integrated Health & Social Care**

*Those attending the meeting are requested to ensure that all electronic equipment is in silent mode.*

**Please note that the meeting will be recorded and will be publicly available on the Integration Joint Board pages of the Perth and Kinross Council website following the meeting.**

**Members**

Councillor Callum Purves, Perth and Kinross Council (Chair)  
Councillor John Duff, Perth and Kinross Council  
Pat Kilpatrick, Tayside NHS Board  
Bernie Campbell, Carer Public Partner



**Audit and Performance Committee of the Perth and Kinross Integration Joint  
Board**  
**Monday, 17 February 2020**

**AGENDA**

**1 WELCOME AND APOLOGIES**

**2 DECLARATIONS OF INTEREST**

Members are reminded of their obligation to declare any financial or non-financial interest which they may have in any item on this agenda in accordance with the [Perth and Kinross Integration Joint Board Code of Conduct](#).

**3 MINUTE OF PREVIOUS MEETING**

**3.1 MINUTE OF MEETING OF THE AUDIT AND PERFORMANCE COMMITTEE OF PERTH AND KINROSS IJB OF 16 SEPTEMBER 2019** **7 - 14**  
(copy herewith)

**3.2 ACTION POINTS UPDATE** **15 - 16**  
(copy herewith G/20/24)

**3.3 MATTERS ARISING**

**3.3.1 TRANSFORMATION FUND FOR SOCIAL CARE** **17 - 18**  
(copy herewith)

**3.4 MEMBERSHIP UPDATE**  
Verbal Update by Clerk

**4 GOVERNANCE & ASSURANCE**

**4.1 INTERNAL AUDIT PROGRESS REPORT** **19 - 58**  
Report by Chief Internal Auditor (copy herewith G/20/20)

**4.2 RISK MANAGEMENT PROGRESS UPDATE** **59 - 82**  
Report by Chief Officer (copy herewith G/20/21)

**4.3 UPDATE AUDIT RECOMMENDATIONS** **83 - 90**  
Report by Chief Financial Officer (copy herewith G/20/22)

**4.4 PERTH AND KINROSS INTEGRATION JOINT BOARD AUDIT STRATEGY** **91 - 116**  
(copy herewith G/20/25)

<b>4.5</b>	<b>AUDIT SCOTLAND STATUTORY FEES</b> Report by Chief Financial Officer (copy to follow)	
<b>5</b>	<b>PERFORMANCE</b>	
<b>5.1</b>	<b>PERTH AND KINROSS HEALTH &amp; SOCIAL CARE PARTNERSHIP QUARTERLY PERFORMANCE REPORT</b> Report by Chief Officer (copy to follow)	
<b>5.2</b>	<b>2019/20 FINANCIAL POSITION</b> Report by Chief Financial Officer (copy herewith G/20/22)	<b>117 - 128</b>
<b>5.3</b>	<b>UPDATE FROM LOCALITIES</b> Verbal Report by Chief Officer	
<b>6</b>	<b>FOR INFORMATION</b>	
<b>6.1</b>	<b>AUDIT AND PERFORMANCE COMMITTEE RECORD OF ATTENDANCE 1 APRIL 2019- 31 MARCH 2020</b> (copy herewith G/20/26)	<b>129 - 130</b>
<b>6.2</b>	<b>PERTH AND KINROSS COUNCIL BEST VALUE ASSURANCE REPORT</b> (copy herewith G/20/26)	<b>131 - 180</b>
<b>6.3</b>	<b>AUDIT AND PERFORMANCE COMMITTEE WORK PLAN 2018/19</b> (copy herewith G/20/27)	<b>181 - 184</b>
<b>6.4</b>	<b>ANNUAL AUDIT REPORT 2018/19</b> (copy herewith G/20/28)	<b>185 - 186</b>
<b>6.5</b>	<b>AUDIT &amp; PERFORMANCE COMMITTEE FUTURE DATES 2020/21</b> <ul style="list-style-type: none"> <li>• 22 June 2020, 9.30am</li> <li>• 14 September 2020, 9.30am</li> <li>• 30 November 2020, 9.30am</li> <li>• 15 February 2020, 9.30am</li> </ul>	
<b>7</b>	<b>PRIVATE DISCUSSION</b>	

**8**      **DATE OF NEXT MEETING**  
Monday 22 June 2020



## **AUDIT AND PERFORMANCE COMMITTEE OF THE PERTH AND KINROSS INTEGRATION JOINT BOARD**

Minute of Meeting of the Audit and Performance Committee of the Perth and Kinross Integration Joint Board (IJB) held in the Council Chambers, Ground Floor, Council Building, 2 High Street, Perth on Monday 16 September 2019 at 9.30am.

**Present:** Councillors C Purves (Chair) and E Drysdale (both Perth and Kinross Council), Dr N Pratt, Tayside NHS Board (substituting for L Birse-Stewart) and M Summers, Carer Public Partner (substituting for B Campbell).

**In Attendance:** Councillor C Stewart; G Paterson, Chief Officer; J Smith, Chief Financial Officer; E Devine, C Jolly, D Mitchell, P Henderson and P Jerrard (all Perth and Kinross Health and Social Care Partnership); J Clark, Chief Internal Auditor, Perth and Kinross Council; S Hendry and A Taylor, Corporate and Democratic Services, Perth and Kinross Council; M Wilkie and C Windeatt (both KPMG).

**Apologies:** L Birse-Stewart and P Kilpatrick, both Tayside NHS Board, and B Campbell, Carer Public Partner.

Councillor Purves, Chair.

### **1. WELCOME AND APOLOGIES**

Councillor Purves welcomed all those present to the meeting and apologies were submitted and noted as above.

### **2. DECLARATIONS OF INTEREST**

In terms of the Perth and Kinross Integration Joint Board Code of Conduct, Councillor E Drysdale declared a non-financial interest in Item 5.1 on the agenda as Convener of the Perth and Kinross Council Audit Committee.

### **3.1 MINUTES OF PREVIOUS MEETINGS**

#### **(i) Minute of Meeting of the Audit and Performance Committee of 18 June 2019**

The minute of meeting of the Audit and Performance Committee of the Perth and Kinross Integration Joint Board of 18 June 2019 was submitted and approved as a correct record.

#### **(ii) Minute of Special Meeting of the Audit and Performance Committee of 29 July 2019**

The minute of the special meeting of the Audit and Performance Committee of the Perth and Kinross Integration Joint Board of 29 July 2019 was submitted and approved as a correct record.

### **3.2 ACTION POINTS UPDATE**

The Action Point Update (Report G/19/138) from the meeting of 18 June 2019 was submitted and noted.

Councillor Drysdale made reference to the risk sharing agreement and queried how this was progressing and whether there was a revised timeframe around this. In response G Paterson confirmed that current arrangements would remain in place but that both the Chief Executive of Perth and Kinross Council and the Chief Executive of NHS Tayside were keen for this to be resolved as soon as possible.

Councillor Purves stressed the importance of getting the risk sharing agreement issue resolved as soon as possible with any updates brought back to this Committee at the earliest opportunity.

### **3.3 MATTERS ARISING**

There were no matters arising from the minutes of previous meetings.

## **4. GOVERNANCE AND ASSURANCE**

### **4.1 RISK MANAGEMENT PROGRESS UPDATE**

There was submitted a report by the Chief Officer (G/19/139) updating on progress in managing the high level IJB Strategic Risk Management Profile and seeking approval of the revised Risk Management Framework.

#### **Resolved:**

- (i) The progress in managing the high level IJB Strategic Risk Management Profile as detailed in Appendix 1 to Report G/19/139, be noted.
- (ii) It be noted that current controls and treatment actions on the Strategic Risk Register have been updated to reflect actions on the Perth and Kinross Health and Social Care Partnership's (PKHSCP) Improvement Plan.
- (iii) The refreshed Risk Management Framework as detailed in Appendix 2 to Report G/19/139, be approved.

### **4.2 AUDIT RECOMMENDATIONS UPDATE**

There was submitted a report by the Chief Financial Officer (G/19/140) providing a progress update on the implementation of all internal and external audit recommendations arising since the formal inception of the Integration Joint Board on 1 April 2016.

Councillor Drysdale made reference to Point. 34 which states that consideration be given to allocating corporate support resources and capacity and queried if this was to happen where would this increased resource be found. In response G Paterson stated that it may not be an additional resource, but that it may be appropriate to deploy our existing resources in an alternative way. He further stated that there may be opportunities to re-align roles to try and achieve specific strategic objectives, adding that work was already underway in Perth and Kinross



Council in relation to Corporate Support and Best Value and that he would be looking to consult with colleagues to ensure that any benefits and learning can be achieved from this work.

**Resolved:**

The progress made to date on implementing agreed recommendations be noted.

#### **4.3 INTERNAL AUDIT STRATEGY & PLAN 2019/20 & 2018/19 PROGRESS UPDATE**

There was submitted a report by the Chief Internal Auditor (G/19/141) seeking approval of the Annual Internal Audit Plan for Perth & Kinross Integration Joint Board.

Councillor Drysdale made reference to Section 2 external inspection specifically the reference to the comment 'where resources permit' in relation to working with the Chief Officer and Chief Financial Officer post joint inspection publication and queried whether this intimated that there may be a requirement for further internal audit resources required to complete this task. In response J Clark advised that there was some contingency already built into the plan which would allow for specific strands of work which may require to be picked up. She further commented that if there was any significant additional work which had not been identified in the identified assignments then an update would be brought back to this Committee and the audit plan would be subsequently updated.

**Resolved:**

- (i) The Annual Internal Audit Plan 2019/20, as set out in Report G/19/141, be approved.
- (ii) Updates to the 2018/19 Internal Audit Plan, as well as commencement of delivery of the 2019/20 plan, be noted.

#### **4.4 EU EXIT PREPAREDNESS**

There was submitted a report by the Chief Officer (G/19/142) providing an update on current progress and contingency arrangements in relation to planning for the exit from the European Union and the potential impacts on operational delivery within the Health and Social Care Partnership and links to local resilience partnership and parent bodies NHS Tayside and Perth and Kinross Council.

Councillor Drysdale made reference to the term used in the report 'vulnerable returners' and queried how relevant staff would look to identify individuals who fall into this category and who may be in need of health and social care as soon as possible. In response G Paterson advised that GPs will look to ensure that the primary care system is ready and prepared for individuals who fall into this category to enable them to register at their local GP and to be further referred onto the appropriate services they may require. He further stated that there is still a high degree of uncertainty around this but that the Health and Social Care Partnership would be expecting GPs to initiate referrals to ensure that individuals have their needs met as appropriate and in the best way possible, adding that If this results in

significant unsustainable demand then it will be brought back to the IJB as soon as possible thereafter.

Councillor Drysdale made reference to the supply of the flu vaccinations available for the upcoming winter season and queried whether this should be a cause for concern. G Paterson reassured members that that he had not received any official alerts from the Public Health Committee suggesting that there may be any impact on this, and that planning was currently ongoing to roll the vaccine in stages as per normal procedures.

Councillor Drysdale also made reference to the term used in the report 'emergency lock down arrangements' and queried what this actually meant in detail. G Paterson advised that this ensures that local community services and GP practices have sufficient capacity to operate effectively, adding that business continuity plans were already in place routinely and we make sure these are tested at regular intervals. E Devine further added that this is about emergency continuity and ensuring that we have planned fully for all eventualities.

Councillor Stewart made reference to the forthcoming repeal of the European Communities Act 1972 and the effect this would have on medical device regulations. He further stated that this will mean that any medical device would require to be re-registered resulting in a pressure on notified bodies and manufacturers from May 2020 with it coming fully into effect sometime in 2022. Councillor Stewart and the Chief Officer agreed to raise this national issue at NHS Tayside Board level.

**Resolved:**

- (i) The progress of the Health and Social Care Partnership contingency planning to date in preparing to leave the European Union and the impact assessments completed to date, be noted.
- (ii) The Chief Officer, through future reporting to the Integration Joint Board / Audit and Performance Committee, to demonstrate further contingency planning arrangements and developments in line with Government timelines surrounding European Union exit planning.

#### **4.5 JOINT INSPECTION - THE EFFECTIVENESS OF STRATEGIC PLANNING IN THE PERTH & KINROSS AREA**

The Chief Officer provided a verbal update on the current position with the Care Inspectorate and Healthcare Improvement Scotland's Joint Inspection of Perth and Kinross Health and Social Care Partnership. He advised that he had now been informed by the Inspectorate of their intention to publish the inspection report on Monday 23 September 2019. He also advised that he had received an embargoed copy of the report and he would soon be working on a briefing note for issue to all staff, and a media release and an action plan in response to the confirmation from the Inspectorate of their intention to publish their report.

He further advised that the Inspection Report would also be a substantive item for discussion on the agenda for the next meeting of the Integration Joint Board scheduled to be held on 27 September 2019.

The Committee noted the position.

#### **4.6 AUDIT & PERFORMANCE COMMITTEE WORK PLAN 2019/20**

There was submitted a report by the Chief Financial Officer (G/19/143) seeking to present the Work Plan for 2019/20 to the Audit and Performance Committee for review and consideration on whether it provides adequate coverage to allow the Audit and Performance Committee to fulfil its core functions as detailed in its Terms of Reference.

Councillor Purves advised he welcomed the emphasis on performance in the work plan and stated the intention to bring locality actions plans and to begin bringing all programme board performance reports to this Committee from February 2020.

In response to a query from Councillor Drysdale on why this Committee has received regular updates on OPUSC but it will be six months before it receives any other performance updates, G Paterson advised that it may be possible to amend the work plan to allow for these reports to come to this Committee sooner. Councillor Purves added that if substantive performance reports were not going to be available then a verbal update on the Programme Boards could be provided allowing the Committee the opportunity to ask questions.

Councillor Drysdale enquired about the resource that was to be provided to Perth & Kinross Health and Social Care Partnership from Perth and Kinross Council to carry out data analysis which was to be match funded by NHS Tayside. In response G Paterson confirmed that a commitment from PKC to provide this resource had been received but so far NHST has not yet confirmed their commitment to match this. Councillor Purves enquired if it would be helpful for him to write to the Chief Executive of NHST on behalf of the Audit and Performance Committee regarding this commitment.

**Resolved:**

- (i) The Work Plan for 2019/2020, as attached at Appendix 2, be considered to providesufficient scope to ensure that all aspects of core functions as detailed in the Committee's Terms of Reference are adequately reported.
- (ii) The Work Plan for 2019/2020 be approved.
- (iii) The Chair to write to the Chief Executive of NHS Tayside on behalf of the Audit and Performance Committee regarding the issue of match funding for the additional resources for data analysis.

#### **5.1 ASSURANCES RECEIVED FROM PARTNERS**

There was submitted a report by the Chief Financial Officer (G/19/144) providing an update on the assurances received from NHS Tayside and Perth and Kinross Council regarding their governance arrangements noting that Perth and Kinross Integration Joint Board is reliant on both Partners to deliver the IJB's overall aims and objectives

**Resolved:**

- (i) It be noted that the IJB has issued confirmation of the adequacy and effectiveness of the governance arrangements in place within Perth and Kinross IJB for 2018/19 to NHS Tayside and Perth and Kinross Council.

- (ii) The position re confirmation of the assurance from NHS Tayside, be noted.
- (iii) The position re confirmation of the assurance from Perth and Kinross Council, be noted.
- (iv) It be noted that the status of assurances from NHS Tayside and Perth and Kinross Council is consistent with the contents of the IJB's Governance Statement in the audited Annual Accounts.

## **5.2 EXTERNAL AUDIT ANNUAL REPORT 2018/19**

There was submitted a report by the IJB's External Auditors, KPMG, (G/19/145) containing the Annual Audit Report to the Members of Perth and Kinross Integration Joint Board and the Controller of Audit for the year ended 31 March 2019.

### **Resolved:**

The contents of the Annual Audit Report to the Members of the Perth and Kinross Integration Joint Board and the Controller of Audit for the year ended 31 March 2019 be noted.

## **5.3 AUDITED ANNUAL ACCOUNTS 2018/19**

There was submitted a report by the Chief Financial Officer (G/19/145) presenting the Audited Annual Accounts for the period to 31 March 2019 for approval and submission to the Integration Joint Board.

### **Resolved:**

The Audited Annual Accounts for 2018/19, appended to Report G/19/145, be approved for submission to the Integration Joint Board for final approval.

## **5.4 LETTER OF REPRESENTATION**

There was submitted and noted a copy of a letter by the Chief Financial Officer to KPMG (G/19/147) in connection with their audit of the financial statements of Perth and Kinross Integration Joint Board for the year ended 31 March 2019.

THERE FOLLOVED A RECESS AND THE MEETING RECONVENED AT 11.25AM.

C WINDEATT LEFT THE MEETING AT THIS POINT.

## **6.1 OLDER PEOPLE AND UNSCHEDULED CARE QUARTERLY PERFORMANCE REPORT**

There was submitted a joint report by the Head of Health and Head of Adult Care and Social Care (G/19/148) providing an update on the Older People and Unscheduled Care (OPUSC) performance for the purposes of scrutiny and assurance.

Councillor Drysdale made reference to the figures regarding falls and queried whether it is possible to obtain some further detail on the types of falls to determine if there is anything which communities can do to reduce them. In response G Paterson advised that the Partnership's Falls Co-ordinator may be able to provide

some further detail on this although he stressed it may be more anecdotal than fact but may be useful to members.

Councillor Drysdale made reference to hospital readmission rates and noted that these are currently better than the national average, he did however query if there was any pressure put on Medical Practitioners to discharge people quicker than they should. In response E Devine advised that if people are re-admitted within seven days then this is deemed as a failed discharge, she stressed nobody would be discharged unless they are deemed medically fit for discharge.

Councillor Drysdale made reference to the sustained improvement in delayed discharges for the over 75 age group but queried why there was no evidence to support this in the report. In response P Henderson confirmed this data was not included in the report but undertook to forward this detailed information to Councillor Drysdale for his information.

**Resolved:**

The OPUSC Board performance outcomes report detailed in Appendix 1 to Report G/19/148, be noted.

**7 FOR INFORMATION**

There were submitted and noted the following reports for information:

**7.1 AUDIT & PERFORMANCE COMMITTEE RECORD OF ATTENDANCE**  
(G/19/149)

**7.2 SCOTTISH GOVERNMENT AUDIT AND ASSURANCE COMMITTEE**  
**HANDBOOK**  
(G/19/150)

**8 PRIVATE DISCUSSION**

There was no private discussion between members of the Committee and the Chief Internal Auditor.

**9 DATE OF NEXT MEETING**

Monday 2 December 2019 at 9.30am in the Council Chambers.





### Action Points Update 17 February 2020

#### Perth & Kinross IJB – Audit and Performance Committee (Report G/20/24)

Ref.	Min. Ref.	Meeting	Action	Responsibility	Timescale	Revised Timescale	Update/Comments
38.	6.4	19/2/19	The Chief Officer to seek formal agreement from Perth and Kinross Council and NHS Tayside on the risk sharing arrangements for 2019/20.	Chief Officer	16 September 2019	-	Complete. As at January 2020 informal discussions with the Chief Executives of both NHST and PKC have concluded that the risk sharing arrangements in place for the first 3 years will roll forward unchanged for 2019/20.
39.	4.6	16/9/19	The Chair to write to the Chief Executive of NHS Tayside on behalf of the Audit & Performance Committee regarding the issue of match funding for the additional resources for data analysis.	Chair	2 December 2019	-	Complete. Agenda Item 'Matters Arising'.







Perth & Kinross Health and Social Care Partnership  
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2 High Street  
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Enquiries to	Jane Smith
Extension/Direct Line:	01738 459556
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Your Ref	
Our Ref	JMS/PJ
Date	29 October 2019

Grant Archibald  
Chief Executive  
NHS Tayside  
Ninewells Hospital and Medical School  
DUNDEE  
DD1 9SY

Karen Reid  
Chief Executive  
Perth & Kinross Council  
2 High Street  
Perth  
PH1 5PH

Dear Grant and Karen

### **Transformation Fund for Social Care**

At the recent Perth and Kinross Integration Joint Board Audit and Performance Committee held on September 16<sup>th</sup> 2019, a query was raised regarding the above funding of £250k for Perth & Kinross Health and Social Care Partnership which was agreed by Perth and Kinross Council on 20<sup>th</sup> February 2019, subject to matched funding from NHS Tayside.

The narrative of the Perth and Kinross Council budget motion from February 2019<sup>1</sup> stated that the funding was:

- *“To develop robust intelligence to inform service transformation and better outcomes for our citizens. To be earmarked in Reserves. (Subject to receipt of funding from our Health & Social Care Partners).”*

It is understood that this funding is to be used for Transformation Projects across Perth & Kinross Health & Social Partnership with part being utilised for analysis of data/information around Complex Care.

The Audit and Performance Committee formally requested that I write to you on their behalf to request an update on any discussions which have taken place between NHS Tayside and Perth and Kinross Council regarding this funding.

I look forward to hearing from you.

Yours sincerely

**Councillor Callum Purves**  
**Chair**  
**Perth & Kinross IJB Audit & Performance Committee**

#### **Copy to:**

Councillor Eric Drysdale, Chair, Perth & Kinross Integration Joint Board  
Gordon Paterson, Chief Officer/Director – Integrated Health & Social Care  
Jane Smith, Chief Financial Officer, Perth & Kinross Health & Social Care Partnership

<sup>1</sup> [PKC Budget Motion Feb 2019](#)

**Delayed Office Opening  
for Employee Training**

*This office will be closed from  
8.45 am - 11.00 am on the first  
Thursday of each month.*



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Councillor Callum Purves  
Perth & Kinross Council  
2 High Street  
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Contact Karen Reid Ext 75009  
Direct Dial 01738 475009  
Email: [chiefexec@pkc.gov.uk](mailto:chiefexec@pkc.gov.uk)  
[www.pkc.gov.uk](http://www.pkc.gov.uk)

Our ref KR/SG

Your ref

Date 2 December 2019

Dear Councillor Purves

Thank you for your letter. Following the setting of PKC budget, both Chief Executives discussed the budgeted amount for use in health and social care digital and data transformation in March 2019. It was recognised that this was a welcome offer from PKC and that it needed to fit in with the broader digital strategies of both organisations and the national digital strategy for health and social care. Both Chief Executives agreed that a digital maturity assessment by the Scottish Government Digital Team would be helpful to inform the HSCP digital strengths and areas for improvement. This is being undertaken by the SG Digital Team. Once the results of this are known a further discussion will ensue regarding any potential match funding from NHS Tayside.

To inform the digital vision and focus on the use of data, an initial meeting was chaired by the CE of PKC in April 2019 which included colleagues from health, social care and NHS NSS ISD team to discuss how we could build a collective approach. A further meeting was chaired by the CEX of NHS Tayside in May 2019 to explore the potential of enhancing a Tayside wide data and digital approach. This meeting also included Police Scotland. More recently a small targeted piece of work is underway which will focus on the Rattray area and look at all the data and intelligence held by PKC, HSCP and Police Scotland to target early intervention and prevention.

Yours sincerely

Karen Reid  
Chief Executive  
Perth & Kinross Council

Grant Archibald  
Chief Executive  
NHS Tayside



## **AUDIT & PERFORMANCE COMMITTEE**

**17 FEBRUARY 2020**

### **INTERNAL AUDIT PROGRESS REPORT**

**Report by Chief Internal Auditor  
(Report No. G/20/20)**

#### **PURPOSE OF REPORT**

The purpose of this report is to provide the Audit & Performance Committee with an update on progress in relation to Internal Audit's planned activity.

#### **1. BACKGROUND**

The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor reports periodically to the Audit and Performance Committee in internal activity and on performance relative to the approved annual plan.

Since the last report to the Audit and Performance Committee, Internal Audit has finalising planned work from previous Internal Audit Plans. These reports are included as appendices 2 and 3 in this report.

The Risk Maturity Assessment was a consultancy assignment and provides the Partnership with some focus on improving the risk maturity of the organisation. Internal Audit has worked with Officers to draw up an Action Plan which includes all areas highlighted within the body of the report and will review progress with this as part of normal work.

Work for the 2019/20 Internal Audit Plan, approved in September 2019 (report [G/19/141](#) refers) has commenced. Appendix 1 provides an outline of progress to date.

Work to deliver the Plan will be undertaken through a Joint Working Protocol agreed by the Chief Internal Auditors of both statutory partners.

## 2. RECOMMENDATION

The Audit & Performance Committee is asked to:

- i. Note the completion of previous Internal Audit Plans as well as the commencement of the delivery of the 2019/20 plan; and
- ii. Consider the Internal Audit reports included as appendices 2 and 3 for
  - a) Risk Maturity Assessment; and
  - b) Clinical and Care Governance Follow Up.

## 3. CONSULTATION

The Chief Finance Officer has been consulted on the content of this paper.

### Author(s)

Name	Designation	Contact Details
J Clark	Chief Internal Auditor	InternalAudit@pkc.gov.uk

## APPENDICES

1. Internal Audit Plan Progress Report
2. Internal Audit Report On Risk Maturity (PK04/18)
3. Follow Up Of PK07/17 Internal Audit Report On Clinical, Care & Professional Governance (PK04/19)

## Internal Audit Plans Progress Report

2019/20 and prior years								
	Audit	Indicative Scope	Target Audit Committee	Planning commenced	Work in progress	Draft Issued	Completed	Grade
N/A	Audit Planning	Agreeing audit universe and preparation of strategic plan	Sept 2019	✓	✓	✓	✓	N/A
N/A	Audit Management	Liaison with managers and Directors and attendance at Audit & Performance Committee	Ongoing	Ongoing				N/A
	Annual Internal Audit Report	CIA's annual assurance statement to the IJB and review of governance self-assessment	June 2020					N/A
PK04-18	Risk Management	Review of systems of risk management, assessment of risk maturity and consideration of assurance mechanisms for key controls	Dec 2017	✓	✓	✓	✓	N/A
PK04-19	PK07-17 Follow Up – Clinical & Care Governance	Follow-up of Internal Audit Report PK07-17 which highlighted a number of areas relating to Clinical and Care Governance, including those in relation to hosted services, to ensure actions have been implemented and to take into account events subsequent to the issue of that report.	February 2019	✓	✓	✓	✓	N/A
PKIJB 19-01	Financial Risks	To provide assurance over the consideration of the financial risks for the Partnership, including engagement with statutory partners.	June 2020	✓	✓			
PKIJB 19-02	Performance Management	To review arrangements in place for the adequacy and effectiveness of the measurement and reporting of performance	June 2020	✓				
PKIJB 19-03	Improvement Actions	To review the arrangements in place for the consolidation of improvement actions; the efficiency and effectiveness of their completion and the ensuing reporting arrangements.	June 2020	✓	✓			



# FTF Internal Audit Service

## Risk Maturity Assessment Report No. PK04/18

**Issued To:** G Paterson, Chief Officer  
J Smith, Chief Financial Officer

F Easton, Change and Improvement Team Leader  
P Jerrard, Governance and Risk Coordinator

**Audit and Risk Committee**  
**External Audit**

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Draft Report Issued	31 July 2019
Management Responses Received	1 November 2019
Target Audit & Risk Committee Date	16 September 2019
<b>Final Report Issued</b>	<b>11 November 2019</b>
<b>Final Report Re-issued</b>	<b>04 December 2019</b>

*Re-issued to reflect change on page 3, para 3 'Risk Management Strategy' to 'Risk Management Framework'*



## CONTEXT AND SCOPE

1. IJB Risk Management Policy & Strategy states that *‘appropriate application of good risk management will prevent or mitigate the effects of loss or harm and will increase success in the delivery of objectives, better clinical and financial outcomes, achievement of targets and fewer unexpected problems’*.
2. The following risks could prevent the achievement of the above objective and have been identified as within scope for this audit:
  - The organisation may not be managing risks appropriately because it does not have a comprehensive risk management framework, congruent with those of its partner organisations in place comprising appropriate strategy, structures, policies and procedures based on sound risk management principles appropriate to integrated working;
  - Risks are not considered and addressed as part of all decision making activities.
  - All relevant strategic and operational risks may not be accurately identified, assessed, evaluated, recorded and monitored;
  - The quality of data including risks, controls and assurance may not be to the required standard;
  - Risk responses may not be appropriate and aligned with an appropriately defined and approved risk appetite;
  - Relevant risk information may not be captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities;
  - Users may not have appropriate knowledge of, and access to, robust risk management systems which are structured to allow partnership working;
  - Training and awareness for all stakeholders of the risk management process may be insufficient;
  - Adequate resources may not be available to support the risk management process;
  - Risks with partner organisations may not be appropriately managed;
  - Responsibility for managing operational risks may not be clearly assigned;
  - Effective assurance and reporting arrangements may not be in place over all risks relating to delegated functions;
  - Appropriate assurances may not be provided to all relevant bodies and their Audit Committees on the operation of risk management and the integrity of systems.
3. The P&K IJB Risk Management Strategy (RMS) was first approved at the July 2016 IJB with an updated Strategy approved by the Audit & Performance Committee (APC) in November 2018.
4. Our audit work was designed to evaluate whether appropriate systems are in place and operating effectively to mitigate the risks identified above and to inform future developments of Risk Management in P&K IJB.

## AUDIT OPINION

5. Due to the nature of the review which was to establish areas for improvement, we have not provided a formal audit opinion, although we have concluded that P&K IJB has made good progress and that an adequate risk management framework is in place.

6. However, we would highlight that further work is now required, both to meet best practice and to reflect the IJB's increasing maturity as an organisation and better understanding of the complex assurance arrangements with its partners. Whilst there are a significant number of further actions required, many of these should be seen as enhancements which will allow the IJB to embed Risk Management fully within its activities, in line with national and international best practice, noting that the IJB is operating in an extremely complex risk and assurance environment where there is considerable reliance on the risk management frameworks operating within the parent bodies, which are themselves in a process of development and flux.
7. In particular, there is an opportunity to engage the IJB Board in the update of the Risk Register, to use insights gained from the ongoing update of the Strategic Commissioning plan and to reflect on the lessons learned from the last three years, as well as overtly taking into account the risk registers of partner bodies. There is also potential to greatly enhance the interaction between risk management, decision-making and performance management and to increase the level of assurance over both current controls and the actions required to manage risks down to agreed tolerance. However, we would highlight that P&K IJB has a number of significant strategic and operational issues to address and therefore the planning of further enhancements to the Risk Management system will need to take into account the other governance developments required within the organisation.
8. The key issues are as follows:

#### **Risk Management Arrangements**

- The Risk Management Framework has been updated following a comprehensive review and contains most of the required elements. However, whilst it does include an escalation process, it does not clearly state that responsibility of operational risks lies with the parent bodies. Eventually, the Strategy will also need to be revised to reflect the ongoing, if sporadic, work to develop a Tayside wide mechanism for risks shared with the parent bodies;
- We did, however, find evidence of escalation of risks from the IJB Executive Management Team (EMT) to the Local Authority and note that the Chief Officer attends the NHS Tayside Strategic Risk Management group and is therefore able to escalate risks there;
- Officers at a senior level with extensive Risk Management experience were appointed to take forward Risk Management and it was evident that Risk Management had been appropriately prioritised and had been moved forward significantly. We note that both officers are due to retire soon and work is in progress to ensure that the officer identified to replace them, receives appropriate training and support. Notwithstanding this, the IJB should consider nominating an individual to champion Risk Management at IJB Board level;

**Identification/Risk Register**

- The most recent report to the June 2019 Audit and Performance Committee (APC) stated that *'a full update of the Strategic Risk Profile ...will be undertaken. This will ensure a 'golden thread' between the plan to improve the arrangements in place to deliver the objectives of the IJB and the reduction in overall risk exposure'*. In order to inform this review, we would highlight that key risks such as those relating to Mental Health and Prisoner Healthcare were not escalated to the Strategic Risk Register as soon as they could and should have been and would suggest that there is now an opportunity to update the Risk Register by capturing the risks identified as part of the ongoing review of the Strategic Commissioning Plan;
- We would also highlight that there are no overall quality or clinical and care governance risks nor a specific risk relating to the production and delivery of the Strategic Plan;
- Board Development events were held to consider both the Risk Register and the new Framework. We view this approach as very positive and would recommend that the IJB continue to use the wider perspective of the officers and members to review the risk register and enshrine this approach within the RMS.

**Governance & reporting**

- The agreed risk appetite, which forms part of the RMS, does not set a tolerance level but instead is intended to direct the focus of the organisation. We would highlight that many risks have not been reduced below their inherent score, suggesting that controls and actions may not be effective. However, we would note that the IJB has now introduced risk response plans for treatment actions sent out to Risk Managers to be discussed at EMT, which should help to address this issue.
- The score for Risk SR06 - Governance does not appear to reflect recent issues highlighted by Internal Audit and others in relation to ongoing difficulties faced by the IJB and will require significant revision once the formal Joint Inspection report has been received.
- The RMS does include operational monitoring arrangements and the EMT did conduct regular scrutiny at first but this tailed off due to other urgent priorities and the imminent departure of key officers. These arrangements have been revived now that an officer has been appointed with responsibility for risk management and a rolling programme agreed for the EMT.
- Although the IJB does not have a large Committee structure, there is possibly an opportunity for greater involvement by IJB Committees in the detailed consideration of specific risks relevant to their remit e.g. the APC for the Governance Risk and the Clinical and Care Governance group for risks such as Prisoner Healthcare and Mental Health once incorporated into the Risk Register. Questions that might be asked by Committee members could include:
  - Does the risk score feel right?
  - Do the current controls match the stated risk?
  - Will the mitigating actions bring the risk down to its target level?
  - If the mitigating actions are fully implemented would the outcome be achieved?
  - Does the assurance provided describe how the controls are performing?
  - Do the assurances come from more than one source including independent sources?

- Are limited resources being allocated appropriately i.e. on uncontrolled high risks or in otherwise well controlled areas of risk?
- Is there anything missing you would expect to see in the risk?
- Whilst Board papers do sometimes contain a section for risk, this is often not completed appropriately and does not usually contain any reference to the relevant Strategic Risk. In particular, performance reports, which are directly relevant to a number of Strategic Risks neither reference the risk nor allow a conclusion on whether the risk score is supported by the available performance information.
- The Risk Register contains an overt assessment of controls which reflects best practice and these are reviewed by the EMT as part of their consideration of risks and the risk register. However, whilst the RMF does state that *'A key element to ensure adequate follow up is a monitoring process which is able to provide reasonable assurance to the IJB / Partnership that there are appropriate control procedures in place for all significant risks and that these procedures are being followed'*, the assessment of controls is based on individual judgement and there are no formal mechanisms to provide assurance to the EMT, APC or IJB on the adequacy and effectiveness of controls or of the actions intended to reduce the risk. The IJB should consider the possibility of undertaking a proportionate assurance mapping exercise, focused on key risks in the first instance, to address this issue.
- We would also highlight that a number of controls, such as those for SR03-Workforce are operated by parent bodies and therefore assurances will need to be sought from them.
- The APC does not receive an annual risk management assurance report and there are no defined performance measures which would provide assurance to the APC that the RMS is being delivered.
- The June 2019 Risk Management update to the APC stated that a detailed action plan would be developed which will integrate actions arising from the PKHSCP 2018/19 Governance Self Assessment, the Joint Inspection report and the Ministerial Strategic Group Self Assessment.

## ACTION

9. The action plan at section 2 of this report has been agreed with management to address the identified weaknesses. A follow-up of implementation of the agreed actions will be undertaken in accordance with the audit reporting protocol.

## ACKNOWLEDGEMENT

10. We would like to thank all members of staff for the help and co-operation received during the course of the audit.

**A Gaskin BSc ACA**  
**Chief Internal Auditor**

**Action Point Reference 1****Finding:**


This report highlights a range of areas where Risk Management could be enhanced. However, the IJB has a range of pressing issues to resolve and has recently changed its risk management support structure.

**Audit Recommendation:**

A SMART action plan overtly addressing all the issues identified within this report should be prepared, taking into account available resources and the management time that will be required to remediate the other governance issues facing the IJB.

This action plan should be monitored regularly by the APC. A key component of this plan should be the production of an Annual Risk Management Report which overtly comments on progress with the action plan and which provides a definitive opinion on the adequacy and effectiveness of Risk Management arrangements based on a recognised methodology.

**Assessment of Risk:**

Significant		Weaknesses in control or design in some areas of established controls.  <b>Requires action to avoid exposure to significant risks in achieving the objectives for area under review.</b>
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**Management Response/Action**

The issues highlighted in this report have been recognised and agreed by the Chief Officer / Director Integrated of Health and Social Care and the Executive Management Team of Perth & Kinross Health & Social Care Partnership.

As recommended, a SMART action plan has been prepared which overtly seeks to address all of these identified issues. This action plan will be considered by the Partnership's Executive Management Team at each monthly risk review meeting.




**Action by:****Date of expected completion:**

Jane Smith, Chief Financial Officer

31 May 2020

***Assessment of Risk***

To assist management in assessing each audit finding and recommendation, we have assessed the risk of each of the weaknesses identified and categorised each finding according to the following criteria:

Risk Assessment		Definition	Total
Fundamental		Non Compliance with key controls or evidence of material loss or error. <b>Action is imperative to ensure that the objectives for the area under review are met.</b>	<b>None</b>
Significant		Weaknesses in control or design in some areas of established controls. <b>Requires action to avoid exposure to significant risks in achieving the objectives for area under review.</b>	<b>One</b>
Merits attention		There are generally areas of good practice. <b>Action may be advised to enhance control or improve operational efficiency.</b>	<b>None</b>

# FTF Internal Audit Service

## Follow Up of PK07/17 Clinical, Care & Professional Governance Report No. PK04/19

**Issued To:** G Paterson, Chief Officer/Director – Integrated Health and Social Care

J Smith, Chief Finance Officer

D Fraser, Head of Adult Social Work and Social Care

E Devine, Head of Health, Health & Social Care Partnership

H Dougall, Clinical Director, Perth & Kinross IJB

M Dickson, Clinical Governance & Risk Coordinator

J Pepper, Chief Social Work Officer, P&K Council

J Galloway, Head of PHC, OOH and FMS

P Stonebridge, Medical Director, NHS Tayside

C Pearce, Nurse Director, NHS Tayside

J Clark, Chief Internal Auditor, Perth & Kinross Council

Perth and Kinross Integration Joint Board

External Audit – KPMG

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Section 1	Executive Summary
Section 2	Issues and Actions
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Section 4	New Issue and Action
Section 5	Definition of Assurance and Priorities

Date Draft Issued:	14 June 2019
Date Response Required:	28 June 2019
Target Audit Committee Date:	16 September 2019
Final Report Issued:	08 January 2020
Final Report Re-issued:	04 February 2020



## EXECUTIVE SUMMARY

1. Internal Audit report PK07/17 on Clinical, Care & Professional Governance was issued in March 2018. As part of the annual planning process for 2018/19, it was agreed to include time on following up actions taken in response to this report, to ensure actions have been implemented and to take into account events subsequent to the issue of that report.

## RISKS

2. The following risks could prevent the achievement of the above objectives and have been identified as within scope for this audit:
  - Actions taken in response to internal audit report PK07/17 Clinical, Care & Professional Governance may not be sufficient.

## AUDIT OPINION

3. Internal Audit report PK07/17 Clinical, Care & Professional Governance was issued in March 2018 with nine recommendations agreed with management. The most recent Audit Follow Up position to the February 2019 Audit & Performance Committee reported that five recommendations were complete while four had extended completion dates.
4. However, our fieldwork showed that while two actions were technically complete; revised new arrangements have since been implemented and the actions taken therefore no longer address the original finding. In addition, one action to nominate deputies for the R2 Forum has been progressed but is not complete.
5. The remaining six actions were assessed by internal audit as ongoing. In these instances, whilst some action had been taken, it was not sufficient to fully address the recommendation and there was a risk that control weaknesses were still present.
6. Noting that Clinical and Care Governance arrangements are currently being reviewed across NHS Tayside, and that the IJB has identified that it does not have the capacity to provide assurance on Mental Health, we conclude that the new structures put in place since our audit should provide for adequate assurance routes in the future over most services. However, our work on reviewing the work of the R2 forum during 2018/19 shows that the work of the group was insufficient to allow it to conclude positively on clinical and care governance arrangements for Perth & Kinross HSCP for 2018/19. Whilst progress is being made, the current status for assurance arrangements particularly in relation to Mental Health should be escalated to the IJB and to the NHS Tayside Care Governance Committee. The P&K Clinical, Care & Professional Governance Committee which is being established should be fully engaged with the NHS Tayside wide process.
7. In addition, our concern is that current internal clinical & care governance systems did not identify issues subsequently raised as significant findings by external inspections, especially in relation to hosted services including Inpatient Mental Health and Prisoner Healthcare.

### **ACTION**

8. An action plan has been agreed with management to address the identified weaknesses. A follow-up of implementation of the agreed actions will be undertaken in accordance with the audit reporting protocol.

### **ACKNOWLEDGEMENT**

9. We would like to thank all members of staff for the help and co-operation received during the course of the audit.

A Gaskin, BSc. ACA,  
Chief Internal Auditor

## Section 2

## Issues and Actions

Ref.	Original Finding	Original Recommendation/ Management Response	P&K AFU Response February 2019	IA Conclusion
1.	<p>The R1 group as originally described within the GIRFE was not established. However, the September 2017 NHS Tayside Clinical Quality Forum received its updated terms of reference which now state that <i>'There will be three meetings per year [of the CQF] which will focus on Clinical and Care Governance assurances and learning from the three HSCPs'</i>. The paper also sets out future arrangements including a requirement to <i>'Seek assurance through performance reports from the three HSCPs that the Getting it Right for Everyone, Clinical and Care Framework is implemented across all HSCPs.'</i> Currently, minutes of all three Tayside IJB R2 groups are reported here.</p> <p>From a review of the draft minutes of this meeting it is not clear that this proposed arrangement for an R1 group operating through the CQF entirely fulfils all of the requirements of GIRFE and the Integration Scheme.</p>	<p>It is recommended that any new arrangements be considered and approved by the IJB or a nominated Committee/group.</p> <p>A paper detailing the new arrangements to be considered and approval sought by P&amp;K IJB at it's meeting on 22 June 2018.</p>	Not Yet Due (31 March 2019)	Ongoing

## Section 2

## Issues and Actions

Ref.	Original Finding	Original Recommendation/ Management Response	P&K AFU Response February 2019	IA Conclusion
2.	Whilst the terms of reference of the Audit & Performance Committee do not specifically refer to clinical, care & professional governance, the overall duty of the committee is to review the internal control arrangements of the IJB which would include clinical & care governance; as well as responsibility for risk management arrangements.	<p>We would recommend that the R2 Forum prepares an annual report for consideration by either the Audit &amp; Performance Committee or the IJB itself.</p> <p>The P&amp;K Care &amp; Professional Governance Forum has provided reports to the meetings of the IJB on the:</p> <ul style="list-style-type: none"> <li>• 15 June 2016</li> <li>• 4 November 2016</li> <li>• 30 June 2017</li> </ul> <p>and to the meetings of the Audit &amp; performance Committee on the:</p> <ul style="list-style-type: none"> <li>• 28 March 2017</li> <li>• 27 June 2017</li> </ul> <p>It is intended that a progress report will be reported to the Audit &amp; Performance Committee meeting on 6 March 2018, and to the IJB meeting on 22 June 2018.</p> <p>Thereafter, reports will continue to be presented to both the Audit &amp; performance Committee and the IJB at</p>	Not Yet Due (30 June 2019)	Ongoing

## Section 2

## Issues and Actions

Ref.	Original Finding	Original Recommendation/ Management Response	P&K AFU Response February 2019	IA Conclusion
		least annually.		
3.	The terms of reference for the R2 Forum were approved by the IJB in November 2016.	<p>We would recommend that following a review and refresh of this document based on the findings of this report, the IJB should again have an opportunity to comment on the work of the forum to ensure it will receive the assurances it requires.</p> <p>The terms of reference and workplan for the forum were reviewed at the Care &amp; Professional Governance meeting on 9 February 2018.</p> <p>Draft versions of the 2018/19 terms of reference and workplan will then be presented to the IJB along with the progress report on 22 June 2018 to seek approval.</p>	Not Yet Due (31 March 2019)	Ongoing
4.	Domain sub groups are in operation alongside the R2 Forum including a regular agenda item on exception reporting. However, from our review of minutes of the forum and the remit in place, it is not clear how information is reported and how	<p>More clarity is needed on how the work of the subgroups flows into the forum and helps the forum to fulfil its overall remit and this should be taken into account in the refresh of the forum's remit.</p> <p>The domain subgroups were discussed as</p>	Complete	Ongoing/ Weaknesses remain

## Section 2

## Issues and Actions

Ref.	Original Finding	Original Recommendation/ Management Response	P&K AFU Response February 2019	IA Conclusion
	actions are agreed where weaknesses are identified by the sub groups.	<p>part of the review of the terms and reference and workplan for the forum on 9 February 2018.</p> <p>The forum agreed that assurances regarding progress with each of the domains should be via service annual reporting and updates on specific activity ongoing with the partnership, rather than to continue with discrete sub-groups for the domains. The forum terms of reference and workplan for 2018/19 will reflect this approach.</p>		
5.	A gap analysis across 18 partnership services against the 6 domains of the GIRFE framework has been carried out and reported. Given the forum meets every two months, a minimum of 3 services would have to report to each meeting. However, in 2017/18 to date, only 4 services' annual reports have been planned and only one was received by the group.	A workplan should be developed for the R2 Forum to ensure sufficient reporting across each of the partnership's services as set out in Annex 1 and 2 to the Integration Scheme. This should be linked to a mapping exercise where external inspections of the services are planned or expected. Within this context, we would also highlight the need to apply a consistent assurance appetite to all aspects of IJB activity; whilst there are different assurance sources for different	Complete	Ongoing/ Weaknesses remain

## Section 2

## Issues and Actions

Ref.	Original Finding	Original Recommendation/ Management Response	P&K AFU Response February 2019	IA Conclusion
		<p>activities, there may be benefit in ensuring that the level of assurance received is consistent.</p> <p>A timetable has been created for future meetings which details the services which are due to report. Starting with the meeting on 6 April 2018, there will be either 3 or 4 services reporting at each meeting. This timetable will be reflected in the forum workplan for 2018/19.</p> <p>The forum will add a standing item on the agenda for services which have been subject to an internal or external inspection to provide assurances to the forum that any actions identified are being progressed. Services will also be expected to make the forum aware of any announced or unannounced inspections.</p>		
6.	Our review of minutes of the R2 Forum to date has not shown any overt reporting on hosted services. Perth & Kinross IJB hosts General Adult Psychiatry Mental Health Inpatient Services on behalf of the other Tayside IJBs. There is a high risk associated	<p>We would suggest that these would most naturally align with the work of the forum.</p> <p>With regards to the reporting from hosted services:</p> <ul style="list-style-type: none"> <li>Public Dental services presented their</li> </ul>	Complete	Weaknesses remain

## Section 2

## Issues and Actions

Ref.	Original Finding	Original Recommendation/ Management Response	P&K AFU Response February 2019	IA Conclusion
	with the Mental Health service which is recorded as a strategic risk for NHS Tayside and referred to within the IJB's clinical & care governance risk. However, no reports have come to the R2 forum on this which would allow P&K IJB to provide assurance to Angus & Dundee IJB. We have also not seen evidence of reporting of care commission inspection reports at the R2 Forum, A&PC or the IJB itself during the year.	<p>annual report to the forum on 18 August 2017.</p> <ul style="list-style-type: none"> <li>• Inpatient Mental Health services reported to the forum on 9 February 2018.</li> <li>• Podiatry is due to report to the forum on 6 April 2018.</li> <li>• Prison Healthcare is due to report to the forum on 5 October 2018.</li> </ul> <p>Reports from the Care Inspectorate, will be incorporated into the 2018/19 terms and reference and workplan for the forum.</p>		
7.	Although the terms of reference of the R2 Forum state that <i>'It is highly important that members attend the Care &amp; Professional Governance Forum on a regular basis. No more than two meetings should be missed in any one year unless due to extenuating circumstances agreed with the chair of the forum'</i> , we noted a high level of apologies at meetings with 15 members missing 2 or more meetings in 2017/18 to date,	<p>We would recommend that deputies are nominated for all members.</p> <p>A review of the dates and times of future meetings were discussed by the forum on 9 February 2018.</p> <p>Deputies for members will be identified and listed within the 2018/19 terms and reference.</p>	Complete	Weaknesses remain



## Section 2

## Issues and Actions

Ref.	Original Finding	Original Recommendation/ Management Response	P&K AFU Response February 2019	IA Conclusion
	including four members who did not attend any meetings.			
8.	Not all services were able to confirm as part of the gap analysis that comprehensive risk management processes are in place.	<p>We would recommend that action plans are agreed for each service to move towards a 'green' position within each of the gap analysis questions under the 6 key domains and that this is monitored by the R2 Forum.</p> <p>All services will be asked to provide actions planned or in progress to move towards a 'green' position within each of the gap analysis questions. This will be included within the service annual report.</p>	Complete	Ongoing/ Weaknesses remain
9.	<p>Our review of the minutes of the R2 Forum to date does not show overt consideration of the IJB's strategic clinical &amp; care governance risk or clinical risks.</p> <p>We also note that the remit does not cover the escalation of operational risks.</p>	<p>We would recommend regular consideration of relevant risks by the forum with clear routes for escalation.</p> <p>The forum discussed the forums remit regarding clinical and operational risks as part of the review of the terms of reference on 9 February 2018.</p> <p>The forum agreed that a standing item would be added to the agenda for clinical</p>	Overdue (31 March 2019)	Ongoing/ Weaknesses remain

## Section 2

## Issues and Actions

Ref.	Original Finding	Original Recommendation/ Management Response	P&K AFU Response February 2019	IA Conclusion
		<p>and care risk management.</p> <p>It was acknowledged that Angus HSCP and the Mental Health Directorate both have a more developed process for the oversight of clinical and care risks, and it was agreed that contact be made with these areas to further discuss.</p>		

Original Recommendation 1	
Finding:	
<p>The creation of a Clinical, Care &amp; Professional Governance Committee (CCPGC) was sought and approved at the Integration Joint Board (IJB) meeting on 30 November 2018. The Terms of Reference for the CCPGC were approved alongside this. The purpose of the CCPGC is to provide independent assurance on the adequacy of the Clinical, Care &amp; Professional Governance Framework and workplan while scrutinising the internal CCPG arrangements. The Clinical, Care &amp; Professional Governance Forum (R2) will report directly to CCPGC. The CCPGC will meet a minimum of three times per year, whilst the R2 Forum will meet bi-monthly.</p> <p>A workshop to discuss a refresh of the Getting It Right for Everyone (GIRFE) framework was due to take place on 13 February 2019 and a verbal update was given at the 6 April 2019 R2 Forum meeting.</p>	
Internal Audit Assessment:	
Ongoing	
Further Audit Recommendation 1:	
Any updates to GIRFE framework should be discussed and approved by the IJB or a nominated Committee/Group. Any impact on clinical and care governance processes for P&K HSCP should be included in this.	
Management Response/Action:	
An update report will be presented to the R2 Forum, and to the P&K Clinical, Care & Professional Governance Committee outlining the update to the Tayside GIRFE framework, including any impact on clinical and care governance processes for P&K HSCP. There is an ongoing local contribution to the process of updating the GIRFE Framework.	
Action by:	Date of expected completion:
Clinical Governance & Risk Coordinator Chief Social Work Officer Clinical Director, Perth & Kinross IJB	31 December 2019

Original Recommendation 2	
Finding:	
<p>Internal Audit recommended that the R2 prepare an annual report for consideration by the Audit &amp; Performance Committee or the IJB. Whilst none was prepared for 2017/18, this action point has been extended to 30 June 2019 to allow for the R2 Forum to prepare an Annual Report for the CCPGC, which in turn will report to the IJB. Management have advised that the 2018/19 R2 Forum annual report is expected to be presented at the June R2 Forum meeting, before being presented to the newly established CCPGC by June 2019, although there are no meetings arranged at this time. The CCPGC will report directly to the IJB.</p>	
Internal Audit Assessment:	
Ongoing	
Further Audit Recommendation 2:	
<p>For 2019/20 onwards, timing of reporting should ensure that the R2 prepares and considers its own annual report, following receipt of which by the CCPGC the Committee then should provide its own annual report to the IJB concluding on the clinical and care governance arrangements in place during the year.</p>	
Management Response/Action:	
<p>The R2 Forum has prepared an annual report for 2018/19, which will be presented at the first meeting of the CCPGC. The R2 Forum will prepare and submit an annual report for 2019/20, and for subsequent financial years.</p>	
Action by:	Date of expected completion:
<p>Clinical Governance &amp; Risk Coordinator Chief Social Work Officer Clinical Director, Perth &amp; Kinross IJB</p>	<p>31 March 2020</p>

Original Recommendation 3	
Finding:	
<p>The Terms of Reference advises that all services/localities will provide assurances on the provision of high quality care as well as the identification and mitigation of risks to the R2 Forum via a detailed annual report, including both qualitative and quantitative information.</p> <p>The 2018/19 R2 Forum Terms of Reference were discussed at the February 2018 meeting with revisions to be made regarding domains, deputies, standing agenda items and workplan. Our fieldwork showed that they were not fully updated or formally approved by the Forum. The 2019/20 Terms of Reference were under review at the time of our fieldwork; however, we have been able to view a draft copy. The draft includes an updated remit outlining the relationship with the new CCPGC but does not include reference to all the revisions made in February 2018.</p>	
Internal Audit Assessment:	
Ongoing	
Further Audit Recommendation 3:	
<p>We would recommend that the Terms of Reference are updated to include the previously agreed/discussed revisions including those in the management responses to PK07/17. The remit should clearly set out the reporting framework including the flow of assurance through other groups. Both the Terms of Reference and the remit should be formally approved by CCPGC.</p> <p>We would also recommend that workplans for these should be created allowing for assurance reporting in a timely manner. The workplans for Forum and Committee should include the provision of a draft annual report to the Forum for review before approval at CCPGC.</p>	
Management Response/Action:	
R2 Forum Terms of Reference for 2019/20 to clearly set out reporting and assurance arrangements. A workplan to be prepared detailing the annual reporting calendar and timescales for the creation of an R2 annual report.	
Action by:	Date of expected completion:
Clinical Governance & Risk Coordinator Chief Social Work Officer Clinical Director, Perth & Kinross IJB	31 October 2019

<b>Original Recommendation 4</b>	
<b>Finding:</b>	
<p>At the time of our original audit, subgroups for each of the domains set out in the GIRFE framework reported to the R2. It was agreed at the time that this data would be captured within the service annual reporting template. Assurance would be achieved through ongoing reporting at each meeting and these annual reports.</p> <p>This was not implemented in practice and no annual reports have been discussed at the R2 Forum after April 2018.</p> <p>For 2019/20 onwards, assurance is planned to be provided '<i>via ongoing reporting and provision of assurance, which will include both qualitative and quantitative information and will be used to provide assurances of the provision of high quality care, identification and mitigation of risks</i>'.</p>	
<b>Internal Audit Assessment:</b>	
Ongoing	
<b>Further Audit Recommendation 4:</b>	
See Recommendation 5 below.	
<b>Management Response/Action:</b>	
See response to recommendation 5 below	
<b>Action by:</b>	<b>Date of expected completion:</b>
Clinical Governance & Risk Coordinator Chief Social Work Officer Clinical Director, Perth & Kinross IJB	31 August 2019

## Original Recommendation 5

## Finding:

A timetable for service annual reports was originally included on the Agenda for the February 2018 R2 meeting, with 20 expected reports spread out across six meetings until December 2018. However, our review of the work of the R2 forum during 2018/19 showed only two of the annual reports were delivered and discussed by the group during the year. The services that provided reports between August 2017 and February 2018 were also not included on the next year's timetable. The three Mental Health Services reports that were due to go to the October 2017 meeting were, in total, deferred five times between them.

The timetable was included on the agenda for the April and July meetings but was removed afterwards. The minutes of the July meeting show that the service leads for Care Homes, Care at Home, Home Assessment Recovery Team (HART) and Hospital Discharge Team as well as Adult Social Work & Social Care Occupational Therapy, Community Alarm and the Joint Equipment Loan Service were unaware that these reports were on the agenda and agreed to discuss on delivery of the reports, highlighting that each service would report separately. Our work showed that no annual reports were received for any of these services, jointly or separately, in 2018/19. Only verbal updates in relation to improvements to the Care at Home service and the HART service were provided in November 2018. These updates were separate of any annual report that should have been issued.

Management informed us that service updates and exception reports were instead presented and discussed at the Clinical Governance (Health) Group and the Adult Social Work & Social Care Quality Assurance Group. A report/minute of each meeting should be provided to the R2 Forum. This was not always the case, with verbal updates having been provided on occasion. We would consider these minutes to be insufficient assurance to the Forum.

Whilst the subgroups for domains do not exist anymore, the lack of uptake by services in using the annual reporting template and timetable means that we cannot conclude positively on the CCPG arrangements within P&K HSCP during 2018/19. We note this lack of engagement with concern.

The Forum discussed at the meeting in July the need to report more regularly and it was agreed that a smaller meeting would be scheduled to discuss. This meeting took place on 10 August 2018.

A summary paper of this meeting was provided to the R2 Forum in December 2018 highlighting the planned future reporting routes for CCPG arrangements and the next steps to be taken:

1. *To develop a suite of Care & Professional Governance measures/ indicators which should be guided by the Strategic Commissioning Plan, the 4 Care Programmes and the Health & Social Care Standards. Also develop key questions for scrutiny.*
2. *To ensure the Forum has a key focus on both the Tayside Care & Professional Governance Framework and the six domains, as well as the Health & Social Care Standards.*
3. *To review the Term of Reference/Role & Remit for the Forum, and make clear the forums role in terms of Risk Management and Performance. Also consider renaming the Forum to simply the "Quality Forum".*

4. *To review the Workplan for the Forum.*
5. *To establish a clear communications pathway on how we communicate to the partnerships workforce and give the key message that Care & Professional governance is everyone's responsibility.*
6. *To review the governance context around the forum, and the formal reporting and escalation routes within the IJB and to the parent bodies. (IJB, Audit & Performance, IMT, EMT).*
7. *To consider moving towards a more "back to basics" approach to quality.*
8. *Further develop an Improvement Network to support improvement and facilitate Care & Professional Governance delivery, and to promote a self evaluation culture.*
9. *Review assurance and reporting arrangements for hosted services.*

Action point updates to the April 2019 R2 Forum meeting show that this work is ongoing and a draft Performance Review Framework has been created. It was reported to the Clinical Quality Forum (CQF) on 27 May 2019 that the South Locality would pilot using this framework for reporting along with a hosted service (Public Dental Service).

It is expected that they will report to the R2 Forum in September 2019 and that future reporting will be on an annual basis, with the four Localities (North, South, Perth City, Inpatients) and four hosted services (Public Dental, Podiatry, Mental Health, Prisoner Healthcare) also to be reporting in this way. At least two Social Work reports are expected as well.

The new Performance Review Framework uses the following as its basis for the report, with further deep-dive questions within each:

- *To what extent is care safe, effective and person centred?*
- *How reliable & effective are our care systems and processes?*
- *What are our next steps to maintain effective practices and to make improvements?*
- *What is the assessment of our capacity for improvement?*

The remit of the R2 Forum includes provision of assurance to the CQF every two months. The CQF reports on this assurance to the NHS Tayside Care Governance Committee (CGC).

At the CGC meeting on 16 August 2018, the Committee members were not assured regarding the current arrangements for clinical and care governance within Health and Social Care Partnerships (HSCPs) based on the data provided by the CQF on 9 July 2018. The CGC Chair requested a meeting take place to discuss the governance arrangements that were currently in place and consider how a level of assurance can be provided by the HSCPs regarding clinical governance. This meeting took place on 11 October 2018.

It was noted that the provision of unapproved minutes, inconsistency of reporting and poor HSCP representation at CQF meetings can make it difficult to be sufficiently assured of clinical governance arrangements in HSCPs.

In August 2018, a draft suite of measures was agreed for each HSCP to report against to the CQF and since September, an Assurance Framework for the Clinical Quality Forum report has been provided by P&K HSCP to the CQF using quarterly data from January 2018 onwards. Going forward these will use two-monthly data.

We were pleased to see that these reports were being provided to the R2 Forum in advance of CQF meetings.



<b>Internal Audit Assessment:</b>	
Ongoing	
<b>Further Audit Recommendation 5:</b>	
<p>a) The R2 will need to assess the outcome of the pilot reports to ensure that the format of the reporting framework also provides sufficient data, information and assurance and links to the assurance required by NHS Tayside's CQF.</p> <p>b) We would recommend that an R2 Forum workplan is created and includes a timetable for receipt of these annual reports and that escalation procedures are confirmed regarding delays and insufficient data.</p>	
<b>Management Response/Action:</b>	
<p>a) The R2 Forum will assess the outcome of the initial reports received in August to ensure that they provide sufficient data, information and assurance</p> <p>b) A workplan to be prepared detailing the reporting calendar for annual reports. Separate escalation processes for addressing any delays or insufficient data will be agreed by the R2 Forum co-chairs.</p>	
<b>Action by:</b>	<b>Date of expected completion:</b>
Clinical Governance & Risk Coordinator Chief Social Work Officer Clinical Director, Perth & Kinross IJB	31 August 2019

**Original Recommendation 6****Finding:**

Recommendation 6 related to reporting from hosted services. The P&K IJB Integration Scheme sets out that the IJB is responsible for the operational oversight of hosted services. Care and Clinical Governance Arrangements have also now formally been devolved to the three HSCPs. We were able to confirm that the annual reports for Public Dental Services and Podiatry went to the expected R2 meetings. Inpatient Mental Health Services was carried forward to the next meeting to allow members to read the report before discussion at the April 2018 R2 Forum. Whilst not recorded as a strategic risk to the organisation at the time of our report, this area clearly represents a complex challenge to the organisation, with a number of external reviews completed and ongoing.

Her Majesty's Inspectorate of Prisons for Scotland (HMIPS)/Health Improvement Scotland (HIS) completed an inspection of HMP Perth and Prisoner Healthcare in May 2018 and ongoing updates on this report and its subsequent action plan have been provided to the R2 Forum on a regular basis. Following a re-inspection of HMP Perth, the report now published acknowledges the good progress made and being made against the original recommendations.

However, Prisoner Healthcare was expected to provide an annual report to the October 2018 R2 Forum which did not come forward to the group.

Our concern is that current internal clinical & care governance systems did not identify issues subsequently raised as significant findings by external inspections.

**Internal Audit Assessment:**

Weaknesses remain

**Further Audit Recommendation 6:**

We recommend that the organisation, in addition to responding to the substantive points within the external report(s), undertakes a holistic review to understand why the internal systems did not identify these issues and how systems will do this in future.

**Management Response/Action:**

A significant amount of work has progressed by the HSCP and the Prison Healthcare service since the HMP Perth Inspection report was received in May 2018. Much of this activity has focussed on remedial actions to address the specific findings contained within the report. The Prison Healthcare service has also been working to improve its internal performance and assurance processes. It now has in place a performance dashboard which is regularly updated, and will form part of its annual report to the R2 Forum. The dashboard and accompanying report was received and considered at the R2 Forum meeting on the 10 June 2019.

Part of the assurance framework to the R2 Forum includes a programme of visits to services and localities, and HMP Perth will be included as part of these visits in future. Prior to this programme of visits starting, a visit to HMP Perth took place on 27<sup>th</sup> June 2019, and was an

## Section 3

## Status: Original Recommendations

opportunity for the R2 Forum co-chair along with colleagues to discuss the continuous improvement ongoing within the establishment.

It is also worth noting that Healthcare Improvement Scotland have asked all prison establishments across Scotland to complete a self evaluation annually, and self-evaluations have recently been completed and submitted for HMP Perth and HMP Open Estate at Castle Huntly.

With regard to Inpatient Mental Health Services, the current arrangement is that Inpatient Mental Health provides direct reporting into the Clinical Quality Forum. The current membership of the R2 Forum does not currently have the sufficient expertise to carry out the oversight function of Inpatient Mental Health Services.

Action by:	Date of expected completion:
Clinical Governance & Risk Coordinator Chief Social Work Officer Clinical Director, Perth & Kinross IJB Head of PHC, OOH and FMS	31 October 2019

**Original Recommendation 7****Finding:**

Internal Audit recommended the nomination of deputies for all members and for those to be listed within the 2018/19 Terms of Reference. The update to Audit & Risk Committee says that deputies have been identified however the membership list shows only two nominated deputies along with two Managers for each locality (one is expected to attend each meeting). The Co-Chairs are expected to deputise for each other as the need arises. Our review of the draft 2019/20 Terms of Reference shows a further three deputies nominated.

We reviewed the attendance records for meetings between April 2018 and December 2018 (6 meetings) and noted the following:

- At least one Co-Chair was in attendance at each meeting.
- There were two meetings where a deputy was not utilised where appointed.
- There was one meeting where no Locality Managers attended.
- At only one meeting has a representative from each Locality attended.
- On two occasions, both representatives from the same Locality attended.
- On three occasions, only two Localities were represented.
- A number of members do not have appointed deputies.

Our review of the R2 agendas/minutes showed that the much of the agenda for the September meeting was not discussed because a member would be leaving early. However, this person was not included on the membership list so quoracy would not have been affected.

**Internal Audit Assessment:**

Weaknesses remain

**Further Audit Recommendation 7:**

We would recommend that membership list should be reviewed and updated with all members included. Quoracy rules should ensure that as well as requiring representatives for both Health and Social Care, Localities and Hosted Services should also be represented. Deputies should be nominated for all members.

**Management Response/Action**

Membership list within the terms of reference to be updated and deputies identified. Members will also be expected to prioritise attendance at the R2 Forum.

**Action by:****Date of expected completion**

Clinical Governance & Risk Coordinator  
Clinical Director, Perth & Kinross IJB  
Chief Social Work Officer

31 October 2019

<b>Original Recommendation 8</b>	
<b>Finding:</b>	
<p>Internal Audit was able to review the gap analyses for December 2016 and August 2018 (assessment against 43 criteria under the 6 domains over 19 services). The vast majority of the 390 areas originally assessed as requiring improvements are still assessed as red or amber. Over all services and domains, only 61 areas showed improvement with one reduction ('Standard Operating Procedures are in place' within Psychiatry of Old Age wards).</p> <p>Within the gap analyses, 6 services originally assessed themselves as red or amber against the criteria 'Comprehensive Risk Management process is in place'. Only 1 (POA wards) have showed an improvement in the second gap analysis. However no annual reports were provided by many services so we were unable to review any action plans created after the first gap analysis and are unable to conclude on any improvements within these services.</p> <p>Considerable progress on risk management arrangements was made during the year and the Risk Register and revised Risk Management framework were approved in November 2018. The February A&amp;PC also received a strategic risk management update showing the organisation's strategic risks including information on current controls and treatment actions, but not assurances. Work is ongoing across the three Tayside partnerships to update and enhance risk management arrangements especially in relation to processes for ownership, identification and escalation of risk between the IJBs and their partners. Internal Audit has reviewed risk management arrangements separately and detailed recommendations will be made in this report.</p>	
<b>Internal Audit Assessment:</b>	
Ongoing / Weaknesses remain	
<b>Further Audit Recommendation 8:</b>	
A new gap analysis is to be brought to the first meeting of the CCPGC. We would recommend that the gap analyses are compared and used by services to create action plans to improve underperforming areas and strengthen others.	
<b>Management Response/Action:</b>	
Because of the reconfiguration of services into localities, it will not be possible to carry out a further iteration of the GAP analysis which will allow for comparison against previous iterations. It is intended that future assurance with regards to the 6 domains within each service/locality will be within the assurance framework (consisting of annual reports, exception reporting at each R2 Forum meeting, and visits to services)	
<b>Action by:</b>	<b>Date of expected completion:</b>
Clinical Governance & Risk Coordinator Chief Social Work Officer Clinical Director, Perth & Kinross IJB	Complete

<b>Original Recommendation 9</b>	
<b>Finding:</b>	
<p>A recommendation was made regarding the regular consideration of relevant risks by the forum with clear routes for escalation. Management agreed that a standing item would be added to the agenda for clinical and care risk management.</p> <p>Whilst Risk Management was added to the agenda of the R2 Forum for 2018/19, we noted that there was no discussion of specific risks at meetings.</p> <p>The most recent Audit Follow Up position advises that the IJB's strategic clinical &amp; care governance risk or clinical risks will now be reported through the new CCPGC. The R2 Forum will have responsibility for driving forward and monitoring of ongoing mitigation actions for any strategic clinical and care risk. There have been no CCPGC meetings so far.</p> <p>The Terms of Reference for the CCPGC advise that the committee will provide the IJB with an annual report whilst providing an opinion on adequacy and effectiveness of internal CCPG arrangements.</p>	
<b>Internal Audit Assessment:</b>	
Ongoing / Weaknesses remain	
<b>Further Audit Recommendation 9:</b>	
We support the direction of travel set out in the Audit Follow Up position and would recommend that following discussion of individual clinical risks at the R2, conclusions and actions to be taken are reported to the CCPGC.	
<b>Management Response/Action:</b>	
Discussion of the HSCP service risk profile will continue to be discussed at the R2 Forum, with conclusions and actions to be taken reported to the CCPGC	
<b>Action by:</b>	<b>Date of expected completion:</b>
Clinical Governance & Risk Coordinator Chief Social Work Officer Clinical Director, Perth & Kinross IJB	31 March 2020

<b>New Action Point Reference 1:</b>	
<b>Finding:</b>	
<p>As part of our audit, we identified a lack of assurance on acute mental health, for which the IJB is formally responsible as part of hosted services arrangements as set out in the Integration Scheme. Management informed us that there is no capacity and capability on the R2 Forum as it stands to undertake this. This leaves a significant gap which as yet has not been formally escalated to P&amp;K IJB or the NHS Tayside Care Governance Committee.</p>	
<b>Audit Recommendation:</b>	
<p>The current status for assurance arrangements particularly in relation to Mental Health should be escalated to the IJB and to the NHS Tayside Care Governance Committee. The P&amp;K Clinical, Care &amp; Professional Governance Committee which is being established should be fully engaged with the NHS Tayside wide process.</p>	
<b>Priority 2</b>	
<b>Management Response/Action:</b>	
<p>This issue will be escalated to the next P&amp;K Audit &amp; Performance Committee.</p> <p>The Chief Officer has identified a Service Manager with in depth knowledge in Clinical, Care and Professional Governance to review the current overarching HSCP CCPG arrangements. This will include providing clarity around the role (relative to other groups, fora and committees) of the new IJB Clinical, Care and Professional Governance Committee. The review will include a self assessment against the Integration Scheme to ensure we are meeting the CCPG requirements of such. The review will give consideration to how robust the IJB assurance arrangements are, including hosted services. In particular we require to ensure that the most appropriate arrangements can be established to ensure the necessary assurance for the IJB is in place in relation to Inpatient Mental Health Services in Tayside.</p> <p>The formal engagement process with the sub Committee of the IJB will be discussed and established as appropriate.</p>	
<b>Action by:</b>	<b>Date of expected completion:</b>
<p>Clinical Governance &amp; Risk Coordinator Chief Social Work Officer Clinical Director, Perth &amp; Kinross IJB</p>	<p>31 December 2019</p>

## Section 5 Definition of Assurances and Priorities

### *Definition of Assurance*

To assist management in assessing the overall opinion of the area under review, we have assessed the system adequacy and categorised the opinion based on the following criteria:

Level of Assurance		Definition
<b>A</b>	Good	There is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives.
<b>B</b>	Broadly Satisfactory	There is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives, although minor weaknesses are present.
<b>C</b>	Adequate	Business objectives are likely to be achieved. However, improvements are required to enhance the adequacy/ effectiveness of risk management, control and governance.
<b>D</b>	Inadequate	There is increased risk that objectives may not be achieved. Improvements are required to enhance the adequacy and/ or effectiveness of risk management, control and governance.
<b>E</b>	Unsatisfactory	There is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, control and governance and to place reliance on the system for corporate governance assurance.
<b>F</b>	Unacceptable	The system has failed or there is a real and substantial risk that the system will fail to meet its objectives. Immediate action is required to improve the adequacy and effectiveness of risk management, control and governance.



## Section 5 Definition of Assurances and Priorities

### *Recommendation Priorities*

The priorities relating to Internal Audit recommendations are defined as follows:

Recommendations	Definition	Total
<b>Priority 1</b>	<b>Priority 1 recommendations</b> relate to critical issues which will feature in our evaluation of the Governance Statement. These are significant matters relating to factors critical to the success of the organisation. The weakness may also give rise to material loss or error or seriously impact on the reputation of the organisation and require urgent attention by a Director.	
<b>Priority 2</b>	<b>Priority 2 recommendations</b> relate to important issues that require the attention of senior management and may also give rise to material financial loss or error.	
<b>Priority 3</b>	<b>Priority 3 recommendations</b> are usually matters that can be corrected through line management action or improvements to the efficiency and effectiveness of controls.	
<b>Priority 4</b>	<b>Priority 4 recommendations</b> are recommendations that improve the efficiency and effectiveness of controls operated mainly at supervisory level. The weaknesses highlighted do not affect the ability of the controls to meet their objectives in any significant way.	

**Priority 1 and 2 recommendations are highlighted to the Audit/Audit & Risk Committee and included in the main body of the report within the Audit Opinion.**





## **PERTH AND KINROSS INTEGRATION JOINT BOARD**

### **AUDIT AND PERFORMANCE COMMITTEE**

**17 FEBRUARY 2020**

### **RISK MANAGEMENT PROGRESS UPDATE**

**Report by Chief Officer  
(Report No. G/20/21)**

#### **PURPOSE OF REPORT**

The purpose of this report is to update the Audit & Performance Committee on progress in managing the high level Integration Joint Board's (IJB) Strategic Risk Management Profile.

#### **1. RECOMMENDATION(S)**

It is recommended that the IJB Audit & Performance Committee:

- (i) Notes the progress in managing the high level IJB Strategic Risk Management Profile (Appendix 1).
- (ii) Notes the improvement in risk exposure for four of the IJB's Strategic Risks.

#### **2. SITUATION / BACKGROUND**

At the Audit & Performance Committee in September 2019 the Committee were presented with the red Strategic Risks contained within the IJB's Strategic Risk Register. It was noted then that those Risk Ratings remained static.

However since the September meeting, significant work which has taken place which has effected the Strategic Risk Ratings including work towards improvement actions which have been identified in the Partnership Improvement Plan and the Joint Inspection Improvement Plan.

The Perth & Kinross Health and Social Partnership Executive Management Team continue to meet every 4 weeks to review the Strategic Risk Response Plans and this has resulted in the following updates and improvements in the level of some risk exposure ratings:

- SR01 - Financial Sustainability: Progress has been made in the development of a 3 Year Financial Recovery Plan with full involvement by the Chief Officer and Chief Finance Officer in the Perth & Kinross Council Budget Setting Process. Discussions continue with the Director of Finance of NHS Tayside to establish the route for collaboration with NHS Tayside in its further development. This will be fundamental to reducing the current level of this risk.
- SR02 – Recruitment and Retention: Changed to priority 2. This is in part due to the substantial work which has been ongoing since September 2019 in relation to current workforce. This work will allow an overarching draft workforce plan being put in place in the near future which will go to P&K HSCP Executive Management Team with a view to being completed by 31 March 2020.
- SR05 – Governance and Performance: Changed to priority 3. A simplified approach to performance reporting has commenced focussing on the 20 national indicators. A performance framework will then be produced which will enable is to routinely consider performance reports and provide EMT with monthly assurance.
- SR07 – Leadership and Direction: Changed to priority 2. Significant activities have taken place in relation to improvement actions which have been identified in the Partnership Improvement Plan and the Joint Inspection Improvement Plan.
- SR08 – Unified IT Strategy: Changed to priority 3. PKHSCP is working closely with both PKC and NHST to develop an ambitious Digital Strategy. A joint workshop took place in December 2019 to agree future priorities. The rating has been reduced following review by EMT and recognition that through the joint collaborative and ambitious development of the strategy moving forward the risk is currently manageable.

### **3. CURRENT / NEXT STEPS**

Perth and Kinross Health & Social Care Partnership recognises the need for a continued focus on reviewing our Strategic Risks. As part of this, annual workshops have been held with the extended management team to consider if the risks remain as barriers to the delivery of the IJB's Strategic Objectives, and if additional Strategic Risks should be considered. A full risk workshop has been arranged for 6 February 2020. The Risk Register will be updated for the next Audit & Performance Committee reflecting the outcomes of this workshop.

### **4. CONCLUSION**

This report sets out the Strategic Risk Register for Perth & Kinross Health and Social Care Partnership.

**Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
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**APPENDICES**

1. IJB Strategic Risk Register 2019/20



# Full Strategic Risk Register 2019/20

Version 1.4

21<sup>st</sup> January 2020

Version	Date	Status (draft, approved, signed off)	Author	Change Description
1.0	30 September 2019	Draft	Phil Jerrard	Initial Document
1.2	08 October 2019	Draft	Phil Jerrard	All Strategic Risks added
1.3	6 November 2019	Draft	Phil Jerrard	Amendments following EMT review. Links to Improvement Plan added.
1.4	20 January 2020	Draft	Phil Jerrard	Amendments following EMT review.

## Introduction and Background

Risk management is an indispensable element of good management. As such, its implementation is crucial to the Perth and Kinross Health and Social Care Partnership (PKHSCP) and essential to its ability to discharge its responsibilities. It is about improving PKHSCP's ability to deliver outcomes by managing our threats, enhancing our opportunities and creating an environment that adds value and is a key part of corporate governance. Good risk management will help identify and deal with key risks facing the PKHSCP in the pursuit of its goals and not simply a compliance exercise.

As part of good corporate governance an organisation is required to demonstrate that risk management is an integral part of its activity. This requires risk management to be embedded within the culture of the Partnership.

Risk Scoring Grid						
Impact	Critical	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low / Very remote	Low / Remote	Medium / Possible	High / Probable	Very High / Almost Certain
	Probability					

Our tolerance toward risk is detailed by our Risk Appetite. This tolerance is the black line running through the matrix above. Where risks fall above this line (priorities 1 & 2), consideration is given to controls and contingencies required.

## Appetite

Red	Where risk management should focus most of its time
Orange	Where risk management will ensure contingency plans are in place
Yellow	Basic mechanisms should be in place
Green	Where risk is so minimal it does not demand specific attention

## Control Effectiveness

Controls and Action Plans			
Key Controls		Action Plans for Control Improvements	
D	Significant Controls do not exist or have broken down	Will not achieve critical deadlines	
C	Significant controls not operating effectively	May not achieve critical deadlines	Significant concern
B	Not all controls are fully effective		Watching brief
A	Controls are working effectively	Will achieve critical deadlines	



## Risk Summary:

Risk Ref.	Risk Title	Risk Owner	Priority	Review Date	Status
<a href="#"><u>SR01</u></a>	<u>FINANCIAL</u> : There is insufficient financial resources to deliver the objectives of the Strategic Plan	Chief Officer	1	10 <sup>th</sup> January 2020	↔
<a href="#"><u>SR02</u></a>	<u>RECRUITMENT AND RETENTION</u> : There is a risk of an inability to recruit and retain suitably trained staff within some areas across the Partnership	Chief Officer	2	10 <sup>th</sup> January 2020	↑
<a href="#"><u>SR03</u></a>	<u>JOINT WORKING AGREEMENT</u> : There is a risk of a lack of a Joint Working Agreement	Chief Officer	3	10 <sup>th</sup> January 2020	↔
<a href="#"><u>SR04</u></a>	<u>COMMUNICATION &amp; ENGAGEMENT</u> : There is a risk that staff, stakeholders and communities will not support and buy-in to what we do	Chief Officer	2	10 <sup>th</sup> January 2020	↔
<a href="#"><u>SR05</u></a>	<u>GOVERNANCE &amp; PERFORMANCE</u> : There is a risk of an unclear / cohesive Governance and Performance framework	Chief Officer	3	10 <sup>th</sup> January 2020	↑
<a href="#"><u>SR06</u></a>	<u>ROLES &amp; RESPONSIBILITIES</u> : There is a risk of a lack of clarity around the roles and responsibilities of the IJB / Parent Bodies and HSCP	Chief Officer	2	10 <sup>th</sup> January 2020	↔
<a href="#"><u>SR07</u></a>	<u>DIRECTION &amp; LEADERSHIP</u> : There is a risk of a lack of clear direction and Leadership to achieve the vision for integration	Chief Officer	2	10 <sup>th</sup> January 2020	↑
<a href="#"><u>SR09</u></a>	<u>UNIFIED IT STRATEGY</u> : There is a risk that a lack of a unified IT strategy hinders integration	Chief Officer	3	10 <sup>th</sup> January 2020	↑

## Exposure Rating

Risks are prioritised as to where they fall on the Risk Scoring Grid:

- **Priority 1** Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.
- **Priority 2** There are significant risks, which may have a serious impact on the Partnership or Service Delivery and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.
- **Priority 3** Risk is manageable after controls have been applied. Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively.
- **Priority 4** Appropriate controls keep the risk low / negligible. These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively.

## Status

↑	Improvement in level of risk exposure
↔	Same level of risk exposure
↓	Increased level of risk exposure

## SR01: Financial

**Risk Owner:** Gordon Paterson

**Description of Risk:** There is insufficient financial resources to deliver the objectives of the Strategic Plan

**Strategic Priority:** Making best use of available facilities, people and other resources

**Current Risk Rating:** (priority 1, 2, 3 or 4)

**PRIORITY 1**

**Risk Movement:** (↑, ↔, ↓)

**↔ No Change**

Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.

Inherent Impact (1-5)	Inherent Likelihood (1-5)	Residual Impact (1-5)	Residual Likelihood (1-5)
5	5	5	4
Inherent Score: 25		Residual Score: 20	
Last Review Date: 10 January 2020			

Impact	Critical	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low	Low	Medium	High	Very High
Probability						

### Rationale for Risk Rating:

#### Consequences

- Reduced Service;
- Increased risk to service physically, mentally and socially;
- Delayed discharge;
- Impact on patient;
- Impact on Council and NHS beyond the partnership;
- Potential impact on workforce and external partners;
- Political pressure around reduced service;
- Reputational damage of Partnership;
- Central government intervention.

#### Cause

- Insufficient settlement;
- Increased demand and complexity;
- Increased cost of provision;
- Pace of transformation;
- Lack of clarity around future models of service delivery (inc shifting the balance of care);
- Lack of ownership and effective leadership).

SR01: Financial							
Control		Control Effective-ness	Mitigating Action(s)		Imp. Plan	Action Owner	Target Date
1.	Financial Planning Process	<b>B</b>	1.1	Development of a 3 year financial plan for all parts of the IJB Budget.		Chief Financial Officer	31 Mar 2020
			1.2	Seek agreement to financial risk sharing arrangements for 2019/20 and beyond.	IP29	Chief Financial Officer	31 Mar 2020
			1.3	Support NHST to ensure strong mechanism for overseeing progress in relation to Large Hospital Set Aside.		Chief Financial Officer	31 Mar 2020
			1.4	Create integrated budgets to support improved planning of services and ensure devolution to locality level.	IP26	Chief Financial Officer	31 Mar 2020
2.	Budget Negotiation Process (PKC & NHST)	<b>B</b>	2.1	Clear and robust budget negotiation process agreed and understood and aligned to IJB.		Chief Financial Officer	31 Mar 2020
			2.2	Ensure NHST budget setting timescales aligned with IJB and PKC from 2020/21.	IP27	Chief Financial Officer	31 Mar 2020
3.	Programmes of Care linking financial and service Planning	<b>B</b>	3.1	Develop stronger leadership and accountability to support financial recovery and financial planning.		Chief Officer	31 Mar 2020
4.	IJB BRG Process	<b>B</b>	4.1	Ensure a structured and supported IJB BRG framework is in place which is attended regularly by voting members.		Chief Financial Officer	30 Nov 2019
5.	Monthly Financial Monitoring & Reporting	<b>A</b>					
6.	2019/20 Financial Recovery Plan	<b>B</b>	6.1	Achieve IJB approval of 2019/20 Financial Recovery Plan.		Chief Financial Officer	31 Mar 2020
7.	Accountable budget holder for each cost centre	<b>A</b>					
8.	Reserves Strategy	<b>A</b>					
9.	Locally based integrated Finance Team	<b>B</b>	9.1	Development of a structure under the CFO and ensure sufficient Alignment by NHS Tayside of finance support for Inpatient Mental Health, Prescribing and Primary Care.	IP28 IP30	Chief Officer	31 Dec 2019
10.	Engagement meetings with key stakeholders (Head of Finance, Deputy Director of Finance, Chief Executives, IJB Chair Vice Chair, Budget Review Group)	<b>B</b>	10.1	NHST budget setting meetings to be put in place. Frequency of these meetings should be specified.	IP27	Chief Officer	31 Jan 2020

## SR02: Recruitment and Retention

**Risk Owner:** Gordon Paterson

**Description of Risk:** There is an inability to recruit and retain suitably trained staff within some areas across the Partnership.

**Strategic Priority:** Making best use of available facilities, people and other resources. Person-centred Healthcare and Support.

**Current Risk Rating:** (priority 1, 2, 3 or 4)

**PRIORITY 2**

**Risk Movement:** (↑, ↔, ↓)

↑ **Improvement**

Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.

Inherent Impact (1-5)	Inherent Likelihood (1-5)	Residual Impact (1-5)	Residual Likelihood (1-5)
4	5	4	3
Inherent Score: 20		Residual Score: 12	
Last Review Date: 10 January 2020			

Impact	Critical	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low	Low	Medium	High	Very High
<b>Probability</b>						

### Rationale for Risk Rating:

#### Consequences

- Lack of service provision / closure;
- Increased Delayed Discharge;
- Failure to deliver integrated care;
- Increased costs
- - Poor quality of care;
- Poor outcomes for people
- Reputation damage
- Low staff morale;
- Increased clinical risks;
- Care@Home target reduced;
- Institutionalisation;
- Increased supplementary staff across the partnership;
- Increased waiting lists;

#### Causes

- Short term contracts;
- EU Exit;
- Reputation of NHST;
- Shared market;
- Age of workforce;
- Academic expectation;
- National shortage;
- Low economy;
- Local economy;
- Reality - cost of accommodation.
- rurality
-

## SR02: Recruitment and Retention

Control		Control Effective-ness	Mitigating Action(s)		Imp. Plan	Action Owner	Target Date
1.	Supplementary staffing and contingencies	A	1.1	Ensure contingency plans are in place for all difficult to recruit areas in Health & Social Care for eg. CCH, PCH, Tay Ward, IPMH, PHC		Head SW/SC, HoH, AD MH	31 Dec 2019
2.	Vacancy Management	A	2.1	Ensure Vacancy Management process is in place for Health & Social Care and Hosted Services and continue to monitor the effectiveness.		Head SW/SC, HoH, AD MH	31 Dec 2019
3.	Maximising Marketing	A	3.1	Develop enhanced recruitment packages/ procedures/ marketing for difficult to recruit areas to potentially attract more applicants, eg. CAH, Inpatient Services, PHC, IPMH.		Head SW/SC, HoH, AD MH	31 Dec 2019
4.	Develop new roles/ways of working	A	4.1	Develop new roles, eg. ANPs, H&SC Assistants within ECS, SAS, etc.		Head SW/SC, HoH	30 Sep 2019
5.	Workforce Planning	A	5.1	Develop workforce strategy. MH Workforce Strategy.	IP22	Head SW/SC, HoH, AD MH	30 Sep 2019
			5.2	Develop a plan against Safer Staffing Bill for Health and Social Care staff.	IP22	Head SW/SC, HoH, AD MH	31 Dec 2019
			5.3	Develop OD plan against output from workforce plan.	IP22	Head SW/SC, HoH, AD MH	31 Dec 2019

## SR03: Joint Working Agreement

**Risk Owner:** Gordon Paterson

**Description of Risk:** Lack of Joint Working Agreement.

**Strategic Priority:** Making best use of available facilities, people and other resources

**Current Risk Rating:** (priority 1, 2, 3 or 4)

**PRIORITY 3**

**Risk Movement:** (↑, ↔, ↓)

↔ No change

Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.

Inherent Impact (1-5)	Inherent Likelihood (1-5)	Residual Impact (1-5)	Residual Likelihood (1-5)
4	3	4	2
Inherent Score: 12		Residual Score: 8	
Last Review Date: 5 <sup>th</sup> September 2019			

Impact	Critical	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low	Low	Medium	High	Very High
Probability						

### Rationale for Risk Rating:

#### Consequences

- Won't be able to integrate (creates divide);
- Unable to unify roles;
- Duplication of roles and responsibilities leading to inefficiency;
- Staff have a lack of sense of belong to HSCP;
- Inhibiting Innovation and New ways of working;

#### Causes

- No agreement between parent bodies;
- HSCP choose alignment instead of integration;
- Cultural differences;
- Risk aversion, due to legal rights and accountability;
- Fear of losing control and of take over by one organisation

## SR03: Joint Working Agreement

Control		Control Effective-ness	Mitigating Action(s)		Imp. Plan	Action Owner	Target Date
1.	Parent Bodies T&Cs	A	1.1	Align HR processes, policies and procedures via influencing national guidelines and thereafter implement.	IP31	PKC/NHS	Tbc
2.	Protocol Proposal going to SP&R Committee and NHS Board	B	2.1	Implementation of development plan and framework for Joint Working.		PKC/NHS	30 Sep 2019
3.	Parent Body HR Policies	A					
4.	Pan Tayside Group currently discussing and exploring agreement	A	4.1	Pan-Tayside Group continues to work together.		PKC/NHS	Ongoing
5.	Local Workforce Group for Partnership	C	5.1	Develop ToR for local workforce group to be signed off by IMT/EMT.		Perth City Locality Manager (Health)	30 Sep 2019

## SR04: Communication & Engagement

**Risk Owner:** Gordon Paterson

**Description of Risk:** Staff, stakeholders and communities will not support and buy-in to what we do.

**Strategic Priority:** Working with Communities.

**Current Risk Rating:** (priority 1, 2, 3 or 4)

**PRIORITY 2**

**Risk Movement:** (↑, ↔, ↓)

↔ No Change

Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.

Inherent Impact (1-5)	Inherent Likelihood (1-5)	Residual Impact (1-5)	Residual Likelihood (1-5)
4	3	4	3
Inherent Score: 12		Residual Score: 12	
Last Review Date: 24 October 2019			

Impact	Critical	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low	Low	Medium	High	Very High
Probability						

### Rationale for Risk Rating:

#### Consequences

- We do not achieve strategic objectives;
- Poor use of resources; Local Press;
- Lack of clarity around our message;
- Insufficient mechanism to hear feedback;
- Capacity, capability and co-ordination of engagement resources

#### Causes

- Local Press;
- Lack of clarity around our message;
- Insufficient mechanism to hear feedback;
- Capacity, capability and co-ordination of engagement resources



## SR04: Communication & Engagement

Control		Control Effective-ness	Mitigating Action(s)		Imp. Plan	Action Owner	Target Date
1.	Individual Programme Boards	<b>B</b>	1.1	Review role of Boards in relation to Communication and Engagement		Strategic Leads	30 Sep 2019
2.	Corporate Communications	<b>A</b>	2.1	Include Elected Members in Communication and Engagement.		Strategic Leads	30 Sep 2019
			2.2	Effective engagement with PKC Elected Members: Embed a Health and Social Care session into the PKC rolling programme for elected members	IP11	Head of Adult SW/SC	Tbc
			2.3	Effective Communication with our Public: Development of a coordinated approach to communication and marketing supported by dedicated expertise, ensuring that the effectiveness of the approach developed is evaluated in terms of its impact.	IP09	Head of Adult SW/SC	Tbc
3.	Stories of place and Local Action Partnerships	<b>B</b>	3.1	Engage with Localities / Communities and Councillors		EMT	Tbc
			3.2	Effective Engagement and Co-production at Locality Level: individual locality reports to be brought forward to the IJB, leading to greater prioritisation of the systemic evaluation of strategic impact	IP10	Head of Adult SW/SC	Tbc
			3.3	Engage with local communities to co-design future services	IP12	Head of Adult SW/SC	Tbc
4.	Communication, Engagement & Consultation Group	<b>B</b>	4.1	Development of Communications and Engagement plans.		Head of Adult SW/SC / South Locality Manager	30 Sep 2019
			4.2	Review role of Boards in relation to Communication and Engagement		tbc	Tbc

## SR05: Governance and Performance

**Risk Owner:** Gordon Paterson

**Description of Risk:** Unclear / incoherent Governance and Performance framework

**Strategic Priority:** Making best use of available facilities, people and other resources

**Current Risk Rating:** (priority 1, 2, 3 or 4)

**PRIORITY 3**

**Risk Movement:** (↑, ↔, ↓)

↑ **Improvement**

Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.

Inherent Impact (1-5)	Inherent Likelihood (1-5)	Residual Impact (1-5)	Residual Likelihood (1-5)
5	4	4	2
Inherent Score: 20		Residual Score: 8	
Last Review Date: 10 January 2020			

Impact	Critical	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low	Low	Medium	High	Very High
	Probability					

**Inherent Score:** 20

**Residual Score:** 8

**Last Review Date:** 10 January 2020

### Rationale for Risk Rating:

#### Consequences

- Unsafe practice;
- No clear lines of accountability;
- Inability to measure performance and not achieve objectives;
- Financial failure;
- Reputational damage;
- Failed inspection - special measures

#### Causes

- Lack of internal controls around HSCP corporate governance;
- Deliver governance in silos (PKC/NHS);
- Too much red tape;
- Not clear on roles and responsibilities in respect of corporate governance;
- Conflicting directions

## SR05: Governance and Performance

Control		Control Effective-ness	Mitigating Action(s)		Imp. Plan	Action Owner	Target Date
1.	Audit and Performance Committee;	<b>B</b>	1.1	Measuring our performance: Develop a 'measure what you value rather than value what you measure' approach aligned to the refreshed strategic plan with accountability arrangements in place to deliver integrated performance reporting and review making best use of available data/benchmarking, including at locality level, to identify areas of service improvement.		Chief Officer / Business Planning & Perf Mgr	30 Jun 2019
2.	BRG;	<b>A</b>					
3.	EMT / IMT / IJB;	<b>A</b>					
4.	EOT / & Directors;	<b>A</b>					
5.	Strategic Programme Boards;	<b>A</b>					
6.	Care Inspectorate / HIS;	<b>B</b>	6.1	Improvement Plans should put in place	-	Chief Officer	31 Jan 2020
7.	Annual Performance Report;	<b>A</b>					
8.	Chief Social Work Officer / NES;	<b>A</b>					
9.	Internal Audit / Professional Bodies (SSSC etc)	<b>B</b>		Tbc		Tbc	Tbc
10.	Clinical, Care & Professional Governance Forum	<b>B</b>		Tbc		tbc	Tbc

## SR06: Roles and Responsibilities

**Risk Owner:** Gordon Paterson

**Description of Risk:** Lack of clarity around the roles and responsibilities of the IJB / Parent Bodies and HSCP

**Strategic Priority:** Making best use of available facilities, people and other resources

**Current Risk Rating:** (priority 1, 2, 3 or 4)

**PRIORITY 2**

**Risk Movement:** (↑, ↔, ↓)

**↔ No Change**

Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.

Inherent Impact (1-5)	Inherent Likelihood (1-5)	Residual Impact (1-5)	Residual Likelihood (1-5)
4	4	4	3
Inherent Score: 16		Residual Score: 12	
Last Review Date: 24 October 2019			

Impact	Critical	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low	Low	Medium	High	Very High
Probability						

### Rationale for Risk Rating:

#### Consequences

- Decision paralysis;
- Non-collaborative decision making;
- Negative impact on Service delivery;
- Financial imbalance;
- Poor worklife experience / low morale;
- Not using 'Directions' effectively

#### Cause

- Poor communication;
- Poor leadership;
- Lack of engagement;
- Disconnect between senior management and staff;
- No descriptor around relationship between HSCP and IJB ;
- No uniformity across Tayside re IJB/HSCP arrangements.

## SR06: Roles and Responsibilities

Control		Control Effective-ness	Mitigating Action(s)		Imp. Plan	Action Owner	Target Date
1.	Government legislation / Scheme of Delegation	<b>A</b>	1.1	How effective is the IJB Board? Undertake a self-assessment of performance against the PKIJB Integration Scheme with IJB members and Executive Management Team to provide improved understanding of the IJB's role and remit	IP01	Chief Officer	31 Dec 2019
2.	Corporate Governance structures	<b>B</b>	2.1	With the governance and accountability structures of both statutory bodies, as well as those of the IJB, there is considerable duplication in reporting to potentially 5-6 different committees/fora/groups and thus great potential to explore a more integrated and efficient approach. We will review current arrangements and work with partners to explore the potential to reduce duplication.	IP36	Chief Officer	31 Mar 2020
			2.2	A comprehensive improvement plan will be developed that brings together the findings of the Joint Inspection, the findings of the Annual Governance Self Assessment and as part of that the MSG Review of Integration. In developing our Improvement Plan we will look to the progress and success achieved elsewhere in Scotland through benchmarking activity, the Chief Officer's involvement in the National Chief Officers' Group and the improvement support available from both inspectorates.	IP37	Chief Officer	31 Dec 2019
3.	Service Plans in place	<b>B</b>	3.1	Service Plans to be consolidated and support put in place to scrutinise and monitor.		IMT	30 Sep 2019
			3.2	Work collaboratively to shift the balance of care.		IMT/EMT	30 Sep 2019
4.	Financial Plans	<b>A</b>					
5.	Self Evaluation and Regulated Evaluation	<b>A</b>	5.1	Improvement plans developed in respect of Self-evaluation.		IMT/EMT	30 Sep 2019
6.	Embed the routine issue of Directions as part of normal business process and ensure appropriate learning from other integration authorities	<b>B</b>					
7.	Training & Development of IJB members	<b>B</b>	7.1	Implement a Leadership Development Program focused on Collaborative Practice	IP03	tbc	Tbc
			7.2	Programme Annual Development Meetings between the Chair and Members	IP05	IJB Chair	Tbc

## SR07: Leadership & Direction

**Risk Owner:** Gordon Paterson

**Description of Risk:** Lack of clear direction and Leadership to achieve the objectives of the Strategic Plan

**Strategic Priority:** Outcomes and service transformation

**Current Risk Rating:** (priority 1, 2, 3 or 4)

**PRIORITY 2**

**Risk Movement:** (↑, ↔, ↓)

↑ **Improvement**

Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.

Inherent Impact (1-5)	Inherent Likelihood (1-5)	Residual Impact (1-5)	Residual Likelihood (1-5)
5	4	5	3
Inherent Score: 20		Residual Score: 15	
Last Review Date: 10 January 2020			

Impact	Critical	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low	Low	Medium	High	Very High
Probability						

### Rationale for Risk Rating:

#### Consequences

- Loss of staff (not sense of belonging) / unable to attract staff;
- Poor morale;
- Loss of reputation;
- Unable to deliver vision and to innovate;
- Lack of organisational trust;
- Poor outcomes for people.

#### Cause

- Unclear on how to achieve the vision;
- No direction;
- No integrated leadership at all levels;
- Poor communication at operational level;
- Lack of joint processes delegation, authority;
- Language and cultural differences;
- Poor communication and engagement

## SR07: Leadership

Control		Control Effective-ness	Mitigating Action(s)		Imp. Plan	Action Owner	Target Date
1.	Chief Officer and EMT;	<b>B</b>	1.1	Review of PKHSCP organisational structure and overall senior leadership capacity.	IP02	Chief Officer	30 Nov 2019
			1.2	Establishment of Leadership Development Program focused on Collaborative Practice	IP03	EMT	31 Mar 2020
			1.3	Refresh of induction and review of IJB Annual Training and Development Plan to ensure that IJB members are adequately supported	IP04	EMT	31 Mar 2020
			1.4	Seek appropriate levels of Corporate Support from Statutory Partners including organisational and workforce development	IP23	CFO	31 Mar 2020
			1.5	Ensure that Programme and Project Management is effective and supports the implementation of all strategic plans and strategic priorities, taking into account the scale of the task, its capacity, finance and the timescale needed to achieve it.	IP24	Business Planning & Perf Mgr / C&I TL	Tbc
			1.6	Improve the effectiveness of the connection of PKHSCP planning with Statutory Body Strategic Planning (Transforming Tayside/ Perth & Kinross Offer)	IP25	HoH	Tbc
2.	Strategic Plan;	<b>B</b>	2.1	Development of our five-year Strategic Commissioning Plan which will set out a shared vision and clear priorities to drive improvements in outcomes.	IP14	EMT	31 Mar 2020
			2.2	Review of our Planning & Commissioning structures and the role and remit of the Strategic Planning Group to ensure that existing strategies are supported in terms of the Partnership's capacity to deliver	IP19	EMT	31 Mar 2020
			2.3	Conduct regular reviews of priorities bearing in mind emerging issues being prepared to reorganise, reprioritise and reallocate capacity from lower level priorities or secure additional resource.	IP20	tbc	tbc
			2.4	Take a systematic approach to reviewing and updating the partnership's strategic needs assessment bearing in mind the objectives of the Strategic Commission Plan.	IP21	tbc	Tbc

## SR09: Unified IT

**Risk Owner:** Gordon Paterson

**Description of Risk:** Lack of a unified IT strategy hinders integration

**Strategic Priority:** Outcomes and service transformation

**Current Risk Rating:** (priority 1, 2, 3 or 4)

**PRIORITY 3**

**Risk Movement:** (↑, ↔, ↓)

↑ **Improvement**

Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.

Inherent Impact (1-5)	Inherent Likelihood (1-5)	Residual Impact (1-5)	Residual Likelihood (1-5)
3	5	3	2
Inherent Score: 15		Residual Score: 6	
Last Review Date: 10 January 2020			

Impact	Critical	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low	Low	Medium	High	Very High
Probability						

### Rationale for Risk Rating:

#### Consequences

- Duplication of assessment and recording;
- Does not support integrated working;
- Repetitive for client / patient;
- Inability to robustly audit activity - in terms of integrated working;
- Makes performance measuring difficult;
- Difficult to share information;
- Unable to escalate risk of harm or concern quickly -(safety).

#### Cause

- Lack of IT solutions - not compatible systems; no shared platform;
- Existing systems are fairly new - reluctance to use just one system ;
- Expensive Fix - IT solutions;
- No National Solution;
- Information protocols differ across partnerships;
- Within Health, Acute / Primary Care and Community Systems differ.



SR09: Unified IT							
Control		Control Effectiveness	Mitigating Action(s)		Imp. Plan	Action Owner	Target Date
1.	IT Managers for HSCP across Tayside wide have been meeting to develop solutions;	<b>B</b>	1.1	Regular updates to IMT/EMT on progress.		SM Bus Imp, IT SM	30 Sep 2019
2.	Common log in platform and ability to view HSCP systems;	<b>B</b>	2.1	CO to discuss with Parent Bodies		Chief Officer	30 Sep 2019
3.	Joint SharePoint site;	<b>B</b>	3.1	Sharepoint site to be developed to allow staff from both PKC and NHST to have shared IT space, etc.		IT SM	Tbc

## Archived Risks:

Risk Ref.	Risk Title	Date Archived
SR08	POLITICAL - There is a risk of a lack of political continuity	September 2019



## PERTH AND KINROSS INTEGRATION JOINT BOARD

### AUDIT & PERFORMANCE COMMITTEE

17 FEBRUARY 2020

### UPDATE: AUDIT RECOMMENDATIONS

Report by Chief Financial Officer  
(Report No. G/20/22)

#### PURPOSE OF REPORT

This report provides the Audit & Performance Committee with progress on the implementation of all internal and external audit recommendations arising since the formal inception of the Integration Joint Board (IJB) on 1 April 2016.

#### 1. BACKGROUND

It is best practice for Audit Committees to receive regular updates on progress in implementation of audit recommendations. A full review has therefore been undertaken on all internal and external audit recommendations since inception of the IJB on 1 April 2016. Resources have now been put in place to ensure this is updated on a regular basis.

#### 2. UPDATE / SUMMARY OF FINDINGS

In terms of progress against recommendations, the follow up work undertaken indicates the following:

Status	
Complete	24
Not Yet Due	4
Overdue	6
Ongoing	1
Total	35

There has been one audit completed since the last report to this Committee:

- External Audit Annual Report 2018/19

Three new recommendations have been identified from this new audit and these have been incorporated into this update, action references 43, 44 and 45.

**Appendix 1** lists all recommendations either overdue, not yet due, completed or ongoing since the last report to this Committee.

**Appendix 2** lists all recommendations which are complete and have been previously reported as complete to this Committee.

### 3. RECOMMENDATION

The Audit & Performance Committee are asked to note the progress made to date on implementing agreed recommendations.

#### Author(s)

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## PERTH &amp; KINROSS INTEGRATION JOINT BOARD

Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Context / Recommendation	Action	All Leads	To be completed by	Status	Days overdue	Latest Update
24	Internal	Annual Report	2017-18	2	The Executive Management Team has replaced the Transformation Board as the key forum to oversee development and implementation of the service redesign required to deliver Strategic Plan objectives. We have been informed that the 3 year Financial plan which is planned for September 2018 will clearly set out by Care Programme the Transformation Proposals and financial implications. This will sit alongside Strategic Delivery Plans for each Care Group which will link transformation plans to strategic objectives and thus provide an overall picture.	Each of the Strategic Boards will have the responsibility for the development of a three year plan that ensures delivery of objectives.	HSCP Executive Management Team	31/03/19	Overdue	323 days	<p>The Older People and Unscheduled Care Board has agreed an outline strategic delivery plan and ensured a direct link between the strategic plan and the 3 Year Financial Plan. Implementation of a significant programme of transformation is now being overseen by the OPUSC Board working closely with locality managers to ensure effective implementation across localities.</p> <p>The further development of Strategic Delivery Plan for all Care Programmes linked to the refreshed Strategic Plan will be a key improvement action for 2019/20.</p> <p>Mental Health &amp; Wellbeing Board – the Complex Care Outline Business Case has been presented at EMT and EOT detailing background, issues, proposals and resources required. Some funding has been approved for project support however more resource is required to progress the programme. EOT have requested further information.</p>
33	Internal	Annual Report	2018-19	1	Taking account of the considerable duplication between the outcomes of the organisation's governance self assessment, our findings and those of the MSG, as well as the Audit Scotland HSCI report; where possible, all relevant findings from these reviews should be collated and monitored through a single SMART action plan.	All relevant findings from MSG report, Audit Scotland, etc to collated and monitored through a single SMART action plan.	Chief Officer	30/09/19	Overdue	140 days	The SMART consolidated Partnership Improvement Plan will come forward to the February 2020 IJB meeting for approval and will be brought to Audit & Performance Committee for monitoring thereafter.
34	Internal	Annual Report	2018-19	2	The IJB should be provided with assurance that sufficient capacity and organisational structure is in place to support the planned work.	Consideration to be given to allocating Corporate Support resources and capacity and the provision of greater clarity and accountability through restructure.	Chief Officer	31/03/20	Not yet due	-	<p>The need for an enhanced corporate and strategic planning capacity is being considered. The organisational restructure of the IJB will address this.</p> <p>A review of the management structure and corporate support is underway. This will be critical in ensuring PKHSCP can take forward development of a workforce plan during 2019/20.</p>
35	Internal	Annual Report	2018-19	3	Any changes in governance processes arising from the governance assessment process should be incorporated into the next updates of Standing Orders, Scheme of Delegation and Standing Financial Instructions.	Standing Orders, Scheme of Delegation and Standing Financial Instructions to be amended as necessary.	Chief Financial Officer	Ongoing	Complete	-	Complete - Standing Orders, Scheme of Delegation and Standing Financial Instructions will be amended as necessary.
37	Internal	Annual Report	2018-19	5	Reporting on transformational change to the IJB should reflect its importance to the IJB, focused on providing an overall picture of progress and risks to delivery.	The Strategic Delivery Plans for each Care Programme Board will set out programmes of transformation and progress will be provided through regular reporting on each	Chief Officer	Ongoing	Ongoing	-	Strategic Delivery Plans for all Care Programmes linked to the refreshed Strategic Plan will be a key improvement action for 2019/20.

## PERTH &amp; KINROSS INTEGRATION JOINT BOARD

Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Context / Recommendation	Action	All Leads	To be completed by	Status	Days overdue	Latest Update
						programme to the Board. Individual transformation Business Cases will be b/f to the IJB.					
38	Internal	Annual Report	2018-19	6	We would recommend a clearer link between the organisation's highest financial and strategic risks and reporting received. Whilst not recorded as a strategic risk to the organisation at the time of our report, Inpatient Mental Health Services clearly represents a complex challenge to the organisation but has not featured prominently in the business of the IJB and A&PC during 2018/19.	A schedule of reporting on Inpatient Mental Health Services to the IJB will be developed and agreed with the Chair/Vice Chair. Strategic Risk concerning Inpatient Mental Health to be developed and updated on IJB's Strategic Risk Register.	Chief Officer	30/06/19	Overdue	232 days	The IJB received a report on Mental Health Service Redesign in September 2019. Further reports will be considered regularly. The Strategic Risk in relation to Mental Health will be fully developed via a Risk Workshop in early February 2020.
39	Internal	Annual Report	2018-19	7	It is not clear how P&K IJB will receive assurance on services hosted by the other two Tayside IJBs as they relate to its citizens. We have recommended that risk & performance management arrangements should be included in any further work on the implementation of the Hosted Services Memorandum of Understanding.	A schedule of reporting on services hosted by Dundee and Angus IJB's will be agreed with the Chair/Vice Chair.	Chief Officer	30/06/19	Overdue	232 days	This will be progressed with the new Chair of the IJB.
41	Internal	Strategic Planning PK05/18 (Inc. PK06/18)	2018-19	1	a) The Strategic Plan should be completed identifying key objectives and priorities consistent with the workforce development plans, financial sustainability planning operation plans and ehealth capacity. b) As the national Strategic Commissioning Plan Guidance section 37 requires that the views of the Strategic Planning Group are taken into account in the review of the strategic commissioning plan, sufficient time should be provided to stakeholders for engagement including the SPG and the PK IJB. c) SPG minutes of meetings should be available on the HSCP shared information site to evidence the group's input.	<ul style="list-style-type: none"> <li>Strategic Plan to be completed.</li> <li>Strategic Planning Group to be taken into account in reviewing the Strategic Plan with sufficient engagement with this group having taken place.</li> <li>Strategic Planning Group minutes of meetings to be available on HSCP Share information site to evidence input into the Strategic Plan.</li> </ul>	Chief Officer	30/09/19	Overdue	140 days	The P&K IJB Strategic Commissioning plan was agreed at the December 17 2019 IJB. During July 2019 we undertook comprehensive engagement with the people who live in Perth & Kinross to better inform the content and priorities which will be core to the new Strategic Commissioning Plan. There will now be a period of consultation across the P&K Partners, Strategic Planning Group and workforce. A high level first stage delivery action plan is in formulation due for completion by the end of February 2020. Lower level delivery plans will then be developed across services and within localities. It is proposed that the format of the Strategic Plan now be developed as a digital platform – this will be in consultation with the PKC design team who will support this action.  HSCP Sharepoint site currently being reviewed but SPG minutes will be regularly uploaded here.
42	Internal	Strategic Planning PK05/18 (Inc. PK06/18)	2018-19	2	The new Strategic Plan should clearly set-out the decisions and processes required to achieve long-term financial sustainability, setting out the implications for output and quality. These should include overt consideration how the savings identified nationally from Large-hospital set-aside can be delivered and how those savings should be utilised.	The investment and disinvestment implications of further priorities identified in the refreshed Strategic Plan to be considered in detail by each of the Programmes of Care and fed into the ongoing 3 Year Financial Planning process.	Chief Officer	30/09/19	Overdue	140 days	Our draft Strategic Commissioning Plan reflects the high level strategic ambition of the Health & Social Care Partnership. The delivery and action plans that are developed below this will more directly consider and reflect the necessary funding, investment and disinvestment decisions.

## PERTH &amp; KINROSS INTEGRATION JOINT BOARD

Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Context / Recommendation	Action	All Leads	To be completed by	Status	Days overdue	Latest Update
43	External	Annual Report	2018/19	1	<p>Budget Setting: The Core Health and Social Care budget for 2019-20 was approved on 15 February 2019, prior to the start of the following financial year as required. The GP Prescribing and Other Hosted Services budget was approved in June 2019, three months after the start of the financial year. At the time of this report, the Adult Mental Health budget has yet to be approved, for it to be discussed at the Board meeting in September 2019. This is six months for the start of the financial year.</p> <p>There is a risk that members and management are unable to respond to financial pressures in a timeous manner. We recognise that the IJB is reliant on the financial reporting of PKC and NHS Tayside.</p> <p>Furthermore, the budgets in their current form do not incorporate the use of reserves and associated expenditure. As the IJB increases the use of reserves, there is a risk that the information provided to the Board does not give a clear picture of income and associated expenditure.</p>	<p>All budgets should be discussed and approved prior to the start of the financial year.</p> <p>As a financial management tool, it is important that the financial plan includes the use of reserves and associated expenditure.</p>	Chief Financial Officer	31/3/20	Not yet due	-	A consolidated Draft 3 Year Financial Plan has been prepared. This has been discussed fully with PKC as part of their Officer and Elected Member budget process. The CFO is in discussion with NHST Director of Finance around a parallel process for NHST. The overall budget setting timetable however is subject to significant change due to UK and Scottish Government budget timescales.
44	External	Annual Report	2018/19	2	<p>Risk Sharing Agreement: The integration scheme states that any overspend incurred from 2018-19 onwards may be allocated on a proportionate basis of each partners contribution to the IJB. For 2019-20, there has not yet been any agreement between partners on how any overspend may be shared and we understand discussions have been limited.</p> <p>We consider best practice to be a formal documentation of the agreement, which will assist in the partners approach to budgeting.</p> <p>It is generally recognised that proportionate risk sharing facilitates effective integration.</p>	<p>We recommend that partners are requested formally agree the approach for overspends on an annual basis in advance of the financial year on which agreement is sought.</p> <p>Consistency of approach, and consideration of third party guidance should be included as part of the agreement.</p>	Chief Officer	31/3/20	Complete	-	As at January 2020 informal discussions with the Chief Executives of both NHST and PKC have concluded that the risk sharing arrangements in place for the first 3 years will roll forward unchanged for 2019/20. However PKIJB are seeking a proportionate risk sharing arrangement which adheres to core aims of integration and will bring us in line with the rest of Tayside.
45	External	Annual Report	2018/19	3	<p>Strategic and corporate planning capacity: Although management understand the importance of having a strategic plan in place, there have been significant delays to the preparation of the plan mainly due to lack of capacity within the organisation.</p> <p>We note that the IJB is currently developing a workforce plan. The plan was due by 31 March 2019 however, from the review of the June 2019 risk register; we note that the issue is now overdue.</p> <p>Continued changes in IJB membership reduce the level of experience and ability of members</p>	<p>The Chief Officer should address key gaps to provide sufficient officer capacity in respect of strategic and corporate planning in order to ensure the IJBs effectiveness.</p>	Chief Officer	31/3/20	Not yet due	-	<p>The need for an enhanced corporate and strategic planning capacity is being considered. The organisational restructure of the IJB will address this.</p> <p>A review of the management structure and corporate support is underway. This will be critical in ensuring PKHSCP can take forward development of a workforce plan during 2019/20.</p> <p>Substantial work has been ongoing since mid September to map out the current workforce. The principles of the SAW (Safer Affordable Workforce) have been followed through this exercise. This information is currently being collated with a view</p>

PERTH & KINROSS INTEGRATION JOINT BOARD

Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Context / Recommendation	Action	All Leads	To be completed by	Status	Days overdue	Latest Update
					to adequately consider, challenge and support management proposals. In this context, the importance of officer capacity is enhanced.						to an overarching draft workforce plan being put in place. This will be presented to EMT with a view to completion of the Plan by 31st March 2020.



PERTH & KINROSS INTEGRATION JOINT BOARD  
COMPLETED RECOMMENDATIONS

Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Context / Recommendation	Action	All Leads	To be completed by	Status	Days overdue	Latest Update
8	External	Annual Report	2015-16	4	The board should develop and agree key performance measures to be used in monitoring performance against its strategic objectives.	Work is on-going to agree key performance measures.	HSCP Executive Management Team	31/03/19	Complete	-	
26	Internal	Annual Report	2017-18	4	We would recommend that, in future, the A&PC provides a year-end report to the IJB with a conclusion on whether it has fulfilled its remit and its view on the adequacy and effectiveness of the matters under its purview. It may also be helpful at this time of year for the Committee to reflect on any matters of concern for future consideration.	To review the role and remit for the A&PC and take forward a self evaluation which will inform an annual report for 2018-19	Chief Financial Officer	31/03/19	Complete	-	
27	Internal	Annual Report	2017-18	5	No formal directions were issued for 2017/18.	To identify and issue directions for 2017-18, and take proactive steps to ensure any future directions are issued as appropriate.	Chief Officer	28/02/19	Complete	-	
32	External	Annual Report	2017-18	3	The IJB should progress workforce planning to identify and address potential skills gaps.	Development of workforce plans will be a key priority for each Care Programme Board.	Chief Officer	31/03/19	Complete	-	<i>This action has been superseded by action 46.</i>
36	Internal	Annual Report	2018-19	4	Good governance principles should be applied to ensure that the IJB and A&PC minutes and papers provide a full and accurate account of the business undertaken and the assurances and challenges at each meeting. Documentation should be sufficiently detailed to ensure members receive sufficient information to identify key issues and areas of concern.	Consideration to more detailed minutes will be given.	Secretary to the Board	30/09/19	Complete	-	





# Perth and Kinross Integration Joint Board

Audit strategy

Year ending 31 March 2020

11 February 2020

For Audit and Performance Committee consideration on 17 February 2020

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## About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of Perth and Kinross Integration Joint Board and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scoping and purpose section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

## Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Michael Wilkie, who is the engagement leader for our services to Perth and Kinross Integration Joint Board, telephone 0141 300 5890 email: [michael.wilkie@kpmg.co.uk](mailto:michael.wilkie@kpmg.co.uk), who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6682 or email to [hugh.harvie@kpmg.co.uk](mailto:hugh.harvie@kpmg.co.uk). We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Diane McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

# Introduction

2019-20 is the fourth year of our external audit appointment to Perth and Kinross Integration Joint Board ("the Board"), having been appointed by the Accounts Commission as auditor of the Board under the Local Government (Scotland) Act 1973 ("the Act"). The period of appointment is 2016-17 to 2020-21, inclusive.

## Our planned work in 2019-20 will include:

- an audit of the financial statements and provision of an opinion on whether the financial statements:
  - give a true and fair view in accordance with the applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom ("the 2019-20 Code") of the state of the affairs of the Board as at 31 March 2020 and of the income and expenditure of the Board for the year then ended; and
  - have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, as interpreted and adapted by the 2019-20 Code, the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.
- completion of returns to Audit Scotland;
- a review and assessment of the Board's governance arrangements and review of the governance statement;
- a review of arrangements for preparing and publishing statutory performance information; and
- contributing to the audit of wider scope and Best Value through performance of risk assessed work.

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls; and
- all of our related activities are undertaken in an environment of the outmost level of objectivity, independence, ethics and integrity.

## Adding value

Throughout the audit, we will consider opportunities to add value and will conclude on this in our annual audit report. We add value through:

- our experience, which brings insight and challenge;
- our tools and approach, which contribute to audit quality; and
- transparency and efficiency, which improves value for money.

## Our team

The team has significant experience in the audit of local authorities and integration joint boards. All members of the team are part of our wider local government and health network. The engagement lead is Michael Wilkie, and engagement manager is Christopher Windeatt. Their contact details are provided on the back page of this report.

Our work will be completed in three phases from December 2019 to September 2020. Our key deliverables are this audit strategy document and an annual audit report.

## Acknowledgements

We would like to take this opportunity to thank officers and members for their continuing help and co-operation throughout our audit work.

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# Headlines

## Materiality

Materiality for planning purposes has been based on 2018-19 gross expenditure and set at £2.0 million (1% of gross expenditure). We will review gross expenditure on receipt of draft accounts for 2019-20, and assess whether we are required to update this calculated group materiality.

In line with the Code of Audit Practice, we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this threshold has been set at £0.1 million.

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## Audit risks

We have identified management override of controls as a default fraud risk which requires specific audit attention, in line with the International Standards on Auditing ("ISA").

The risks with less likelihood of giving rise to a material error, but which are nevertheless worthy of audit understanding, relate to:

- completeness and accuracy of expenditure; and
- financial sustainability.

We will report on each of these areas in our annual audit report which we plan to issue in September 2020.

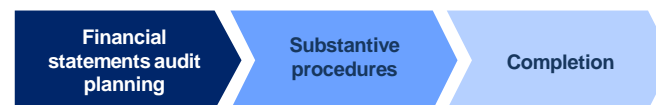
[Pages seven and eight](#)

## Financial statement audit

Our financial statements audit work follows a three stage audit process which is identified below. [Appendix three](#) provides more detail on the activities that this includes. This report concentrates on the audit planning stage of the financial statements audit.

These stages are:

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There are no significant changes to the 2019-20 Code, which means for this year there is consistency in terms of accounting standards the Board needs to apply.

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## Wider scope

Auditors are required to assess and provide conclusions in the Annual Audit Report in respect of four wider scope dimensions:

- financial sustainability;
- financial management;
- governance and transparency; and
- value for money.

We test wider scope areas where there are identified risks. We consider that there are wider scope risks in respect of demand pressures and the transformation programme. We have identified financial sustainability as a wider scope financial statement level focus area as set out opposite.

In addition, due to ongoing challenges related to EU withdrawal, we will consider Brexit as part of our risk assessment procedures and wider scope responsibilities. Audit Scotland have also specified consideration of the risk of fraud at audited entities, which we have extended to consider the Board's approach to managing fraud risk.

[Pages ten to 15](#)

# Headlines (continued)

## Independence

In accordance with ISA 260 and the Financial Reporting Council's ("FRC") Ethical Standards, we are required to communicate to you all relationships between KPMG and the Board that may be reasonably thought to have bearing on our independence both:

- at the planning stage; and
- whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.

[Appendix two](#) contains our confirmation of independence and any other matters relevant to our independence.

Total fees charged by us for the period ended 31 March 2019 were communicated in our Annual Audit Report issued in September 2018. Total fees for 2019-20 will be presented in our annual audit report issued on completion of the audit. The proposed audit fee for 2019-20 is £29,210 as set out below:

Total fee	Pooled costs	Contribution to PABV (Audit Scotland)	Contribution to Audit Scotland	Auditor remuneration (including VAT)
£29,210	£1,790	£5,360	£1,110	£20,950

## Quality

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International Standard on Quality Control (UK and Ireland) 1 ("ISQC1") requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

Our Audit Quality Framework and KPMG Audit Manual comply with ISQC1. Our UK Senior Partner has ultimate responsibility for quality control. Operational responsibility is delegated to our Head of Quality & Risk who sets overall risk management and quality control policies. These are cascaded through our Head of Audit in Scotland and ultimately to Michael Wilkie as the Director leading delivery of services to the Board.

The nature of our services is such that we are subject to internal and external quality reviews. KPMG's annual financial statements include our transparency report which summarises the results of various quality reviews conducted over the course of each year.

We also provide Audit Scotland with details of how we comply with ISQC1 and an annual summary of our achievement of KPIs and quality results.

We welcome your comments or feedback related to this strategy and our service overall.

## Regularity

We consider the risk of fraud and error over income and expenditure recognition, in line with *Practice Note 10 Audit of financial statements of public sector bodies in the United Kingdom*. As the Board is a net spending body, we consider it appropriate to extend our consideration to cover expenditure as well as income. We do not consider there to be a significant risk over income or expenditure, see page seven. We have identified the completeness and accuracy of expenditure as an other focus area, see page eight.

# Financial statements audit planning

## Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £2.0 million, which equates to 1% of 2018-19 gross expenditure. Materiality will be revised once draft financial statements for 2019-20 are received.

We design our procedures to detect errors in specific accounts at a lower level of precision, being £1.5 million (75% materiality).

## Reporting to the Audit and Performance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Performance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Board, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.1 million. **DRAFT**

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Performance Committee to assist it in fulfilling its governance responsibilities.





# Financial statements audit planning (continued)



## Significant risks and other focus areas

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**Risk assessment:** Our planning work takes place during December 2019 and January 2020. This involves: risk assessment; determining the materiality level; and issuing this audit plan to communicate our audit strategy. We use our knowledge of the Board, discussions with management and review of Board papers to identify areas of risk and audit focus categorised into financial risks and wider dimension risks as set out in the Code.

Significant risk	The risk	Planned response
<b>Financial statement risks</b>		
Fraud risk from management override of controls	Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	<ul style="list-style-type: none"> <li>Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the Board.</li> <li>Strong oversight of finances by management provides additional review of potential material errors caused by management override of controls.</li> <li>In line with our methodology, we will carry out appropriate substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the organisation's normal course of business, or are otherwise unusual.</li> </ul>
Fraud risk from income revenue recognition and expenditure	Professional standards, as interpreted by Practice Note 10 <i>Audit of financial statements of public sector bodies in the United Kingdom</i> require us to make a rebuttable presumption that the fraud risk from revenue recognition and expenditure are significant risks.	<ul style="list-style-type: none"> <li>The Board receives funding requisitions from Perth and Kinross Council and NHS Tayside. These are agreed in advance of the financial year, with any changes arising from changes in need, requiring approval from each body. There is no estimation or judgement in recognising this stream of income and we do not regard the risk of fraud to be significant.</li> <li>The Board works with Perth and Kinross Council and NHS Tayside in order to deliver services delegated by the Board. The Board makes these directions based on its budget agreed in advance of the financial year. There is no estimation or judgement in recognising expenditure to these bodies, and we do not regard the risk of fraud to be significant.</li> </ul>

# Financial statements audit planning (continued)



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Other focus area	The risk	Planned approach
<b>Financial statement focus area</b>		
Completeness and accuracy of expenditure	The Board's integrated finance team, led by the Chief Finance Officer, prepare expenditure forecasts as part of the annual budgeting process. There is a risk that actual expenditure and resulting funding is not correctly captured.	<ul style="list-style-type: none"> <li>Our substantive audit will obtain support for gross expenditure included in Perth and Kinross Council and NHS Tayside's accounting records. We will obtain confirmations of expenditure from each of these bodies.</li> </ul>
Financial sustainability	Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered. This is inherently a risk to the Board given the challenging environment where funding is reduced and efficiency savings are required	<ul style="list-style-type: none"> <li>The Board receives funding from NHS Tayside and Perth and Kinross Council, and as part of an Integration Scheme, has a risk sharing agreement with both bodies. This agreement stipulates that, from 2018-19, any overspends by the Board may be funded by NHS Tayside and Perth and Kinross Council based on each body's proportionate contribution in the financial year, or by the body with operational responsibility as a default position. This gives the Board comfort with regards to overspends, however, there is a risk going forward regarding ongoing budget balance, specifically in the context of challenging NHS and Council budgets.</li> <li>We will consider the Board's financial planning, reserves strategy, and Board's use of reserves, concluding on the appropriateness of these in our annual audit report.</li> <li>See page 13 for further information regarding the financial sustainability wider scope.</li> </ul>

# Other matters

## Accounting framework update

From 2019-20, IFRS 16 *Leases* will replace IAS 17 *Leases*. The core principle of the IFRS 16 *Leases* standard is that it introduces a single lessee accounting model. Public body lessees will be more likely to account for operating leases in a similar way to the current IAS 17 treatment for finance leases.

In September 2019 the FRC published a revised UK auditing standard for Going Concern ISA UK 570. This responds to recent enforcement cases and well-publicised corporate failures where the most recent auditor's report had not included a material uncertainty on going concern. The revised standard is applicable for periods commencing on or after 15 December 2019, including short periods.

Given the findings, nature and legislation in respect of the Board, we do not anticipate significant changes to the approach of management regarding going concern.

## Recommendations

In respect of the financial statements, we identify the constituent account balances and significant classes of transactions and focus our work on identified risks. Determining the most effective balance of internal controls and substantive audit testing enables us to ensure the audit process runs smoothly and with the minimum disruption to the Board's finance team.

In 2018-19 we identified two 'grade two' recommendations in relation to the budget setting process and the risk sharing agreement, and one 'grade one' recommendation in relation to strategic and corporate planning capacity. We will follow-up progress in implementing these recommendations and report any new recommendations arising from our work in 2019-20 and report our view of progress. [Appendix three](#) summarises our approach across each phase of the audit.

## Internal audit

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ISA 610 *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect, if any, on external audit procedures;
- obtain an understanding of internal audit activities to assist in planning the audit and developing an effective audit approach;
- perform a preliminary assessment of the internal audit function when it appears that internal audit is relevant to our audit of the financial statements in specific audit areas; and
- evaluate and test the work of internal audit, where use is made of that work, in order to confirm its adequacy for our purposes.

We will continue liaising with internal audit and update our understanding of its approach and conclusions where relevant. The general programme of work will be reviewed for significant issues to support our work in assessing the statement of internal control.

# Wider scope and Best Value

## Approach

We are required to assess and provide conclusions in the Annual Audit Report in respect of four wider scope dimensions: financial sustainability; financial management; governance and transparency; and value for money. We set out below an overview of our approach to wider scope and Best Value requirements of our annual audit.

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We provide on pages 13 to 15 our risk assessment in respect of these areas.

### Risk assessment

We consider the relevance and significance of the potential business risks faced by Integration Joint Boards, and other risks that apply specifically to the Board. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Board's own assessment of the risks it faces, and its arrangements to manage and address its risks.
- Evidence gained from previous audit work, including the response to that work.

The shared risk assessment process across Scotland has changed for 2019-20 and no local scrutiny plans are prepared. We use the shared risk assessment process to consider if there are wider scope risks relevant to the Annual Audit Report.



### Linkages with other audit work

There is a degree of overlap between the work we do as part of the wider scope/Best Value and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the control environment, many aspects of which are relevant to our wider scope audit responsibilities.

We always seek to avoid duplication of audit effort by integrating our financial statements and wider scope/Best Value work, and this will continue. We consider information gathered through the shared risk assessment and the Audit Commission's five strategic priorities when planning and conducting our work.



# Wider scope and Best Value (continued)

## Approach (continued)

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### Identification of significant risks

The Code identifies a matter as significant *'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'*

If we identify significant wider scope risks, we will highlight the risk to the Board and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Board, inspectorates and other review agencies.
- Carrying out local risk-based work to form a view on the adequacy of the Board's arrangements for securing economy, efficiency and effectiveness in its use of resources.



### Concluding on wider scope and Best Value

At the conclusion of the wider scope/Best Value testing we will consider the results of the work undertaken and assess the assurance obtained against each of the wider scope audit dimensions, regarding the adequacy of the Board's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our wider scope conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.



### Reporting

We have completed our initial wider scope risk assessment and have not identified any significant risks, as noted on the pages 13-15. We will update our assessment throughout the year and should any issues present themselves we will report them in our Annual Audit Report.

We will report on the results of the wider scope and Best Value work through our Annual Audit Report. This will summarise any specific matters arising, and the basis for our overall conclusion.



# Wider scope and Best Value (continued)

## Risk assessment

We have not identified any financial statement significant risks in relation to wider scope and Best Value.

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Wider scope area	Why	Audit approach
<b>Financial sustainability and financial management</b>	<p><b>Financial management</b> is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p> <p><b>Financial sustainability</b> looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered.</p> <p><b>Specific identified focus areas:</b></p> <p><a href="#">Demand pressures and the transformation programme</a></p> <p>This is inherently a risk to the Board given the challenging environment where funding is unlikely to increase and efficiency savings are required to meet the demand pressures for services, in particular GP Prescribing burden and cost pressures such as the Scottish Living Wage and National drug costs.</p>	<ul style="list-style-type: none"> <li>— We will obtain an understanding of the Board's financial position and year end outturn position through review of board reports and other management information. We will assess management's progress with implementation of efficiency savings. Commentary and analysis on these areas will be provided within the annual audit report.</li> <li>— We will perform substantive procedures, including substantive analytical procedures, over income and expenditure comparing the final position to budget.</li> <li>— The Board receives funding from NHS Tayside and Perth and Kinross Council, and has a risk sharing agreement in place with both bodies. This gives the Board comfort with regards to any overspends in 2019-20, however, there is a risk going forward regarding ongoing budget balance, specifically in the context of the challenging NHS Tayside and Perth and Kinross Council budgets, see page eight.</li> <li>— We will consider the Board's financial planning and reserves strategy and conclude on the appropriateness of these in our annual audit report.</li> </ul>

# Wider scope and Best Value (continued)

## Risk assessment (continued)

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Wider scope area	Why	Audit approach
<b>Financial sustainability and financial management</b> (continued)	<p><b>Specific identified focus areas (continued):</b></p> <p><a href="#">EU withdrawal</a></p> <p>The Bill covering the UK's withdrawal from the European Union was passed in January 2020, effective 31 January 2020. There is now a transition period in place until 31 December 2020 which will require management to consider the impact on Board operations.</p> <p>There is a risk that Board fails to prepare for, or is impacted by changes to employees, citizens, funding or regulations.</p>	<ul style="list-style-type: none"> <li>— We will report on how the Board reports on its funding arrangements, responsibilities and performance through the audit of its management commentary and financial statements.</li> <li>— We will remain alert to the impact of the EU withdrawal on the Board's operations and the environment within which it operates as part of our risk assessment procedures and wider scope responsibilities.</li> </ul>
<b>Governance and transparency</b>	<p><b>Governance and transparency</b> is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p> <p><b>Specific identified focus area:</b></p> <p>Audit Scotland planning guidance requires us to consider the following matters which are potential risks to all public sector bodies.</p> <p><a href="#">Fraud and corruption in procurement</a></p> <p>Illicit rebates, kickbacks and false invoicing are potential risks across the public sector. For all bodies other than those where the full wider scope is not judged to be appropriate, auditors should assess the risk of fraud and corruption in the procurement function.</p> <p>We apply the principles of this specific focus area and extend it to consider the overall arrangements of the Board, by considering how it manages the risk of fraud.</p>	<ul style="list-style-type: none"> <li>— We will consider the effectiveness of scrutiny and governance arrangements, by evaluating the challenge and transparency of the reporting of financial and performance information.</li> <li>— We will update our understanding of the controls and processes around capturing officers' and Board members' interests.</li> <li>— We will obtain and review minutes of meetings of the various committees to assess the level of transparency, and consider the Board's plan for enhancing transparency.</li> <li>— We will assess whether the risk of procurement fraud is acknowledged and considered by the Board, and whether it gains sufficient assurance over the mitigation of the risk of fraud at partner bodies.</li> <li>— We will determine whether internal audit coverage or reporting over procurement systems at partner bodies is adequate and proportionate to the risks faced by the body.</li> </ul>

# Wider scope and Best Value (continued)

## Risk assessment (continued)

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Wider scope area	Why	Audit approach
Value for money	Value for money is concerned with how effectively resources are used to provide services.	— We will specifically consider performance indicators, performance reporting and arrangements to provide for continuous improvement.





# Appendices

# Mandated communications with the Audit and Performance Committee

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Matters to be communicated	Link to Audit and Performance Committee papers
Independence and our quality procedures ISA 260 (UK and Ireland).	— See page 17.
The general approach and overall scope of the audit, including levels of materiality, fraud and engagement letter ISA 260 (UK and Ireland).	— Main body of this paper
— Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report, and their resolution (AU 380).	— In the event of such matters of significance we would expect to communicate with the Audit and Performance Committee throughout the year. — Formal reporting will be included in our annual audit report for the Audit and Performance Committee meeting, which focuses on the financial statements.
— Significant difficulties we encountered during the audit. — Significant matters discussed, or subject to correspondence, with management (ISA 260).	
— Our views about the qualitative aspects of the entity's accounting and financial reporting. — The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260 and ISA 540).	
— Audit adjustments, whether or not recorded by the entity, that have, or could have, a material effect on its financial statements. We will request you to correct uncorrected misstatements (including disclosure misstatements) (ISA 450).	
— The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 570).	
— Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 570).	
— Expected modifications to the auditor's report (ISA 705).	
— Related party transactions that are not appropriately disclosed (ISA 550)	

# Auditor Independence

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### Assessment of our objectivity and independence as auditor of the Perth and Kinross Integration Joint Board (the Board)

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit & Performance Committee.

### Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit & Performance Committee and should not be used for any other purposes.

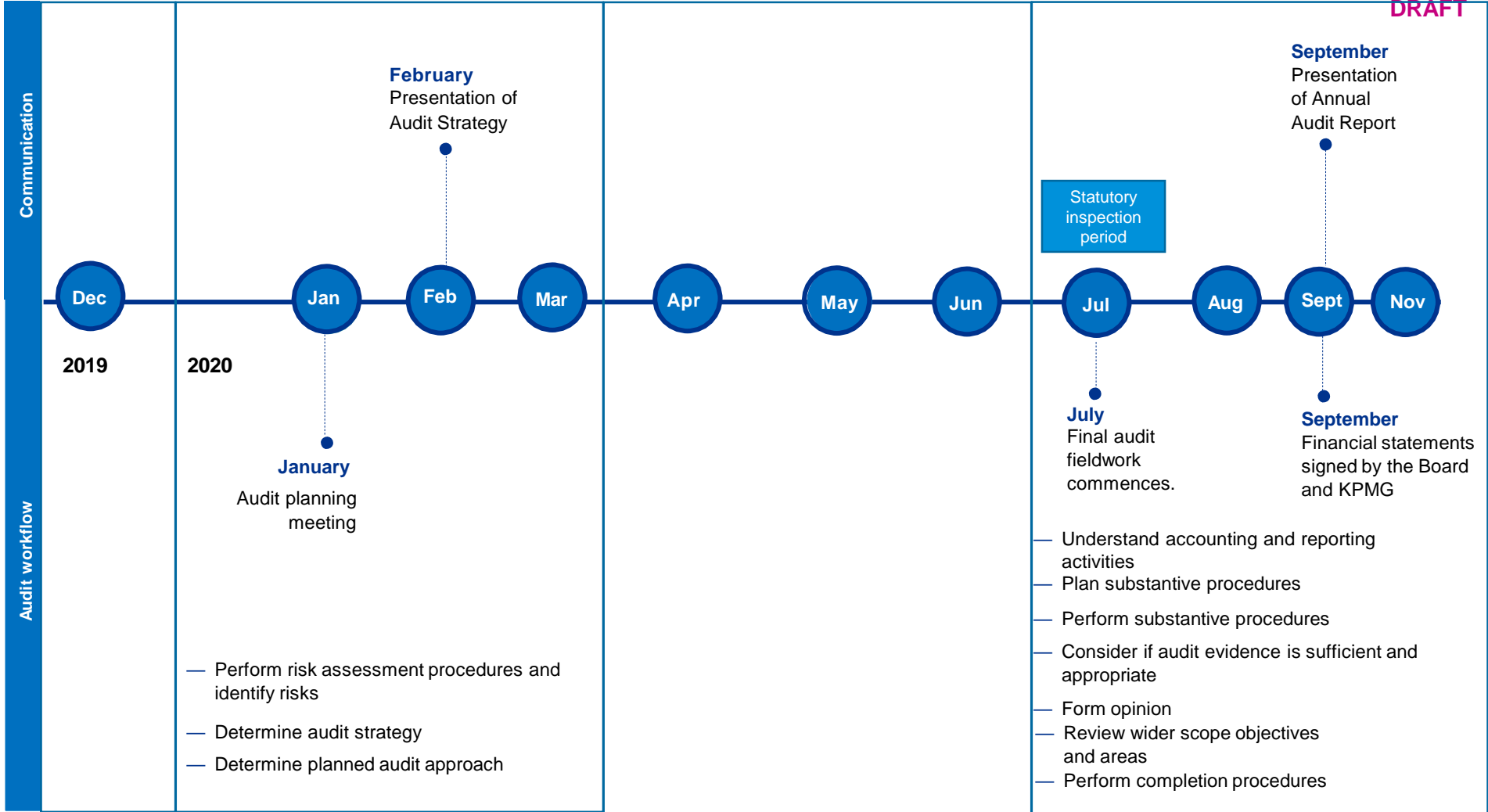
We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

*KPMG LLP*

# Appendix three

## Timeline



## Audit outputs

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Output	Description	Report date
<b>Audit strategy</b>	Our strategy for the external audit of the Board, including significant risk and audit focus areas.	By 19 February 2020
<b>Independent auditor's report</b>	Our opinion on the Board's financial statements.	By 30 September 2020
<b>Annual audit report</b>	We summarise our findings from our work during the year.	By 30 September 2020
<b>Audit reports on other returns</b>	We will report on the following returns: — Current issues returns — Fraud returns (this is a new requirement for 2019-20)	January, March, July and October 2020 November 2019, February, May and August 2020
<b>Audit reports to support Audit Scotland's wider analysis</b>	We will report on the following matters in conjunction with our Perth and Kinross Council audit colleagues: — Children and young people's mental health impact report submission to Audit Scotland	By 31 May 2020

# Audit Scotland code of audit practice – responsibility of auditors and management

DRAFT

## Responsibilities of management

### Financial statements

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;
- maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures;
- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate Council;
- maintaining proper accounting records; and
- preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer- term financial sustainability of the body.

Further, it is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Audited bodies are responsible for providing the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.

### Prevention and detection of fraud and irregularities

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

# Audit Scotland code of audit practice – responsibility of auditors and management

DRAFT

## Responsibilities of management

### Corporate governance arrangements

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including Audit and Performance Committees or equivalent) in monitoring these arrangements.

### Financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified;
- compliance with any statutory financial requirements and achievement of financial targets;
- balances and reserves, including strategies about levels and their future use;
- how they plan to deal with uncertainty in the medium and longer term; and
- the impact of planned future policies and foreseeable developments on their financial position.

### Best Value, use of resources and performance

The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

# Audit Scotland code of audit practice – responsibility of auditors and management

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## Responsibilities of auditors

### Appointed auditor responsibilities

Auditor responsibilities are derived from statute, this Code, International Standards on Auditing (UK and Ireland), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries, remuneration reports, grant claims and whole of government returns;
- notify the Auditor General when circumstances indicate that a statutory report may be required;
- participate in arrangements to cooperate and coordinate with other scrutiny bodies (local government sector only);
- demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies:
  - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;
  - suitability and effectiveness of corporate governance arrangements; and
  - financial position and arrangements for securing financial sustainability.

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.



# Audit Scotland code of audit practice – responsibility of auditors and management

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Responsibilities of auditors
<b>General principles</b>
<p>This Code is designed such that adherence to it will result in an audit that exhibits these principles.</p>
<b>Independent</b>
<p>When undertaking audit work all auditors should be, and should be seen to be, independent. This means auditors should be objective, impartial and comply fully with the Financial Reporting Council's (FRC) ethical standards and any relevant professional or statutory guidance. Auditors will report in public and make recommendations on what they find without being influenced by fear or favour.</p> <p>Our independence confirmation letter (<a href="#">Appendix two</a>) discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.</p> <p>We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.</p>
<b>Proportionate and risk based</b>
<p>Audit work should be proportionate and risk based. Auditors need to exercise professional scepticism and demonstrate that they understand the environment in which public policy and services operate. Work undertaken should be tailored to the circumstances of the audit and the audit risks identified. Audit findings and judgements made must be supported by appropriate levels of evidence and explanations. Auditors will draw on public bodies' self-assessment and self-evaluation evidence when assessing and identifying audit risk.</p>
<b>Quality focused</b>
<p>Auditors should ensure that audits are conducted in a manner that will demonstrate that the relevant ethical and professional standards are complied with and that there are appropriate quality-control arrangements in place as required by statute and professional standards.</p>

# Audit Scotland code of audit practice – responsibility of auditors and management

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Responsibilities of auditors
<b>Coordinated and integrated</b>
It is important that auditors coordinate their work with internal audit, Audit Scotland, other external auditors and relevant scrutiny bodies to recognise the increasing integration of service delivery and partnership working within the public sector. This would help secure value for money by removing unnecessary duplication and also provide a clear programme of scrutiny activity for audited bodies.
<b>Public focused</b>
The work undertaken by external audit is carried out for the public, including their elected representatives, and in its interest. The use of public money means that public audit must be planned and undertaken from a wider perspective than in the private sector and include aspects of public stewardship and best value. It will also recognise that public bodies may operate and deliver services through partnerships, arm's-length external organisations (ALEOs) or other forms of joint working with other public, private or third sector bodies.
<b>Transparent</b>
Auditors, when planning and reporting their work, should be clear about what, why and how they audit. To support transparency the main audit outputs should be of relevance to the public and focus on the significant issues arising from the audit.
<b>Adds value</b>
It is important that auditors recognise the implications of their audit work, including their wider scope responsibilities, and that they clearly demonstrate that they add value or have an impact in the work that they do. This means that public audit should provide clear judgements and conclusions on how well the audited body has discharged its responsibilities and how well they have demonstrated the effectiveness of their arrangements. Auditors should make appropriate and proportionate recommendations for improvement where significant risks are identified.



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## **PERTH & KINROSS INTEGRATION JOINT BOARD**

### **AUDIT AND PERFORMANCE COMMITTEE**

**17 FEBRUARY 2020**

### **2019/20 FINANCIAL POSITION**

**Report by the Chief Financial Officer  
(Report No. G/20/22)**

#### **PURPOSE OF REPORT**

This report is to update Perth & Kinross Integration Joint Board (IJB) Audit and Performance Committee on the year end financial forecast based on actual expenditure for the 9 months to 31 December 2019 and to identify risks which may still impact on the financial out-turn.

#### **1. RECOMMENDATION(S)**

It is recommended that the Audit and Performance Committee:

- (i) Notes the 2019/20 forecast year-end overspend of £3.3m for the IJB;
- (ii) Notes that this is a reduction of £0.5m from Month 7 and is in line with the anticipated position following implementation of agreed financial recovery actions;
- (iii) Notes the risks which may still impact on the 2019/20 financial out-turn;
- (iv) Notes the update on the development of the 3 Year Financial Recovery plan and expected timescales for budget offers from NHS Tayside (NHST) and Perth and Kinross Council (PKC) and implications for the IJB Budget Setting Timescales.

#### **2. OVERVIEW**

##### **OVERALL**

Based on actual expenditure to 31 December 2019, Perth & Kinross IJB is forecasting an overspend of £3.3m. A breakdown of the £3.3m year end forecast is provided in Table 1 below:

**TABLE 1 YEAR END FORECAST**

	<b>Forecast Over/(Under Spend)</b>	
	£m	
2019/20 Budget Deficit	4.1	2019/20 Financial Plan Budget deficit approved by the IJB
Core Health & Social Care Services	(0.1)	See Table 2 below
Prescribing	(0.8)	Higher than anticipated national rebates.
General Medical Services/Family Health Services	0.1	Cost of 2C practices across Tayside spread across all 3 HSCP's.
Inpatient Mental Health (PKIJB share)	0.1	PKIJB share of Increased pay uplift and superannuation costs.
Other Hosted Services (PKIJB share)	(0.1)	Delays in recruitment
<b>Total Forecast Overspend</b>	<b>3.3</b>	

**Movement from last report:** The Finance Report to the IJB in December 2019 forecast an overspend of £3.8m. This updated position represents an improvement of £0.5m.

**Financial Recovery Plan:** Following approval of the 2019/20 Financial Recovery plan by the IJB, NHS Tayside and Perth & Kinross Council in November 2019 agreed actions are now being implemented and have been largely achieved. Some slippage has occurred in relation to Inpatient Services and Perth and Kinross Health and Social Care Partnership (PKHSCP) are taking all possible steps to ensure spend is brought back in line with budget by 1 April 2020. A significant improvement in the year end forecast on Prescribing has however brought the forecast in line with the overall recovery plan target.

**Financial Risk Sharing Arrangements:** Based on roll forward of 2018/19 risk sharing arrangements to 2019/20, Perth & Kinross Council's share of the forecast overspend would be £2.1m and NHS Tayside £1.2m.

**Reserves:** PKIJB carried forward £2.5m of earmarked reserves from 2018/19 to meet specific spending commitments in 2019/20. It carried forward no under marked reserves. For 2019/20 a significantly reduced carry forward of earmarked reserves is anticipated of £0.7m

**3 Year Financial Recovery Plan 2020-23:** A Draft 3 Year Financial Recovery Plan has been developed and the Chief Officer and Chief Financial Officer have engaged fully in the budget setting processes for Perth & Kinross Council and NHS Tayside to support determination of appropriate budget settlement. All non-recurring opportunities have also been considered within the plan. Budget setting timescales for both PKC and NHST have been impacted due to the decision by UK Government and Scottish Government budget timescales. It is now anticipated that the IJB will be asked to set its budget at its April meeting.

### 3. SERVICE FINANCIAL PERFORMANCE

#### 3.1 Core Health & Social Care Services

Overall, core health and social care services are now forecasting break-even against their 2019/20 budget. The key issues impacting on the forecast position are summarised in the Table 2 below. A number of unanticipated pressures across bed based services and complex care are being offset by significant non-recurring benefits.

**TABLE 2 FORECAST CORE HEALTH & SOCIAL CARE SERVICES**

	Forecast Over/(Under Spend)		
	£m	£m	£m
	Health	Social Care	Total
Nursing overspend across POA/MFE/Community Hospital Inpatient Beds	0.8		0.8
Care Home Placements/Internal Care Home Provision		0.9	0.9
Care at Home /Step Up		(0.2)	(0.2)
Savings plans behind trajectory	0.2		0.2
Learning Disability/Mental Health Complex Care	0.4		0.4
Pay Uplift/Superannuation Costs	0.3		0.3
Income from charging		(0.3)	(0.3)
Underspend on ring fenced investments	(0.8)	(0.3)	(1.1)
Other	(0.7)	(0.4)	(1.1)
<b>Total Forecast Overspend</b>	<b>0.2</b>	<b>(0.3)</b>	<b>(0.1)</b>

The net £0.1m forecast underspend on core services is an improvement on the break-even position forecast in the last IJB report. However, the approved financial recovery actions were anticipated to improve the forecast for core services to £0.2m underspent. Slippage in the introduction of an alternative staffing model in Psychiatry of Old Age Inpatient beds is the key driver of slippage and actions are being taken to accelerate implementation. The key variances across core health and social care services are explained below: -

**Nursing Staffing across Inpatient Services:** Overall a net overspend of £0.8m is forecast across core health bed based services. This is a deterioration of £0.2m from the last report to the IJB.

Within Tay Ward increased use of supplementary staffing across beds in Medicine for the Elderly (Tay and Stroke wards) to cover increased vacancy levels across funded and unfunded beds has increased the forecast overspend to £0.2m, an increase of £0.1m. PKHSCP have been working with NHST Operational Division Colleagues to determine the appropriate level of beds for 2020/21 to support capacity and flow across the wider system whilst Enhanced Community Support and the Respiratory Service along with wider improvements across the PRI bed base are implemented. A joint business case to NHS Tayside for short term funding is being prepared. This will allow more cost effective staffing solutions to be implemented.

Psychiatry of Old Age (POA) Wards continue to forecast a £0.5m overspend. This forecast overspend was expected to reduce as a result of agreed financial recovery plan actions to redesign the staffing model however this has been delayed. Additional Service Management resources have been identified to ensure that agreed actions are implemented as a matter of urgency. The overspend on POA Inpatient Services is not a recognised pressure within the Financial Plan. The overspend on POA Beds continues to be offset by a significant underspend (£0.3m) within POA Community Mental Health Teams, driven by vacancies. This level of underspend is in line with the previous report to the IJB.

Community Hospitals are forecasting a £0.4m overspend due to incremental drift, supplementary staffing costs driven by sickness, vacancies and over-establishment within the previous Aberfeldy Community Hospital. This is £0.1m higher than the last report to the IJB driven by supplementary staffing to cover an increased level of vacancies.

**Care Home Placements/ Internal Care Home Provision:** an overspend of £0.9m is forecast for care home provision. External Older People Residential and Nursing Care Homes are forecasting a £0.7m overspend, due to higher than anticipated demand. Internal care Homes are forecasting a £0.2m overspend due to higher than anticipated costs (staffing and supplies) and lower than anticipated income due to a change in the financial profile of residents. The forecast is £0.1m more than previously reported due to the change in the financial profile of the clients.

**Care at Home/Step Up Beds** – Overall an underspend of £0.2m is forecast. For Care at Home provision (internal HART service and external provision) an underspend of £0.3m, an increase of £0.1m from the last forecast and in line with financial recovery actions to review Care at Home. This is offset by a £0.1m forecast overspend on Step Up beds in care homes for which there is no budget. This is £0.1m less than previously reported with the agreed financial recovery plan to redesign the use of step up beds beginning to impact on expenditure.

**Delivery of approved savings:** A shortfall on savings delivery of £0.2m is forecast of which £0.1m relates to 2018/19 and £0.1m to 2019/20. This is in line in with the last report. Overall across Health and Social Care Core Services recurring savings of £2.5m will be delivered (97%) against a total target for 2019/20 of £2.6m. Appendix 1 sets out the savings achieved against plan for core services.

**Learning Disability & Mental Health Complex Care Packages:** Overall an overspend of £0.4m is forecast across health and social care. This is due to new service users and current user's costs increasing and an increase in the cost of external transport.

**Income from charging:** A £0.3m surplus is anticipated from an over-recovery of income. This is in line with the last report.

**Slippage on ring fenced investments:** Slippage in use of ringfenced investment is forecast at £1.1m, a net increase of £0.3m from the last report.



The main areas of slippage relate to the delay in implementation of Enhanced Community Support and the Respiratory Service (£0.4m), less than budgeted expenditure in year for Free Personal Care for under 65's (£0.4m), and the release of ring fenced budget from the over delivery of core health savings within the Financial Plan (£0.4m) which was previously categorised as other. This is offset by an overspend on £0.1m in relation to implementation of the Carers Act.

**Other:** In year opportunities, identified in the first quarter of 2019/20, are benefiting the financial position. These opportunities were identified as part of initial financial recovery management. In addition, there is a level of unplanned vacancies across a number of services including Intermediate Care and Community Mental health and Learning Disabilities.

### **3.2 Prescribing**

A structural budget deficit for GP Prescribing of £0.8m was set for 2019/20, with budget available not able to cover anticipated growth in items and expected price growth across GP practice prescribing.

No provision was made within the 2019/20 Financial Plan to take account of the impact of nationally negotiated rebates and margin sharing agreement due to high levels of uncertainty around national outcomes. Budgets for these areas are not set at practice level and are included within General Pharmaceutical Other (GPS Other).

A Year end underspend of £0.9m is now forecast across GP Prescribing and GPS Other. This includes a forecast underspend of £0.2m on GP Prescribing based on actual GP Practice data to 31 October 2019 with price and item growth are lower than planned. This is in line with the last report to the IJB.

Within GPS Other, an underspend of £0.7m is now projected. This is a £0.4m improvement from the last report to the IJB and is driven by higher than budgeted benefits from Rebates, Discounts and Margin Sharing based on up to date information from the Scottish Government offset in part by higher than anticipated flu vaccine costs.

The unpredictability of benefits from rebates, discounts and margin sharing provide a challenge when setting future year budgets. Work is underway across Tayside to consider what assumptions can be made around future sustained benefits.

### **3.3 General Medical Services and Family Health Services**

A forecast overspend of £0.1m is reported, being Perth & Kinross IJB's share of the net overspend on 2C GP Practices across Dundee and Angus. This is in line with last month. There is no provision in the PKIJB Draft 3 Year Financial Plan for this ongoing pressure and this will require to be managed in 2020/1 as an in year pressure.

### **3.4 Other Hosted Services**

Overall an underspend of £0.1m is forecast for Perth & Kinross IJB's share of other Hosted Services across Tayside, including those hosted by Perth & Kinross IJB.

### **3.5 Inpatient Mental Health Services**

The 2019/20 Financial Plan set out a £1.7m structural overspend within IP Mental Health Services driven by the sustained overspend on medical locum costs in the face of significant ongoing vacancy levels.

The service is forecasting an overspend of £2.0m, a deterioration of £0.3m from plan. This is driven most significantly by £0.3m unanticipated superannuation costs and pay awards for medical staffing. This pressure is consistent with all other health services. An unplanned £0.1m overspend on Psychiatry Liaison Staff is being offset by underspends in Inpatient Substance Misuse beds within Murray Royal Hospital (£0.1m) and the Crisis and Home Treatment Team (£0.05m). The forecast overspend on Medical Staffing is £1.5m, which is £0.2m better than plan. Approved recurring and non-recurring savings are being delivered in line with the Financial Plan.

Perth & Kinross IJB's share of the £0.3m overspend above budget set is £0.1m.

The Mental Health Alliance has established a number of key workstreams including workforce review. This work, supported by all 3 IJB's and NHS Tayside, will be critical in moving the service towards safe, sustainable and affordable workforce models across pathways of care in Tayside.

## **4. AREAS OF FURTHER FINANCIAL RISK**

The degree of certainty around risks increases as the year progresses. However, there are a number of key factors that remain uncertain:

- Prescribing Price fluctuations: an increase in price growth by 0.5% would lead to an increase in costs of £0.2m
- Inpatient Mental Health Medical Locum Costs to respond to service: an additional 1 WTE Medical Locum would cost up to £0.3m.
- Learning Disability Complex Care Packages: Continued uncertainty around client numbers and package costs. The average cost of a Learning Disability complex care package in the year to date is £0.05m however the highest individual package is over £0.3m.
- Capacity Issues across PRI and protection of elective capacity, leading to opening further PKHSCP Medicine for Elderly beds at agency nursing rates.

## **5. RESERVES**

Appendix 2 provides a breakdown of the earmarked reserves anticipated to be carried forward to 2020/21 to meet specific spending commitments, largely in

relation to Scottish Government funds to support specific service improvement.

Based on expenditure to 31 December 2019, ring fenced reserves of £0.7m are expected to be carried forward to 2020/21, a significant reduction from the £2.5m carried forward to 2019/20.

It is anticipated that there will be no unearmarked general reserves carried forward to 2020/21.

## **6. UPDATE ON 3 YEAR FINANCIAL RECOVERY PLAN AND BUDGET SETTING**

PKHSCP have finalised a 3 Draft Year Financial Recovery Plan that sets out the budget requested from NHS Tayside and Perth & Kinross Council for Year 1 and indicatively for Year 2 and 3 in order to deliver a balanced budget year on year. This is based on detailed projections of pay, price and demand pressures and reflects transformation plans aimed at delivering the objectives of the Strategic Commissioning Plan including a fundamental shift in the balance of care. This has supported discussions with NHS Tayside and Perth & Kinross Council as part of their respective budget setting processes.

In parallel, the IJB Budget Review Group has met regularly to ensure robust review the pressures and savings identified across the 3 Years.

The budget to be made available to the IJB will be decided by PKC at its Council Budget Setting Meeting on 4 March 2020. For NHS Tayside final dates for budget setting are currently being clarified however it is anticipated to be prior to 31 March 2020. Timescales for both NHS Tayside and Perth & Kinross Council have been significantly affected by the delay in the UK Budget now set for 11 March 2020 and the subsequent implications for the Scottish Government Budget now set for 6 February 2020.

Given these revised timescales and associated uncertainties, it is proposed that the 3 Year IJB Budget be considered for approval at the IJB meeting at the end of April 2020.

## **7. SUMMARY**

The forecast overspend of £3.3m brings the position in line with the Financial Recovery Plan Target although the improved forecast on GP Prescribing is offsetting slippage in addressing the overspend on Inpatient POA beds. Urgent actions have been taken by PKHSCP to ensure that this slippage is addressed. In parallel PKHSCP continues to identify all possible further actions to reduce costs in year.

The Draft 3 Year Financial Recovery Plan process has provided an effective mechanism to set out, consult and engage on the short and longer term service changes that will be required to deliver financial balance over the next 3 years. The Chief Officer and Chief Finance Officer continue to actively support the budget setting processes of both Perth & Kinross Council and NHS Tayside. The proposed budget offers to the IJB are anticipated in March

2020 and the IJB Budget will be brought forward thereon at the next meeting of the IJB in April 2020.

**Author(s)**

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## APPENDIX 1

CORE HEALTH & SOCIAL CARE SAVINGS UPDATE				
		Savings Plan	Amount Forecast	Variance from Plan
		£000	£000	£000
<b>Core Health and Social Care</b>				
	Redesign of Rehabilitation Beds	487	487	-
	Fairer/Better Futures LD/Autism	350	350	-
	Intermediate Care Review	261	261	-
	Review Care at Home	222	222	-
	Workforce Review for Integration	216	142	74
	Supported Living	208	208	-
	Corporate Digital Services/My account/Mobile Working	169	169	-
	Recommissioning of Accommodation	160	160	-
	General Review of Budgets	152	152	-
	Single Handed Care	100	100	-
	Local Authority Care Home Income	100	100	-
	Management & Administration	75	75	-
	Highland House	67	67	-
	Commissioned Services	63	63	-
	<b>Total Core Health and Social Care</b>	<b>2,630</b>	<b>2,556</b>	<b>74</b>



## APPENDIX 2

## DELIVERY OF SAVINGS CORE HEALTH &amp; SOCIAL CARE

## APPENDIX 2 IJB RESERVES

In March 2017 (IJB Report G/17/51) the IJB described and agreed its 'Reserves Policy'. This set out that the IJB may hold both 'ear-marked' reserves and general reserves. Ear-marked reserves will generally be for specific projects or ear-marked due to specific constraints or factors regarding funding, while general reserves are intended to assist the IJB manage its overall resources over the longer term. The IJB agreed it would set itself a target of having a general reserve equivalent to 2% of approved budgets (c£3.8m).

As at March 2019, the IJB's Annual Accounts showed that Perth & Kinross IJB had £2.470m of earmarked reserves predominantly relating to Scottish Government funding to support the new GMS Contract (Primary Care Improvement Fund), Mental Health Funding (Action 15 funding), and Alcohol and Drug Partnership (ADP) Funding. The table below sets out the anticipated 2019/20 year-end position based on expenditure as at 31 December 2019.

<b>Perth &amp; Kinross IJB Earmarked Reserves</b>			
	Opening Balance 1 April 2019	Projected increased or (reduction) in reserve	Projected closing balance 31 March 2020
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Scottish Government - Primary Care Improvement Fund	642	(642)	0
Scottish Government - Mental Health - Action 15 Fund	171	(171)	0
Scottish Government - Primary Care Transformation Fund	359	(62)	297
Scottish Government- ADP Fund	572	(420)	152
Partnership Transformation Fund	554	(299)	255
GP Recruitment and Retention Fund 2017/18	118	(118)	0
Mental Health Bundle 2018/19	54	(54)	0
<b>Total</b>	<b>2,470</b>	<b>(1,766)</b>	<b>704</b>

Note - The Out of Hours funding for Tayside is being carried forward by Angus as the Host IJB. This is being carried forward on behalf of all 3 IJBs in a ring fenced reserve.







**Record of Attendance 1 April 2019 - 31 March 2020**

**Members**

Name	Designation	Organisation	19 Jun 18	29 Jul 19	16 Sep 19	30 Nov 18	19 Feb 19
Councillor Callum Purves	Elected Member	Perth & Kinross Council	PRESENT	PRESENT	PRESENT		
Councillor Eric Drysdale	Elected Member	Perth & Kinross Council	PRESENT	PRESENT	PRESENT		
Bernie Campbell	Carer's Representative	Public Partner	PRESENT	PRESENT	APOLOGIES		
Lorna Birse-Stewart	Non Executive Director	NHS Tayside	APOLOGIES	APOLOGIES	APOLOGIES		
Pat Kilpatrick	Non Executive Director	NHS Tayside	APOLOGIES	PRESENT	APOLOGIES		

**CANCELLED**

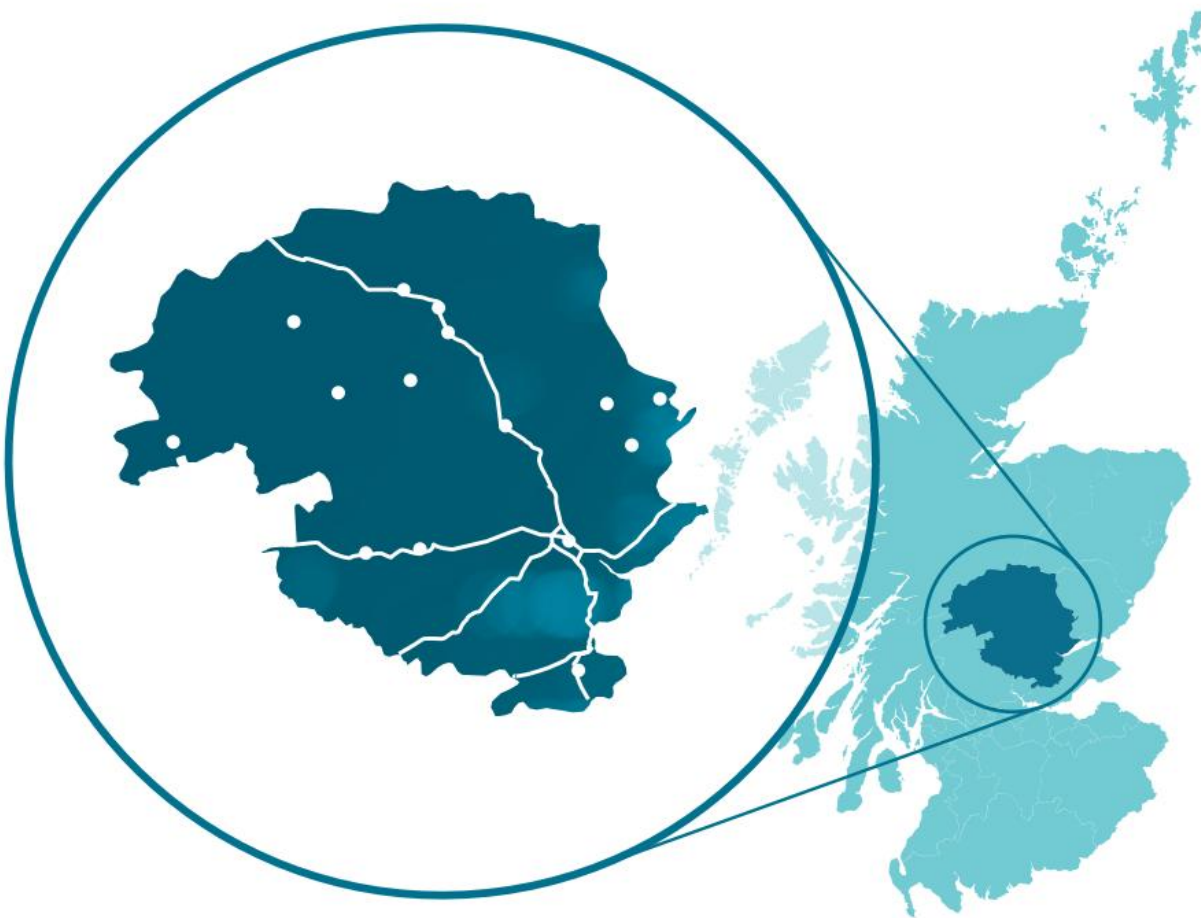
**In Attendance**

Name	Designation	Organisation	19 Jun 18	18 Jul 18	20 Sep 18	30 Nov 18	19 Feb 19
Gordon Paterson	Chief Officer	P&K HSCP	PRESENT	PRESENT	PRESENT		
Jane Smith	Chief Financial Officer	P&K HSCP	PRESENT	PRESENT	PRESENT		
Evelyn Devine	Head of Health	P&K HSCP	PRESENT	PRESENT	PRESENT		
Diane Fraser	Head of Adult Social Work	P&K HSCP		PRESENT			
Jacquie Pepper	Chief Social Work Officer	Perth & Kinross Council		PRESENT			
Hamish Dougall	Associate Medical Director	P&K HSCP		PRESENT			
Robert Peat	Non Executive Director	NHS Tayside	PRESENT				
Maggie Rapley	Service Manager	P&K HSCP		PRESENT			
Phil Jerrard	Governance & Risk Coordinator	P&K HSCP	PRESENT		PRESENT		
Scott Hendry	Team Leader (Committee Services)	Perth & Kinross Council		PRESENT	PRESENT		
Adam Taylor	Assistant Committee Officer	Perth & Kinross Council	PRESENT	PRESENT	PRESENT		
Tony Gaskin	Internal Auditor	NHS Fife	PRESENT				
Donna Mitchell	Finance Manager	P&K HSCP	PRESENT		PRESENT		
Jackie Clark	Internal Auditor	Perth & Kinross Council	PRESENT		PRESENT		
Maureen Summers	Carer	Public Partner					
Andy Shaw	External Auditor	KPMG					
Christopher Windeatt	External Auditor	KPMG			PRESENT		
Councillor Colin Stewart	Elected Member	Perth & Kinross Council		PRESENT	PRESENT		
Paul Henderson	Service Manager	P&K HSCP			PRESENT		
M Wilkie	External Auditor	KPMG			PRESENT		
Christopher Jolly	Service Manager	P&K HSCP			PRESENT		



# Best Value Assurance Report

# Perth and Kinross Council



ACCOUNTS COMMISSION

Prepared by Audit Scotland  
August 2019


# 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](http://www.audit-scotland.gov.uk/about-us/accounts-commission) 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

# Contents



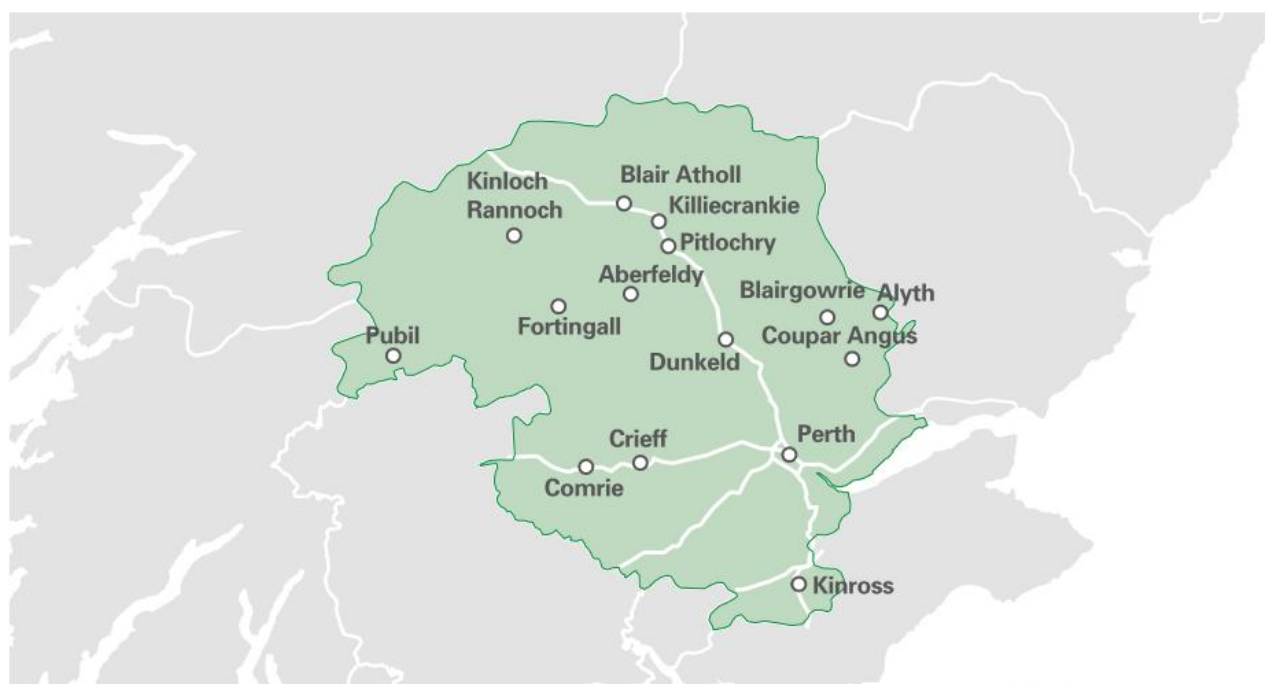
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## Links

-  PDF download
-  Web link

# Key facts

## Perth and Kinross



**2,041**  
square  
miles

Area

**151,290**

Population

**4,631**

Workforce  
(headcount)

**40**

Elected members

- 17 Conservative and Unionist
- 15 Scottish National Party
- 4 Scottish Liberal Democrats
- 3 Independent
- 1 Scottish Labour Party

**7,540**

Council houses

**£354**  
million

2019/20  
revenue budget<sup>1</sup>

**£621**  
million

2019/20 – 2028/29  
10-year capital budget<sup>2</sup>

**£52**  
million

Mid-range budget  
gap 2019–24

1. Revenue budget covers day-to-day costs like wages, property repairs and maintenance and payments for goods and services.  
2. Capital budget covers the cost of major projects such as schools, housing and town centre regeneration.


# Commission findings



- 1** The Commission accepts the Controller of Audit's report on Best Value in Perth and Kinross Council. We endorse the recommendations set out by the Controller of Audit in his report and expect the council to act upon them.
- 2** We commend the continuing steady improvement of the council since our last Best Value audit in 2008. The council's clear strategic objectives and effective leadership have provided the basis for improvement in many services and in outcomes for the people of Perth and Kinross.
- 3** We also commend the council for the potential step change presented by the 'Perth and Kinross Offer', an initiative setting out how the council will improve in partnership with citizens and communities.
- 4** It is encouraging that council staff have a favourable view of the council's direction, although we note that the council recognises the need to manage sickness absence levels actively.
- 5** The council should use its approaches to self-evaluation and performance management to demonstrate better where it intends to improve and how it is progressing against its objectives.
- 6** The council's effective approach to financial planning means that it should be well placed to deal with projected budget pressures. We underline the Controller of Audit's recommendation to build on this by developing further its approach to longer term financial planning.
- 7** The council works well with partners, both within Perth and Kinross and with other neighbouring councils. We note, however, the significant potential for the community planning partnership to raise its ambition in leading change in Perth and Kinross.
- 8** We would encourage the council to consider how its ongoing review of its governance and decision-making might help it better involve and empower communities, given that the council acknowledges the need to improve in this regard. We note the council's ambition to become the most digitally innovative in Scotland and the recognition by the community planning partnership of the potential of digital innovation to better involve communities. It is important that such ambition is demonstrated in strategic planning and action.
- 9** We anticipate the council now moving forward with its ambitious strategy. Progress will be reported in the annual audit, and the Controller of Audit will update the Commission as appropriate.

# Audit approach



**1.** The statutory duty of Best Value was introduced in the Local Government in Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Findings are reported each year through the [Annual Audit Report](#) . In addition, the Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first assurance report on Perth and Kinross Council. The findings from previous Best Value reports on the council are summarised at [Exhibit 11 \(page 45\)](#) in the Best Value audit timeline.

**2.** This report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a focus on the Commission's Strategic Audit Priorities. We are looking for councils to demonstrate Best Value by showing continuous improvement in how they deliver services. The pace and depth of this improvement is key to how well councils meet their priorities in the future.

**3.** Our audit approach is proportionate and risk based and so is reflective of the context, risks and performance of the individual council. It also draws on the intelligence from audit and scrutiny work carried out in previous years. In keeping with this approach, we conducted some initial work to identify risks and council initiatives to build into the scope of our audit. This included a review of previous audit and inspection reports and intelligence, a review of key council documents, initial meetings with senior officers and reflection on our wider public sector knowledge and experience.

**4.** [Exhibit 1 \(page 7\)](#) shows the areas we decided to focus on. The detailed audit work for this report was undertaken in March and April 2019. Our audit work included:

- interviews with elected members, senior officers and partners
- observing a range of council and committee meetings
- document review
- focus groups.

**5.** We gratefully acknowledge the cooperation and assistance provided to the audit team by elected members, officers and the council's partner organisations. As part of the annual audit of the council, our future work will follow up the findings and recommendations in this report. It will also include more detailed audit work on other Best Value areas as appropriate.



## Exhibit 1

### Key areas of focus for our audit

The audit considered a broad range of issues.



#### **Vision and strategic direction** ([Part 1, page 10](#))

- Perth and Kinross Council's vision and priorities and how these fit with the Perth and Kinross Community Planning Partnership's Local Outcomes Improvement Plan (LOIP).
- Leadership, governance and scrutiny arrangements, including elected member and officer relations.



#### **Performance** ([Part 2, page 19](#))

- Overall progress on performance and outcomes.
- Performance management arrangements, including public performance reporting.



#### **Use of resources** ([Part 3, page 28](#))

- How well the council is managing its financial resources and planning for the future.
- How the council manages, monitors and reports on financial and other resources including medium- and longer-term financial planning.
- Workforce planning.



#### **Partnership working** ([Part 4, page 33](#))

- How effectively the council delivers services with others, including the Perth and Kinross Integration Joint Board and other local authorities. We also looked at participation in the Tay Cities Deal.
- How well services are developed in collaboration with others and how community engagement affects the council's activities and delivery of services.



#### **Continuous improvement** ([Part 5, page 43](#))

- Evidence of continuous improvement including digitalisation of services.
- Progress against key judgements in the 2008 Best Value report.

Source: Audit Scotland

# Key messages



- 1** The council has clear strategic objectives that have remained stable over a period of time. There is strong member and officer leadership together with appropriate levels of challenge and scrutiny. The council is currently reviewing its governance arrangements with the aim of streamlining and further improving decision-making.
- 2** Since the 2008 Best Value report, the council has improved at a steady pace. Overall, outcomes for the community are improving. Officers and members are positive about the Perth and Kinross Offer, that is a proposed approach to service design and development co-designed with citizens and communities. It is still at an early stage, but has the potential to provide a step-change in the levels of community engagement and the pace of improvement.
- 3** The council has robust financial planning and management arrangements including effective monitoring and reporting and medium-term financial planning. The financial outlook is challenging, but the council is well placed to address projected funding gaps through savings from its transformation programme and medium-term financial plan. The council approves a three-year revenue budget and budget flexibility scheme which encourages longer-term planning. It should consider building on this by developing a longer-term financial plan covering five to ten years.
- 4** The council has made good progress in providing online access to services. The council is in the process of reassessing its use of information and technology. Following completion of its digital maturity assessment, it intends to update its digital strategy. This should reflect its ambition of becoming the most digitally innovative council in Scotland.
- 5** The council undertakes self-evaluation and is receptive to third-party evaluation and inspection. Its self-evaluation could be more explicit about improvement plans. The council uses performance management information and reporting to drive continuous improvement at service level, but annual public performance reporting should be more balanced. More could be done to consistently demonstrate that performance management drives change and improvement.
- 6** Residents in Perth and Kinross are more satisfied with their council's services than the Scottish average and the council has received positive inspection reports in recent years. There are examples of the council delivering services in innovative ways, making savings and improving outcomes for vulnerable service users.

- 7 Perth and Kinross Council works well with partners, in particular with regional partners across Tayside and the effectiveness of working arrangements with the integration joint board has improved over the last 12 months. The Community Planning Partnership needs to take a more active role in leading partnership working and strategic change.
  - 8 There are good examples of community engagement at service level, but the council could do more to involve communities earlier in strategic planning discussions and demonstrate the outcome of engagement. The council is aware that it needs to do more to embed community empowerment in the way the council and its communities work together.
-

# Part 1

## Does the council have clear strategic direction?



The council has clear strategic objectives which have remained stable over a period of time and are supported by effective leadership.

### The local context

**6.** The area of Perth and Kinross, covering over 2,000 square miles, is home to over 151,000 people. Over the last ten years its population rose by six per cent and it is expected to rise by a further eight per cent over the next 20 years. This rise is higher than the five per cent predicted growth in Scotland overall. Currently people aged 65 and over account for 23 per cent of the population. By 2041 this proportion is expected to increase to 30 per cent.

**7.** Most of the Perth and Kinross area is rural. It includes the city of Perth, 12 towns and over 100 smaller settlements. The area is dependent on tourism, agriculture and hospitality. Although unemployment is generally low, wage levels tend to be below the Scottish average which contributes to in-work poverty. The Scottish Index of Multiple Deprivation (SIMD) identifies 11 data zones in Perth and Kinross (out of 186) as being within the 20 per cent most deprived in Scotland. These are home to 8,200 people and located in both urban and rural areas. However, the SIMD does not always accurately represent deprivation in a rural setting due to the dispersed nature of rural communities.<sup>1</sup> Rural poverty is an issue within Perth and Kinross, with pockets of rural deprivation spread across the local authority area. The proportion of the school population with additional support needs has increased from 20 per cent in 2010 to 34 per cent in 2018.


**8.** These factors have led to challenges for the council including:

- a need to provide affordable housing
- ensuring equitable access to services, particularly in rural areas
- improving transport and connectivity in rural areas.

## The council's objectives are wide-ranging and align with partners' priorities

9. The Corporate Plan 2018-2022 includes the council's vision, which is shared with the community planning partnership (CPP), of 'Creating a confident, ambitious and fairer Perth and Kinross, for all who live and work here.' It contains five strategic objectives to support delivery of the vision:

- giving every child the best start in life
- developing educated, responsible and informed citizens
- promoting a prosperous, inclusive and sustainable economy
- supporting people to lead independent, healthy and active lives
- creating a safe and sustainable place for future generations.

10. The council is a statutory partner in the CPP which produces the [Perth and Kinross Local Outcomes Improvement Plan \(LOIP\)](#) .<sup>2</sup> This plan involves input from a number of agencies including NHS Tayside, the Scottish Fire and Rescue Service, Police Scotland, Skills Development Scotland and the council. It is an example of how the council has collaborated with other entities to support delivery of the strategic objectives agreed upon. The LOIP and corporate plan also have the same objectives. Community planning at a local level is delivered by seven local action partnerships ([Part 4, page 33](#)). Each local action partnership has its own local action plan.

## Members and officers recognise challenges in providing fair and equitable access to rural communities

11. The area of Perth and Kinross is geographically diverse and includes several rural and isolated communities. This increases the importance of the council's focus on providing fair and equitable access to services.

12. Members and officers recognise this risk which routinely features in discussions and forms part of effective scrutiny. Local needs and the role of communities are regularly referenced in service improvement plans and corporate plans have a communities focus.

13. In 2016, the CPP established a fairness commission to understand more about the challenges within communities, poverty and inequality. A report entitled *Fairer Futures* made recommendations and highlighted good practice to inform the work of the community planning partners.<sup>3</sup> Its findings feature as part of service improvement plans.

14. A place-based approach to tackling inequality is being embedded through the seven local action partnerships made up of community, elected and stakeholder representatives. They are each supported by 'stories of place', created by the council to summarise statistical and background information on each locality to support their work.<sup>4</sup>

## The council's vision is backed by clear plans and service priorities which are subject to monitoring and scrutiny

**15.** The council's vision and strategic objectives, set out in its corporate plan, have been consistent for several years. They are supported by officers and members who consider them appropriate and a suitable framework within which relevant actions can be agreed at a strategic and service level. Their consistency has helped them to become embedded in the council's decision-making. The council is committed to its vision and strategic objectives, which is evident from member and officer understanding and their integration into the business management improvement plan (BMIP) process.

**16.** There is strong communication and understanding of strategic objectives by leadership, incorporated into all levels of council planning ([Exhibit 2](#)). In order to plan and monitor improvements, BMIPs are reported to the relevant committee and to the scrutiny committee annually (with six-monthly updates to the relevant committee), comparing performance of each individual service against the corporate plan and service priorities. This allows members to appropriately challenge on progress and delivery of improvements and objectives.

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### Exhibit 2

#### Perth and Kinross Council's overall approach to planning



Source: Perth and Kinross Council

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**17.** Five improvement priorities for the council are identified in the Annual Performance Report and sit alongside the strategic objectives and service priorities. They are:

- securing sustainable, inclusive economic growth

- addressing changing demographics
- reducing the impact of poverty in families and communities and supporting those most vulnerable
- evolving the way the council works with communities
- working more collaboratively and further transforming services.

The council has set out how the improvement priorities link to its strategic objectives.

### **There is strong member and officer leadership and effective levels of challenge and scrutiny**

**18.** Perth and Kinross Council exhibits strong member and officer leadership. Since the last local election in 2017, the Conservatives and Liberal Democrats have formed the administration ([Exhibit 3](#)). There is evidence of an appropriate level of challenge and scrutiny within all aspects of council business. Good working relationships between members, and between members and officers, was observed at council and community planning meetings.

## **Exhibit 3**

### **Changes in council administration in 2017**

<b>Current administration (from 2017)</b>	<b>Previous administration</b>
<b>17</b> - Scottish Conservative and Unionist Party	<b>18</b> - Scottish National Party
<b>15</b> - Scottish National Party	<b>10</b> - Scottish Conservative and Unionist Party
<b>4</b> - Scottish Liberal Democrats	<b>5</b> - Scottish Liberal Democrats
<b>3</b> - Independents	<b>4</b> - Scottish Labour Party
<b>1</b> - Scottish Labour Party	<b>3</b> - Independents

Source: Perth and Kinross Council

**19.** The leadership team uses a range of approaches to share the council's vision, for example:

- **senior management team meetings:** the chief executive and directors meet with services on a rotational basis to discuss emerging issues
- **chief executive's blog:** which shares information with staff
- **think yes sessions:** staff are invited to share their thoughts and ideas on the future of the council and what challenges and opportunities they face.

**20.** The council has a dedicated scrutiny committee, charged with overseeing the implementation of the council's policies in relation to achieving Best Value. Key aspects of financial and project management are subject to regular oversight at the appropriate level. The audit committee considers external and internal audit reports and financial statements. Performance against the LOIP and other plans and objectives are also publicly reported.

**21.** Some members commented that the capacity for scrutiny is sometimes limited by the volume of papers and number of meetings. They do not always consider the options presented to them, while viable, to be acceptable, and would welcome greater opportunity to comment on options while they are being developed. The council's member-officer working groups provide opportunity for this to occur.

**22.** The scrutiny committee has direct scrutiny of arm's-length external organisations (ALEOs) and receives regular reports and presentations on their performance. ALEOs can take many forms, such as companies, community organisations or charities. Those operating in Perth and Kinross Council include Culture Perth and Kinross, Live Active Leisure Ltd and Horsecross Arts Ltd.

### **The vision of the Perth and Kinross Offer is widely supported by officers and members**

**23.** The vision of the Perth and Kinross Offer (the Offer) aims to change how services are designed and delivered. It has been welcomed by officers and members and seeks to create a range of social contracts between the council and the people and communities it works with. It ultimately aims for a cultural change, from viewing citizens and partners as service users to viewing them as co-creators. It is closely aligned with a proposed 'think yes' culture, which is also widely recognised by officers who have begun to make simple changes in a supportive environment.

**24.** The ambition is for the Offer to be developed collaboratively with staff, citizens, businesses and other local stakeholders. To date, a series of staff meetings and events that support this have been held or are planned. Officers and members speak positively about the Offer and it has obtained cross-party support. The Offer will support delivery of further improvement in relation to the themes of:

- equalities and fairness (diversity, perceptions, commitment, rurality)
- economy and entrepreneurship (investment, employment, location, people)
- education and learning (attainment, investment, collaboration, strengthening families)
- empowerment (enabling structures, communities, partnerships, third sector)
- environment.

**25.** A brief summary of the aims of the Offer and intended approach to developing it collaboratively with stakeholders has been set out. A framework and timescale for its development are being formed. It is important that the council maintains the pace of its development along with member and officer enthusiasm.



**The council is progressing well in providing online access to services. The digital strategy does not reflect the council's ambition but it plans to update it following a digital maturity assessment**

**26.** The council's digital transformation programme includes planned investment of £1.4 million in online services and £1.8 million on mobile working over five years from 2016/17. Regular updates are provided to the executive officer team by the Head of IT and Revenues (chief digital officer) and are overseen by the ICT Transformation Board. Frontline staff are positive about digital developments delivered by the council to date.

**27.** Good progress has been made and the council now offers 37 services online via MyPKC, its customer services platform. The council procured the underlying software collaboratively with Dundee City Council and Angus Council, which facilitates sharing of developed service modules and represents good practice. Mobile working developments have been slower to implement but are progressing. A roadmap of future MyPKC projects exists, including requested developments ([Exhibit 4](#)).





**28.** A corporate approach to assessment of benefits realisation was approved by the ICT Transformation Board. It includes a number of elements of good practice such as comparison of the pre-investment baseline time and cost taken to complete a process with that achieved following development.

**29.** The council assessed its digital maturity in 2016 and is in the process of completing the Digital Office Assessment Model during 2019. The Digital Strategy 2016-2020 contains the expected elements but it does not yet fully reflect the council's ambition to become the most digitally innovative council in Scotland. The council plans to update its digital strategy following completion of its updated maturity assessment.

## Exhibit 4

### Rollout of MyPKC services

Perth and Kinross Council provides an extensive range of online services.

MyPKC services		Examples
	Delivered or improved in 2017/18	21
	Delivered or improved in 2018/19	24
	Planned in 2019/20	17
	Prioritised work yet to be scheduled	24

Source: Perth and Kinross Council Roadmap of planned MyPKC services

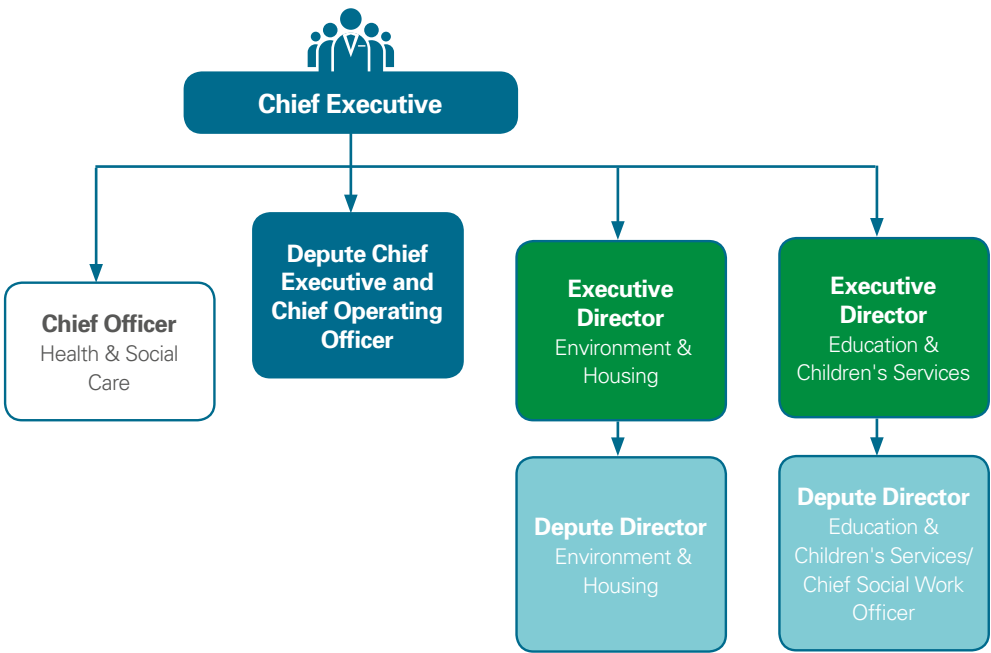
**The current review of the council’s governance structure should consider simplifying the decision-making model**

**30.** The council operates with 20 committees, ten of which administer common good funds.<sup>5</sup> In addition to the scrutiny committee, the key committees include the strategic policy and resources committee, the lifelong learning committee, the environment and infrastructure committee, the housing and communities committee and the audit committee.

**31.** The council established the current committee structure after the last election when the new council decided to review and implement changes to adapt to scrutiny and new challenges. The key changes included reducing the overall number of committees and increasing the membership of the scrutiny committee from seven to 11 members.

**32.** In 2015, the council launched a transformation programme, set out in *Building Ambition – A Blueprint for a 21st Century Council*. This included a phased approach to reshaping senior management arrangements.<sup>6</sup> In April 2018, the council changed the management structure. This resulted in the removal of the post of senior deputy chief executive. In addition, the responsibilities of housing and community safety were realigned from the senior deputy chief executive to the executive director (environment and housing) ([Exhibit 5](#)).

**Exhibit 5**  
Council management structure from April 2018



Source: Perth and Kinross Council

**33.** Although the existing committee and management structures are aimed at streamlining the council's activities, both officers and members agree that the number of reports and current governance arrangements make decision-making lengthy and there is further scope for improvement which the council plans to make as part of its governance review.

**34.** The council is currently reviewing the committee structure, the quality of report writing for outcome agreements and business cases and ensuring scrutiny and audit functions are more robust. Initial proposals are expected after the summer recess.

**35.** The council is proactive about improving its governance. The ongoing review should consider simplifying the council's governance arrangements to improve decision-making.

### **The council implemented a new risk management strategy and defined its risk appetite, which demonstrates good practice**

**36.** The council's risk management processes have undergone a significant redesign over the last two years. The key reasons for a review in 2016 were an increase in partnership working and new operational models such as the integration joint board (IJB), which changed the risk profile of the council. The main changes, approved in 2017, included:

- four risk documents: a risk management policy; a risk management strategy to set out the high-level approach; a risk management process guide aimed at service-level operations; and the risk management appetite, which details the level of risk that will be tolerated in each area to achieve outcomes
- definitions for terminology to ensure no ambiguity
- being risk aware rather than risk averse
- commentary on the approach to managing risks within partnership arrangements
- adoption of a conservative risk appetite.

**37.** There is regular reporting of strategic and operational risks to the strategic policy and resources committee, with monthly revenue and capital monitoring reports submitted which include discussion of risks and how these can be controlled or mitigated. The risk management process is a continuous process throughout the year.

**38.** The new risk management strategy demonstrates good practice, with high-level outcomes being broken down to service level. This enables officers to take ownership and responsibility for risks, enabling risk management to be led by all levels within the council.

### **The council operates in a transparent manner**

**39.** The council discloses agendas, papers and minutes on its website, providing transparency to stakeholders and enabling members of the public to obtain information on key decisions made by the elected members.

**40.** The council reported a 93.8 per cent success rate against a 95 per cent target in responding to freedom of information requests within the statutory 20 working days. This is down from full compliance over the previous four years, and management indicated an increase in the frequency and complexity of requests.

**41.** Since January 2018, council and committee meetings have been recorded for public viewing and are available on YouTube. There is a culture of openness and focus on transparency at the council.

### **The council has effective member development and training arrangements**

**42.** In 2017, the council experienced a change in its political administration along with the election of 22 new members (out of a total of 40). This meant increased training requirements and a period of learning for the newly-elected members and a need for more support from officers.

**43.** The council has provided a comprehensive programme of training to all newly-elected members. Discussions are held with elected members to identify development and training needs, which form part of each member's personal development plan, and newly-elected members are given induction training. Although the training was delivered at an appropriate level, some members highlighted they would welcome training sessions being recorded and provided at more varied times, and information being available electronically.

**44.** The council organises sessions for elected members based on their identified needs or wishes. Over 80 sessions have been held since 2017 and overall attendance was good. Some sessions were mandatory for all elected members while others were directed to members of specific committees. Workshop topics have included planning and development management, general data protection regulation, Cross Tay link road consultation, equalities, housing services and public protection.

# Part 2

## How well is the council performing?



Overall, outcomes for the community are improving. More could be done to consistently demonstrate that performance management drives change and improvement.

Residents are generally satisfied with the council's services.

### The council reports that its performance improved in 45 per cent of its own key performance indicators

**45.** The council reports performance against its own key performance indicators in an annual performance report (APR). This goes to the full council and is available on its website along with its 'PK performs dashboard'. The council uses 42 key performance indicators to report its performance in relation to its strategic objectives. Six of these are Local Government Benchmarking Framework (LGBF) indicators, with the remainder being the council's own indicators.

**46.** In 2017/18, of the council's 42 key performance indicators, 19 (45 per cent) improved, ten (24 per cent) were steady and three (7 per cent) needed attention. A further ten indicators (24 per cent) had no information or trend data available at the time the APR was published, so were not included in the report. In the APR, the council provides no indication of which of its performance indicators fall into each of these categories. It also does not make clear over what period it reports improvement in performance.

**47.** To assess performance across all the council's indicators, analysis using performance data from all 42 indicators was carried out as part of the audit. This found that 33 (79 per cent) of the council's key performance indicators improved over time and nine (21 per cent) declined. Between 2013/14 and 2017/18, examples of where performance improved included:

- tourism-generated revenue (improved by 40 per cent)
- the percentage of residential and business premises with access to next generation broadband (improved by 47 percentage points)
- the number of affordable houses built (improved by 137 per cent).

**48.** Performance declined in nine indicators between 2013/14 and 2017/18, including:

- percentage of children leaving care who attained English and maths at standard grade foundation level or equivalent (reduced by 12 percentage points)
- percentage of children leaving care who attained at least one subject at standard grade foundation level or equivalent (reduced by 21 percentage points)
- number of jobs created in small and medium-sized enterprises with public sector support (reduced by 30 per cent).

The numbers for children leaving care are small which may account for larger percentage changes in these indicators. The council provided reasons for the decline in performance for four of the nine indicators in the APR or performance dashboard. In other indicators no comment was made where there was a small change in performance (2-3 per cent).

### **National indicators show Perth and Kinross Council's performance generally improved between 2013/14 and 2017/18**

**49.** The LGBF allows councils to compare their own performance over time and against the Scottish average for 70 indicators of different council services. The council reports its progress against LGBF indicators in an annual report to the full council and publishes this on its website. This is in accordance with the Accounts Commission's requirements. As part of the audit, the council's performance was analysed in 49, mainly outcomes-based, LGBF indicators. Between 2013/14 and 2017/18 the council's performance:

- improved in 30 indicators (61 per cent)
- declined in 16 (33 per cent), and
- was maintained in three (6 per cent).

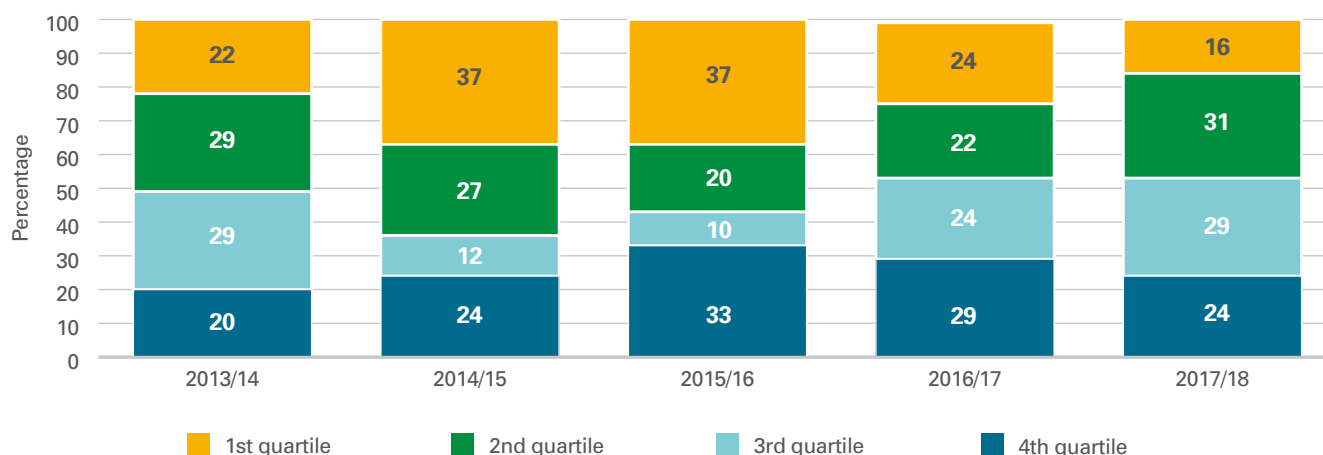
The LGBF also groups councils together that are facing similar challenges of population density and deprivation. These are known as family groups. In 2017/18, the council's performance tended to rank in the middle of its LGBF family groups.

**50.** Overall, the council's performance relative to all Scottish councils fell slightly between 2013/14 and 2017/18 ([Exhibit 6, page 21](#)). Over this period, the percentage of indicators where Perth and Kinross Council's performance fell into the top two quartiles decreased by four percentage points (two indicators), from 51 per cent to 47 per cent. The percentage of indicators in the top two quartiles fluctuated between 64 per cent 2014/15 and 47 per cent in 2017/18.

## Exhibit 6

### Perth and Kinross Council's performance relative to other councils, 2013/14 to 2017/18

The percentage of indicators in the top two quartiles decreased by four percentage points, from 51 per cent to 47 per cent and fluctuated between 64 per cent and 47 per cent.



Note: Measuring council performance involves considering how all councils are performing, from lowest to highest for each indicator. From this, it is possible to see how one council compares with all other councils. Relative performance against other councils is divided into four equal bands, or quartiles. The first quartile contains the best-performing councils for that indicator and the fourth quartile contains the poorest-performing councils. The above data is based on 49 indicators which have been reported every year in the LGBF since 2013/14. Percentage figures will not always come to 100 per cent because of rounding.

Source: Audit Scotland; Local Government Benchmarking Framework, Improvement Service, 2017/18

**51.** Between 2013/14 and 2017/18, the council improved its performance in several indicators which reflect its priority areas, including:

- the proportion of looked-after children being looked after in the community
- self-directed support spending on adults aged 18 or over as a percentage of total social work spending on adults aged 18 or over
- the percentage of total household waste that is recycled
- the percentage of unemployed people assisted into work from council-operated/funded employability programmes.

In 2017/18, the council performed comparatively well to other councils in these indicators.


**52.** The council's performance declined in some areas it had given a lower priority, for example the percentage of its B- and C-class roads requiring maintenance treatment. The council approved a road maintenance strategy in 2014 aimed at improving the condition of the A-class road network while maintaining the condition of other road types through patch repairs.<sup>7</sup> In 2018/19, the council agreed additional investment in road maintenance to improve the overall road condition.

**53.** Performance compared with other councils also declined in some of the council's priority areas. This includes the average total tariff for pupils in the 20 per cent most deprived areas and child protection re-registrations within 18 months, although changes involved small numbers.

**54.** A similar trend in performance can be seen when analysing Perth and Kinross CPP's performance against community planning outcomes profile indicators (CPOP).<sup>8</sup> Of the 18 CPOP indicators, performance improved in ten (56 per cent), declined in seven (39 per cent) and was maintained in one (6 per cent) between 2013/14 and 2017/18.

### **The council should more consistently demonstrate how it uses performance management and performance reporting to drive continuous improvement**

**55.** There are examples of the council making good use of performance information at a service level to inform improvement activity and BMIPs contain detailed performance information. Recent external audit reports have commented positively on some aspects of the council's performance management arrangements at a corporate level. This includes comparison of service performance to the corporate plan, monitoring BMIPs by the full council, regular performance reporting to the strategic, policy and resources committee and the role of the scrutiny committee.

**56.** The 2008 [\*Audit of Best Value and Community Planning: Perth and Kinross Council\*](#)  highlighted the council's effective approach to performance management and its clear and balanced public performance reporting. In 2019, these areas have been identified as areas for improvement for the council. The council has a small performance team and has not used a specialised software system for managing performance for over five years.

**57.** Each service produces an annual performance report (APR) and six-monthly performance updates which are reported to the appropriate committee and the scrutiny committee. The service APRs are also discussed at the full council. These aim to:

- set out the services' achievements that have contributed to the delivery of the council's strategic objectives
- identify areas for improvement
- report on performance.

**58.** Each service APR is made publicly available along with its BMIP. A sample of service APRs and BMIPs were reviewed as part of the audit. This found some clear examples of how performance information is used at a service level to continuously improve. For example, the council set out actions to improve performance in relation to: the percentage of children with an approved permanence plan within four months of the decision to recommend for permanence; and the number of families presenting as homeless ([Case study 1, page 26](#)).



**59.** In some cases, reasons for performance falling below the set target and associated improvement actions were less clear. The council could make more explicit the linkages between underperforming service performance indicators and the associated actions in the BMIPs. This would more clearly and consistently demonstrate how it uses this performance information to identify BMIP improvement priorities. Within service APRs there is no overall assessment of the proportion of indicators where performance has improved, declined or been maintained, or those which are on, above or below target. It would be helpful to include an overall summary within each service APR.

### **Annual public performance reporting should be more balanced and used more effectively to assess the council's progress towards its objectives**

**60.** It is important that councils clearly report their performance to local citizens and the community. Detailed reporting on performance at a service level is provided to elected members at various committees. However, the council's overall annual performance reporting to elected members and the public should be more transparent, more balanced and clearer about progress towards strategic objectives. When reviewing the council's APR, it was difficult to judge how well the council performs overall. The 2017/18 APR focuses on good performance and does not fully explore poor performance. It is unclear from the APR how the council plans to address areas of underperformance and drive improvement, although this is contained in other reports.

**61.** The APR provides graphs to illustrate performance for each of the indicators. Although these show performance over a long-term period, they have no key and are difficult to interpret. Five improvement priorities for the coming year are set out at the beginning of the APR, but it is not clear why these have been prioritised, how they link to the strategic objectives, how and when they will be achieved, or how they will be reported.

**62.** Data for 2017/18 was unavailable for ten of the council's key performance indicators when the APR was published in October 2018, including seven attainment indicators. This means the APR reports changes in only 32 performance indicators. The council publishes data for all 42 key performance indicators on its 'PK performs dashboard' webpage once this data becomes available. The online performance dashboard contains no assessment of whether performance has improved, declined or been maintained.

**63.** The council is currently carrying out a Modernising Performance Review. It has set up a project board to oversee the review and is investing resources to change the way it uses data and information. The council is preparing a procurement exercise for an electronic system and is linking this to its digital strategy. It aims to have an operational system in place by March 2020.

**64.** As part of its review, the council should consider how it could make public performance reporting more transparent, clear and balanced. It should set ambitious performance targets and be clear about the reasons for underperformance and planned improvement actions to address these to drive continuous improvement. This will make it easier for elected members and members of the public to scrutinise performance.

## **Residents in Perth and Kinross are more satisfied with their council's services than the Scottish average**

**65.** The LGBF includes performance against indicators of service users' satisfaction with council services. These are based on results from national surveys, such as the Scottish Household Survey. LGBF data for Perth and Kinross shows that its residents' satisfaction levels with some culture and leisure services, such as libraries and parks and open spaces, have generally improved over time. However, satisfaction with other services, such as local schools and refuse collection, has declined over time. These trends tend to be in line with the average trends in Scotland; however, Perth and Kinross residents' satisfaction with libraries and with museums and galleries has improved in contrast to a national decrease. The most recent data shows that the council ranks in the top half of all Scottish councils in all LGBF satisfaction indicators ([Exhibit 7, page 25](#)).

**66.** The council's housing service conducted a tenant satisfaction survey in 2018. The results of this survey were positive and demonstrated improvement since the last time the council surveyed its tenants in 2016. The council received 1,032 responses, 95 per cent of which said they were satisfied with the overall service, higher than the national average of 91 per cent.

## **There are examples of the council delivering services in innovative ways, making savings and improving outcomes for vulnerable service users**

**67.** There are examples of the council improving outcomes for its most vulnerable service users by delivering services differently, which has also led to financial savings. This includes innovative ways of reducing homelessness ([Case study 1, page 26](#)) and the number of children requiring residential care ([Case study 2, page 27](#)).

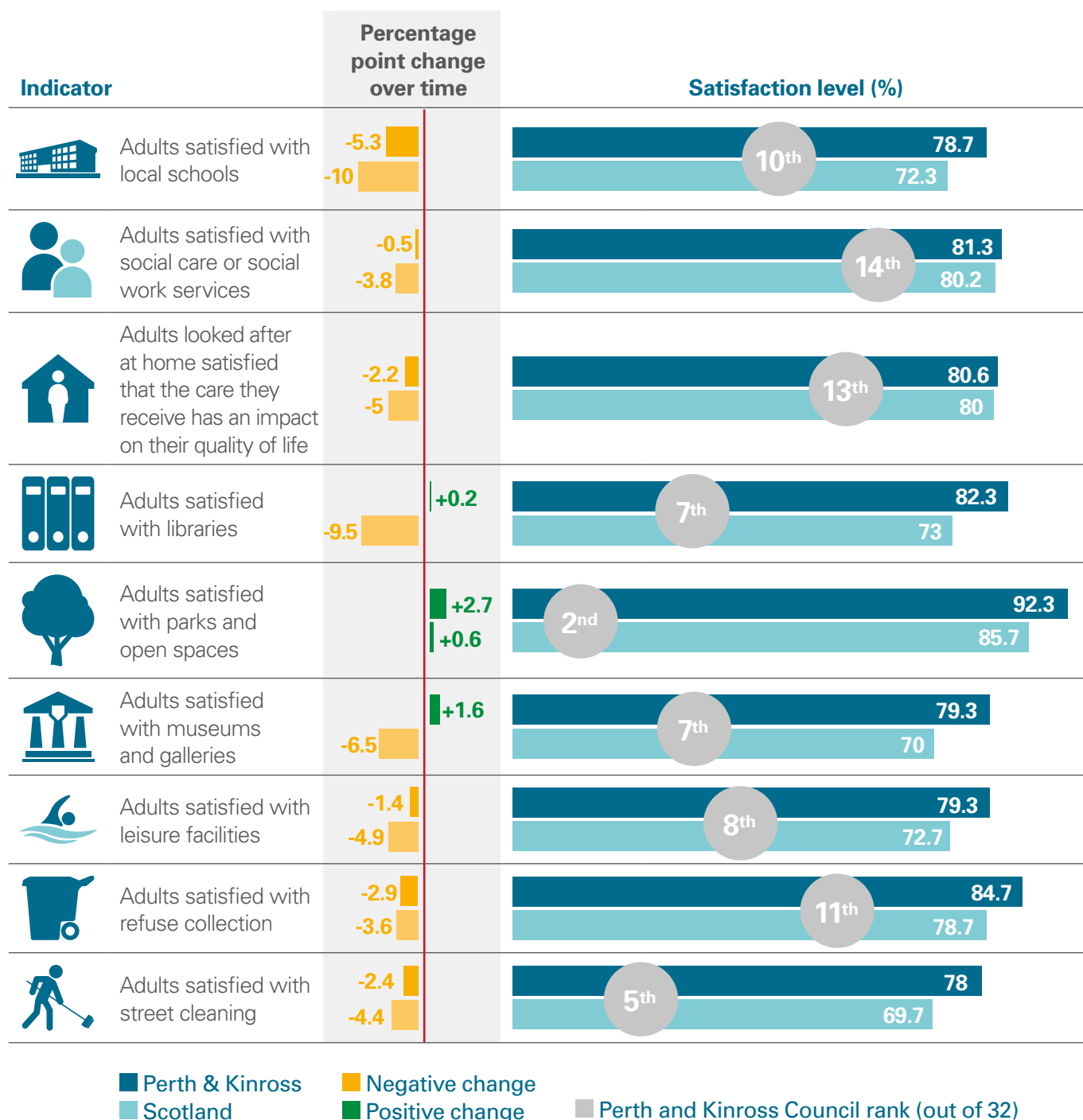
## **The council and its community planning partners have received positive inspection reports in recent years**

**68.** In January 2018, the Care Inspectorate reported its findings of a joint inspection of services for children and young people provided by community planning partners in Perth and Kinross.<sup>9</sup> The report commended the work of the partnership, with partners receiving two 'excellent' grades: one for planning and improving services for children and young people, and one for leadership of improvement and change. The partnership also received one 'good' grading and six 'very good' gradings in other areas. The inspection highlighted key strengths within the partnership, including:

- sophisticated and intelligent use of data to inform and support decision-making, service planning and delivery, and management of performance
- an embedded culture of collaborative working that is supporting the partnership to deliver improved outcomes for children and young people
- consistent and sustained commitment to self-evaluation and continuous improvement.

## Exhibit 7

Perth and Kinross Council's performance against service satisfaction LGBF indicators in 2017/18



### Notes:

1. Satisfaction levels are based on three-year rolled average responses to Scottish Household Surveys for 2015 to 2018. Percentage point change over time has been calculated using the rolled averages from 2010-14 and 2015-18.
2. Indicators are from the Scottish Health and Care Experience Survey. Percentage point change has been calculated using 2014/15 and 2017/18 data and satisfaction level is based on the 2017/18 data.

Source: Audit Scotland; and Local Government Benchmarking Framework, Improvement Service, April 2019

## Case study 1

### The council's Home First approach is improving outcomes for homeless people



The council conducted a review of its homeless services in 2016 as part of its transformation programme and established its approach to rapid rehousing, Home First. This approach seeks to achieve a balance between prevention, rapid rehousing and tenancy sustainment with an overall aim of reducing the duration, impact and stigma of homelessness.

Between 2013/14 and 2017/18, the number of households presenting to the council as homeless increased by 21 per cent (from 826 to 999). A total of 790 of the 999 households presenting were assessed as homeless in 2017/18. Over the same period, the number of single young people aged 16-25 presenting as homeless reduced by 31 per cent (from 299 to 207). The council delivers a range of initiatives and programmes aimed at preventing homelessness, including:

- assigning support officers to work with young people at risk of becoming homeless to prevent this happening where possible
- training support officers in family mediation and providing support when a young person has been asked to leave the family home
- a personalised budget for officers to intervene if someone is at risk of homelessness, for example to provide items to enable the person to sustain their tenancy or pay off small rent arrears
- delivering a housing and homelessness education programme in secondary schools.

Home First aims to reduce the amount of time homeless households spend in temporary accommodation by removing this step where possible. The Home First project was fully implemented in 2017 and has led to considerable improvements in outcomes for homeless people and savings for the council. Between 2016/17 and 2018/19:

- the number of families presenting as homeless has reduced by 27 per cent (from 319 to 232 families)
- the average length of time homeless households spent in temporary accommodation reduced by 47 per cent (from 132 to 70 days)
- the case duration of homelessness reduced by 58 per cent (from 213 to 89 days)<sup>1</sup>
- the number of homeless households waiting for a permanent home reduced by 80 per cent (from 321 to 63 households).

The delivery of Home First has also enabled the council to reduce its temporary accommodation portfolio, from 326 to 26 separate units and from 92 to 53 hostel spaces and deliver savings of £676,000.

Note: 1. The case duration of homelessness is the number of weeks it takes for a local authority to close a case, starting from the date a homeless application is made until the local authority discharges its duty or decides it has no duty.

Source: Perth and Kinross Council

**69.** The Care Inspectorate also carried out an inspection of the council's homeless housing support service in January 2018.<sup>10</sup> The service received an 'excellent' grading for the quality of care and support provided to service users. The report highlighted that support was person-led, with service users being encouraged to participate in service improvement and projects designed to improve their health and wellbeing. The quality of staffing in the homeless housing support service was also graded as 'excellent'. Good working relationships with key partners and a commitment to continuous professional development were recognised in the report.

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## Case study 2

### The REACH team – preventing the need for residential care



The number of looked-after children in Perth and Kinross increased by 18 per cent between 2013 and 2018. The council had one residential care home for looked-after children and faced increasing residential care costs due to the need for external care placements and staff training requirements. It reviewed the delivery of its residential care services for children in 2017 as part of its transformation programme and established a new model, which was fully implemented in 2019:

- The project aims to help young people remain within their families, schools and communities, preventing the need for residential care. It also aims to ensure that young people receiving support are resilient, engaged, achieving, confident and healthy (REACH).
- A multidisciplinary team (known as the REACH team) delivers intensive support to young people at risk of care. The team includes staff from the council and NHS Tayside with a range of different skills, including social workers, a family worker, a clinical psychologist, speech and language therapists, and an outreach teacher to support young people's transition back to mainstream schools.
- The project cost £1.7 million to implement and is expected to be cost neutral by 2021/22. At 31 January 2019, an underspend of £164,000 in residential care placements was projected for the end of 2018/19, with further underspends projected for the duration of the project.
- Feedback from parents and carers about the support provided by the team has been positive. The council has recruited a performance and information officer to help evaluate the project's impact on outcomes and identify areas for improvement.

Source: Perth and Kinross Council

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# Part 3

## Is the council using its resources effectively?



The council has robust financial planning and management arrangements, including effective monitoring and reporting and medium-term financial planning.

The financial outlook is challenging, but the council is well placed to address projected funding gaps through its transformation programme and savings identified as part of the medium-term financial plan.

### **The council sets and approves a medium-term financial plan and ten-year capital plan that allows longer-term planning and informed investment decisions to be made**

**70.** On an annual basis, the council develops and approves a five-year medium-term financial plan (MTFP). The budget-setting process starts by updating the MTFP. In June 2018, a ten-year provisional composite capital budget was approved which takes a longer-term view in respect of financial planning.

**71.** The MTFP is set in the context of extensive analysis of the future environment the council expects to operate in, aligned to its strategic objectives. It includes key assumptions and sensitivity analysis including wage increases, central funding changes, inflation and other risks to service delivery. The council uses appropriate external information to inform the basis of its MTFP including Audit Scotland reports, the Improvement Service, and various government and professional sources.

**72.** It is reviewed by the leadership team, senior management in corporate finance and legal teams with a focus on the accuracy and sensitivity of assumptions. After completion, it is presented to elected members from the administration and opposition which facilitates early oversight and challenge in respect of forecast cost pressures, savings and alignment with strategic objectives.

**73.** The MTFP is presented to the full council in the October preceding the financial year, including the proposed approach to setting the revenue and capital budgets. Approval then allows management to begin the process of formally drafting the council's revenue budget, informed by medium-term financial planning. The council should build on this sound basis and consider developing a longer-term financial plan for the five to ten-year period.

## **The council moved to multi-year budgets three years ago and approved a rolling three-year revenue budget which facilitates efficient use of resources in the medium term and demonstrates good financial planning and management**

**74.** The revenue budget is a rolling three-year plan which currently covers 2019/20, together with provisionally approved budgets for 2020/21 and 2021/22. These will be updated as part of the MTFP development process in autumn 2019, and then formally approved and rolled forward in early 2020. The revenue budget for 2019/20 is £354 million.

**75.** The administration and opposition groups, through discussion with senior officers, prepare three-year revenue budgets for consideration by the full council in February each year. Elected members are complimentary about the level of information and support that officers provide as part of this process.

**76.** By developing indicative three-year revenue budgets, the council can effectively plan and prepare for future years. The use of sensitivity analysis and budget assumption ranges helps scrutiny and challenge by members together with risk assessment and management. The council's approach to budget flexibility, allowing certain service under- and overspends to be carried forward to future financial years as part of the budget-setting process, is described in [Case study 3](#).

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### **Case study 3**

#### **Budget flexibility**



The council has an approved Revenue Budget Flexibility Scheme which allows certain service under- and overspends to be carried forward to future financial years as part of the budget-setting process. Revenue budget flexibility proposals are reviewed annually. Services can re-phase work where required and better deliver services because they have discretion to use resources more flexibly than in other local authorities, across financial years.

Budget flexibility is a positive part of the council's approach to managing financial challenges and it discourages short-term thinking that can otherwise exist within local authorities.

Source: Perth and Kinross Council

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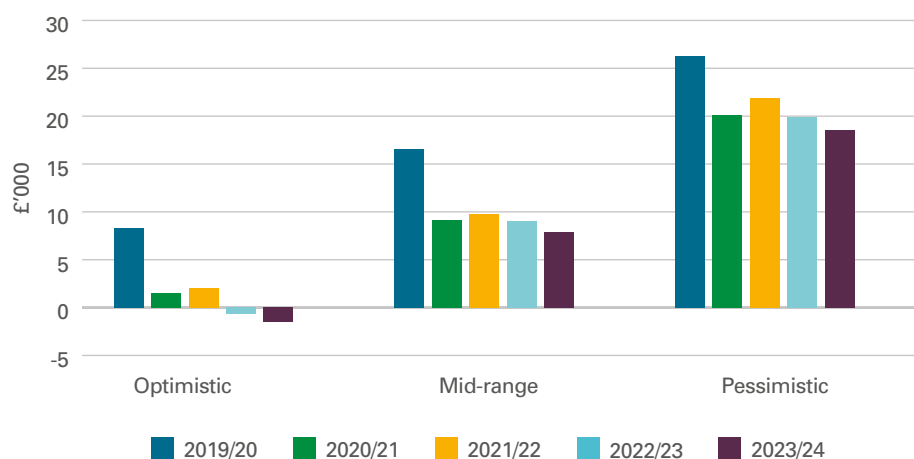
**77.** The estimated levels of savings required to be made over the next five years, between 2019/20 and 2023/24, are set out in [Exhibit 8 \(page 30\)](#) and depend on what pressures and risks materialise. The MTFP includes optimistic, mid-range and pessimistic scenarios of future savings requirements of £9.6 million, £52.3 million and £106.8 million respectively. Services are fully involved in identifying expected costs and savings. This process facilitates informed decision-making and early identification of cost pressures and underpins the annual budget-setting process.



## Exhibit 8

### Estimated levels of savings required, 2019/20 – 2023/24

Estimates of total savings required over the next five years range from £9.6 million to £106.8 million with a mid-range estimate of £52.3 million.



Source: Perth and Kinross Council MTFP 2019/20 to 2023/24

## There is a clear governance structure in respect of effective use of resources

**78.** The council has approved financial regulations covering 2018-21. These regulations cover financial planning and monitoring together with budget virement and asset management arrangements. These are effective, with levels of member scrutiny and challenge noted positively by officers and members.

## Useable reserves have remained steady year on year, and the council has a clear policy for managing reserves

**79.** The general fund balance was £51.1 million at the end of 2017/18. Of this, £12.1 million is uncommitted, which represents 3.6 per cent of the council's net budgeted expenditure for 2017/18. The unaudited estimate for the 2018/19 uncommitted general fund is £11.8 million.

**80.** In the February 2019 committee update, members approved an uncommitted reserves target of 2-4 per cent of net revenue expenditure in the medium term. The reserves strategy forms an appropriate part of MTFP and budget-setting arrangements.

## The council has a robust approach to preparing its financial statements but there are opportunities to increase efficiency

**81.** The process for preparing the annual financial statements has been in place for several years. It is evidently robust with minimal audit adjustments identified. The process is time-consuming for officers and would not facilitate faster closing and reporting of accounts should it be required in the future. The process has a higher number of traditional, manual components than other local authorities and is reliant on key individuals.



### **The programme management system used for capital project monitoring, continuous improvement and capturing lessons learned is being updated**

**82.** Total expected capital spending between 2019/20 and 2028/29 is £619.8 million. The capital budget for 2019/20 is £74.1 million. Some of the largest areas of investment are planned as part of the Perth Transport Futures programme and flood prevention works. In 2018, the council adopted a ten-year capital plan. It is also moving into the third phase of a medium-term school estate transformation programme and previously completed a review of the office estate which demonstrates a continuous approach to asset management.

**83.** Capital project monitoring is effective with projects generally delivered as expected and a new bespoke capital asset management system is being implemented. This will increase automation to the business case process and enhance capital-monitoring controls. Capital-monitoring arrangements are well developed and the governance arrangements in respect of capital resources are in the process of being reviewed. A new Strategic Investment and Improvement Board is being created to merge the Strategic Investment Group, Corporate Resource Group and Transformation Group which currently have some overlapping responsibility. This will be chaired by the deputy chief executive and aims to take a strategic view of the capital programme and a holistic look at asset plans for the council. It will report to the Executive Officer Team. A new risk-based approach will be taken to discussing specific programmes rather than considering all material projects.

### **The corporate workforce plan 2018-2021 established a strategic context and introduces approaches to enhance council workforce sustainability and planning**

**84.** The council has a workforce plan covering the period 2018-21 and its framework for managing workforce change and the job families approach have been designed to develop a flexible workforce.

**85.** The council is the largest single employer within its area, and 84 per cent of the workforce live in Perth and Kinross. After a period of stability, between 2016 and 2018, the number of full-time equivalent (FTE) employees working for the council decreased by over six per cent, from 4,932 to 4,631.<sup>11</sup> The council's objective is to have the right people with the right skills and abilities at the right time to perform duties. There is a drive to increase the range of recruitment measures for hard-to-fill posts, which are defined as posts vacant for six months or more.

**86.** Staff speak positively about working for the council and the supportive culture in which they are valued. The annual employee engagement survey shows increasingly positive responses over the period since 2011. It is used to inform the council's annual workforce report which sets out development and focus areas for the year ahead. Pulse surveys supplement the annual survey and have been extended to the newly formed housing and environment service in 2018, having been piloted in education and children's services in 2017. The council places a strong focus on celebrating success, including through service recognition awards and annual Designing Futures Together awards.

**87.** Over the last three years, levels of sickness absence have been increasing at the council for both teachers and all other employees. In 2017/18, sickness

absence levels for teachers were the third highest in Scotland at 8.1 days per teacher, a slight rise of 0.2 days from the previous year and higher than the Scottish average of 5.9 days. For all other members of staff, in 2017/18, the average days lost per FTE was 10.7, slightly below the Scottish average of 11.4 days, but an increase of 1.1 days since 2016/17.<sup>12</sup>

**88.** The council reported in its 2018 annual workforce report that mental health would be a priority for 2019. Mental health-related reasons accounted for 27 per cent of all absences with the top three reasons being stress, depression and work-related stress. There are several support mechanisms to help people back into work, which are the focus of a new health and wellbeing framework pending council approval. It aims to focus more on wellbeing and a proactive approach to managing sickness absence.<sup>13</sup>

**89.** Job families have been introduced within the council, with new role profiles describing the skills, knowledge and behaviours required for a wide range of roles in a job family rather than the specific role advertised. The job families are care and learning; professional and business support services; community and operational; regulatory, technical and property; and senior management. By recruiting to job families, the council enhances workforce flexibility and encourages employees to retrain and move to other areas of the council as demand requires.<sup>14</sup> [Case study 4](#) sets out how the council used this approach in transforming residential care and other examples.

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## Case study 4

### Workforce planning for transformation of residential care and other initiatives



- As part of the recent transformation of residential care, a care facility was closed, affecting 37 members of staff. Several long-standing employees were unsure of their career options. Group meetings took place with the staff, as well as one-to-one support meetings. Of the 37 staff, 11 voluntarily left the council, largely because of retirement, and all others moved to different roles, with a significant number moving into early years care, where the council had a workforce need and hard-to-fill posts. This was made possible through initiatives such as the job families route, allowing redeployment with the appropriate training to other areas of the council.
- The Learn to Teach and Learn to Work in Early Learning programmes encourage existing employees to retrain as teachers and have proved successful.
- The Grow Your Own programme aims to build capabilities within the council to create a workforce for the future, which is vital, given the ageing workforce currently in place. It has led to the council employing more modern apprentices and graduate trainees.

Source: Perth and Kinross Council

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# Part 4

## Is the council working well with its partners?



Perth and Kinross Council works well with partners, in particular with regional partners across Tayside.

The effectiveness of working arrangements with the integration joint board has improved over the last 12 months. However, the community planning partnership board needs to take a more active role in leading partnership working and strategic direction.

Community empowerment is not yet fully embedded in the way the council and its communities work. The Perth and Kinross Offer is a new approach that aims to empower communities and give them more influence over what matters to them.

### The council generally works well with its partners

**90.** The council works with a wide range of partners, at both strategic and operational levels, within the Perth and Kinross area and with neighbouring local authorities. Partnership working is particularly strong across the Tayside region.

**91.** Although relationships between the council, NHS Tayside and the IJB have proved challenging, there is a new leadership team in place and relationships have improved. Across Perth and Kinross there is an opportunity to increase the impact of partnership working by increasing the effectiveness of the CPP. As is common in other areas of Scotland, capacity (both time and resources) of the council and its partners can be a barrier to doing more partnership working.

### Partnership working is particularly strong across the Tayside Region

**92.** Perth and Kinross, Angus and Dundee City councils have a history of working well together, with some of these partnership arrangements also including Fife Council. There are many positive examples of Perth and Kinross Council working well with neighbouring councils at both strategic and operational levels ([Exhibit 9, page 34](#)).

## Exhibit 9

### Examples of regional working involving Perth and Kinross Council

Strategic examples	Detail
<b>Tay Cities Deal</b>	The deal brings together public, private and voluntary organisations in the council areas of Perth and Kinross, Dundee City, Angus and Fife. They have secured up to £300 million of investment from the UK and Scottish governments to encourage skills development and progress infrastructure such as roads, rail links, buildings and communications networks. The aim is to work closely together to create growth more quickly and sustainably to bring greater prosperity and equality to the region. Partners believe this investment has the potential to secure over 6,000 jobs and lever in over £400 million more in investment over the next 10-15 years. An agreement in principle was reached in November 2018 and the final deal is due to be signed off in 2019.
<b>Tayside Contracts</b>	Tayside Contracts is a commercially based local authority contracting organisation providing catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance throughout the Perth and Kinross, Dundee City and Angus council areas. It has been in operation since 1996 and employs approximately 2,500 people across over 300 establishments. Tayside Contracts operates under a joint committee made up of elected members from each of the three councils.
<b>The Tayside Plan for Children, Young People and Families, 2017-20</b>	The first regional plan for children's services, focusing on reducing inequalities and improving outcomes for all children in Tayside, was published in 2017 by the Tayside Regional Improvement Collaborative. It sets out the joint vision and priorities of Perth and Kinross, Dundee City and Angus councils, NHS Tayside, Police Scotland, the health and social care partnerships, the third sector and other partners. It supersedes the integrated children's services plans in the three areas.
<b>Tri-school campus – providing education for children from Perth and Kinross, Dundee City and Angus council areas</b>	Plans for a tri-school campus are at an early stage with the location yet to be decided. The proposal is to be considered at separate meetings in all three councils before a final decision is made as to whether it will go ahead. Each council will review options for its own school estates and the opportunities a shared campus could present.
Operational examples	Detail
<b>Sharing of resources (specialist equipment and providing increased capacity if required)</b>	Partnership between Perth and Kinross, Fife, Angus and Dundee City councils involving the sharing of machinery (drill rig) and operatives to deal with contaminated land. This was arranged at operative level at an operative's conference. There is also a service-level agreement in place between Perth and Kinross, Angus, Dundee City and Fife councils for the provision of additional environmental health, trading standards and food safety services if required.
<b>Joint procurement of digital platform</b>	The council procured the underlying software for MyPKC, its customer services platform, collaboratively with Dundee City Council ( <a href="#">Part 1, page 15</a> ).

Source: Audit Scotland; and Perth and Kinross Council

## The community planning partnership board needs to take a more active role in leading partnership working and strategic change

**93.** In 2008, the Accounts Commission reported that 'Community planning is well developed in Perth and Kinross, supported by a strong commitment to partnership working, effective planning structures and a clearly defined set of desired outcomes...there is a need to develop further performance management arrangements across the CPP.' In 2019, the strong commitment to partnership working remains and partnerships at a local level work well despite the lack of a lead from the CPP board. The CPP's vision is set out in its LOIP 2017-2027, as discussed in [Part 1 \(page 10\)](#). Across Perth and Kinross there is an opportunity to increase the impact of partnership working by increasing the effectiveness of the CPP. The CPP board has recognised this and a governance review is now under way.

**94.** There is evidence of effective working in some parts of the CPP, for example the work of the Children, Young People and Families Partnership was commended by the Care Inspectorate in 2018.<sup>15</sup> In May 2019, the partnership group held a workshop with key stakeholders to identify priorities for improving mental health. This involved presentations of data and local developments and the national perspective from the mental health taskforce, followed by discussions to identify strategic improvement areas. An action group has been tasked with implementing the recommendations and engaging with children, young people and parents.

**95.** However, some elected members and partners raised concerns about the effectiveness of the CPP board and the CPP structures. These are as follows:

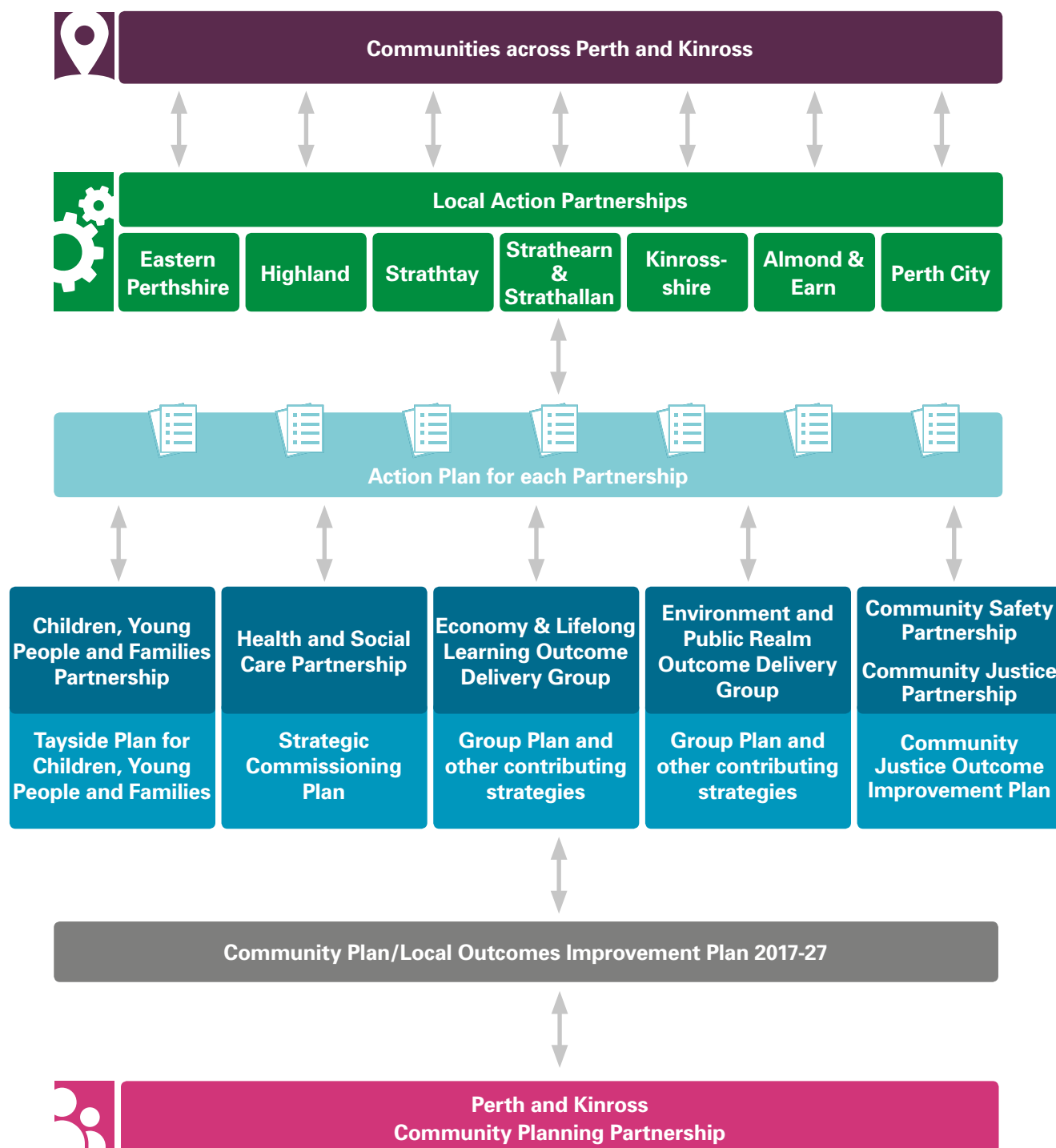
- community planning can be seen as a separate process that sits to one side of other effective partnership working
- the CPP could be more strategic. It is difficult to see any initiative that has been led by the community planning process. It is not an effective use of attendees' time
- the CPP board is too council-led. There was also concern about commitment and attendance from some partners
- PKAVS, the third sector interface, finds it challenging to engage with all the local action partnerships through the CPP structure. However, there is an opportunity to do this through the LAP Chairs and Leads Group, which meets every six weeks. PKVAS will be co-chairing future CPP meetings.

**96.** Information about what the CPP is doing and the difference it is making is difficult to find. Information about the CPP on the community planning area of Perth and Kinross Council's website is limited. For example, there are no links to CPP board minutes and there are links to minutes from only one of the six outcome delivery groups, but even they are two years out of date.

**97.** The CPP's first annual performance report on the LOIP, published in 2018, sets out improvements to local outcomes but it is unclear, in many cases, what contribution the CPP has made to these. The current community planning partnership structure in Perth and Kinross is set out in [Exhibit 10 \(page 36\)](#).

## Exhibit 10

Perth and Kinross' community planning partnership governance structure



Source: Perth and Kinross Council Best Value self-evaluation 2019, February 2019

**98.** The CPP has committed to reviewing the ongoing effectiveness of its governance arrangements, based on a more outcome-focused performance approach. This review should be wide-ranging, looking at the effectiveness of the CPP board, the outcome delivery groups and the local action partnerships as well as how performance management arrangements could be improved. It should set out how the CPP can build on the positive relationships that exist between partners in Perth and Kinross.

### **The effectiveness of working arrangements with the integration joint board has strengthened in the last 12 months**

**99.** Perth and Kinross IJB is the statutory body established to integrate health and social care services between the council and NHS Tayside. The IJB consists of eight voting members, four of whom are elected members from Perth and Kinross Council and four are nominated by NHS Tayside. The IJB also has several non-voting members, including senior council and NHS staff, council and NHS staff representatives, the third sector interface, and carer and service user public partners.

**100.** The board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the IJB and for monitoring the adequacy of these arrangements. Although the objectives of the IJB are shared, its legal, membership and budgeting complexities make it difficult to govern and manage. The board itself has had numerous changes in membership over the last three years, making its operation more difficult. Scrutiny and governance of this fairly new organisation remains challenging and will be subject to ongoing monitoring as part of the annual external audit.

**101.** The IJB has been operational from April 2016. Its role is to coordinate health and social care services, and to commission NHS boards and councils to deliver services in line with a strategic plan. In 2018/19, it had an expenditure budget of £190 million for core and hosted services and identified an £8.0 million savings requirement. The council increased its contribution to the IJB's core budget by 11 per cent between 2018/19 and 2019/20.

**102.** The integration scheme sets out that, from 2018/19 onwards, any overspends may be allocated based on each partner body's proportionate contribution to the IJB's budget requisition for that financial year, rather than on operational responsibility. In 2018/19, the council decided not to make a proportionate contribution to any IJB overspending.

**103.** NHS Tayside continues to face significant financial challenges. In order to meet its 2018/19 financial targets, the board received brokerage of £17.6 million. Although this is a significant amount, the brokerage required was £4.7 million less than planned. Brokerage outstanding at 31 March 2019 totals £63.5 million. The Scottish Government has indicated that territorial boards will have all outstanding brokerage written-off at 31 March 2019.<sup>16</sup> The IJB has no reserves to absorb overspends and faces significant challenges to deliver a balanced budget.

**104.** Relationships between the IJB and the council have strengthened in the past 12 months with increased communication at executive level and a new leadership team in place. The IJB's financial position requires continued monitoring by council officers.



## **There are good examples of community engagement at service level**

**105.** There are good examples of council services engaging effectively with communities in the planning and delivery of services:

- In 2018/19, the council consulted communities on their preferences when planning the expansion of its early learning and childcare services. The council engaged with communities through roadshows, surveys and focus groups. The information gathered was used to plan for further delivery of the expansion to 1,140 hours.
- The council's housing service established a service user review and evaluation (SURE) team in 2014, which included council tenants. The SURE team has carried out six different scrutiny activities ranging from anti-social behaviour to communication around repairs, identifying 106 recommendations for improvements. This partnership approach with lead officers has led to improvements in policy and changes to the way services are delivered. In 2018, tenants from the council's SURE team developed the council's tenant and resident participation strategy. The SURE team conducted wider engagement with council tenants as part of the development of the strategy, and over 700 tenants were consulted on the draft strategy. The new strategy aims to generate greater tenant participation at the local level.
- The SURE team assesses the housing service's annual performance against the Scottish Social Housing Charter, which sets out standards and outcomes, and provides a graded assessment of how well the council is performing against all 16 charter outcomes. The SURE team's assessment is included in an annual report sent to all council tenants and the information is used to inform service improvement.

**106.** The results of the 2017 Scottish Household Survey show that residents are slightly more satisfied with the level of engagement they have with the council than the national average. One quarter of respondents in Perth and Kinross felt that they could influence decisions, compared with 23 per cent nationally.

## **The council could do more to involve communities earlier in strategic planning discussions and demonstrate the outcome of engagement**

**107.** It is difficult to ascertain how community engagement has fed into the council's and CPP's strategic planning processes. For example, the Perth and Kinross CPP carried out a consultation on the draft version of the LOIP. The CPP used several methods to engage with communities, including an online consultation, providing paper copies of the plan in council offices and libraries and holding focus groups with five typically harder-to-reach community groups. Several consultation exercises were carried out about the LOIP. Key themes from engagement with local action partnerships included social and rural isolation, mental health, community transport and the need for activities for young people. CPP papers state that common themes from the engagement activities helped to shape the priorities within the LOIP, but it is not clear to what extent. The council did not undertake a public consultation on its strategic plan, as its strategic objectives and commitments are aligned to the LOIP.



**108.** The council carries out an annual consultation exercise on its budget. The consultation included questions asking respondents to rate the relative importance of 12 identified service areas and their preferred change in council tax level. The council has increased engagement in budget consultation and the results were included in the annual budget paper. It is not clear from papers how the final budget was informed by the consultation responses received, although it supported the decisions made. The council considered budget themes at a meeting of the Equalities Strategic Forum, the output being shared with elected members.

**109.** The council and CPP should seek to involve communities in strategic planning processes at an earlier stage to ensure meaningful collaboration and engagement with communities in setting strategic objectives, priorities and commitments. This will be particularly important when developing the Perth and Kinross Offer. The council should also consider engaging with communities earlier in the budget process to give them greater, and more meaningful, involvement in its development.

**110.** The council has recently set up an online consultation hub that advertises ongoing and closed consultations. This contains a 'we asked, you said, we did' section, which aims to better articulate the outcome of consultations. This is at an early stage but should help to improve transparency of the consultation and decision-making process.

### **Community empowerment is not yet fully embedded in the way the council and its communities work. A more strategic approach is required to realise the full benefits of the Community Empowerment Act**

**111.** The Community Empowerment (Scotland) Act 2015 (the Act) gives people more influence over how their council and its partners plan services. It provides more formal ways for people to get involved, such as:

- community asset transfers (CATs) – communities can take responsibility for land and buildings
- participation requests – people can ask to take part in decisions about council services
- participatory budgeting (PB) – communities can have a say in how the council should spend money locally.

### **Community asset transfers**

**112.** The council has not yet transferred any of its assets to community groups since the Act came into being. At February 2019, the council had received 11 expressions of interest in CATs from community groups. The council's Community Asset Transfer Policy encourages a considered approach by supporting communities to review fully whether they have the capacity to take control of assets on an ongoing sustainable basis. It is also helping communities pursue alternative routes where appropriate.

**113.** The council has a CAT policy in place, setting out that there will be a single point of contact for any application to streamline the process. However, the council has still to invest in resources to support this. The council should agree its staffing resource to support CATs to allow it to effectively respond to, and support community groups with, incoming requests.

## Participation requests

**114.** The council has a web page dedicated to participation requests to give communities further information about them. It received its first participation request in May 2019 from North Inch and Muirton Community Council. Although a low number of participation requests is not an indication of poor performance, the council could do more to promote participation requests and the various other elements of the Act to communities, beyond its website.

## Participatory budgeting

**115.** The council and its community planning partners ran two 'Perth and Kinross Decides!' PB exercises in 2017 and 2018. In 2017, £180,000 funding was awarded to 139 community groups and, in 2018, £220,000 was allocated to fund 151 community projects, all of which aimed to tackle local inequalities or health and social care issues. Projects funded included outings for community groups, an exercise class for older people and defibrillator installation.

**116.** The Scottish Government and the Convention of Scottish Local Authorities (COSLA) have agreed a joint framework to support councils to work towards at least one per cent of their budgets being subject to PB by 2021. This equates to £3.5 million of Perth and Kinross Council's revenue budget. The council needs to consider how to involve communities more in its budgeting process.

**117.** The council introduced a £1.2 million community investment fund in 2018 to support community-led projects. Community groups can apply for funding of between £3,000 and £50,000 to support projects that aim to tackle inequality, as outlined in local action plans, and will benefit their community. In March 2019, the Executive Sub Committee of the Strategic Policy and Resources Committee allocated approximately £579,000 towards 105 projects across the whole of Perth and Kinross.

**118.** The council carried out an evaluation of the first year of the fund. This highlighted several key issues including the following:

- Timescales for funding application deadlines and decision meant that some communities waited five months for a decision.
- The process was supported by a small community planning team who faced capacity issues because they had to balance existing duties. The council secured extra resource in February 2019, which it hopes will partially address this issue.
- Some community groups felt the application process was complex and that the funding decision should be made more locally.

- There was a lack of consistency in how well the fund was promoted to communities by local action partnerships. The council is making improvement to the communication and material provided by the Communities Team.

**119.** The council needs to make considerable progress in raising awareness of the Act within communities. It should do more to promote and support community asset transfers, participation requests and participatory budgeting. The council needs to take a more outcomes-based approach and be more explicit about how its approach to community empowerment is contributing to improving outcomes for communities.

**The council has invested in the development and support of local action partnerships and while some are progressing slowly, they are beginning to be effective**

**120.** The Act requires community planning partnerships to divide the local authority area into smaller parts, or localities. It specifies that locality plans must be prepared and published for each locality, detailing local outcomes that the CPP must seek to improve.

**121.** As part of its locality planning approach, the CPP introduced five local action partnerships (LAPs) to its structure in 2016. Partnerships are made up of community representatives, elected members, council officials and CPP representatives. Since the first five LAPs were established, two of the partnerships have decided to split to better represent their local communities, so there are now seven LAPs in Perth and Kinross. Each partnership has produced a local action plan, also known as a locality plan, detailing priorities for the local area and actions to improve these. Common themes across local action plans include providing support to those on low incomes and improving activities for young people, access to services and community transport.

**122.** The council and its community planning partners are supporting LAPs to be community-led and give communities greater involvement in decision-making. Five out of the seven LAPs are now chaired by community members. However, in December 2018, Education Scotland highlighted scope to broaden membership of the LAPs to better represent local communities.<sup>17</sup> The council and LAPs recognise this as an issue and LAPs are considering how to achieve better representation from their communities.

**123.** Partnerships are entering their third year and while progress in some partnerships has been slower, the council has facilitated their development and continued to invest and support them. Fieldwork for the audit highlighted mixed views on LAPs and their effectiveness. There were examples of good practice. Highland Perthshire LAP has a written constitution and has established sub-groups to focus on each of the priority areas in its local action plan. It is well supported by the council with information to aid decision-making and guidance on its function and role. Some felt they were effective and enabled appropriate representation of rural and other inequalities, while others considered they are not representative or that large geographies inhibit their effectiveness.

**124.** The council commissioned What Works Scotland to carry out a review of local decision-making in Perth and Kinross in December 2017.<sup>18</sup> Findings included:

- significant CPP support for LAPs and PB, with elected members recognising their role to raise awareness and support cultural change within the council and CPP
- barriers to community involvement, such as distance to travel; apathy, lack of awareness or lack of clarity of purpose; and level of interest in administrative processes
- the need for greater awareness of the broader community empowerment agenda, beyond land ownership and asset transfer, towards increased public participation in decision-making
- the need to clarify relationships between LAPs and other democratic structures and community organisations (such as community councils and development trusts) to clearly articulate the role of LAPs.

**125.** The CPP board approved an improvement plan in December 2018 including preparing and implementing a digital strategy to widen participation by communities in LAPs, and a training and development programme for LAP members.

# Part 5

## Is the council demonstrating continuous improvement?



Since the 2008 Best Value report, the council has improved at a steady pace. Its approach to the use of resources has strengthened but it has more to do in respect of performance management and community planning.

The Perth and Kinross Offer has the potential to create a step-change in the pace of continuous improvement in the council. This will require buy-in from councillors, staff and partners. A framework and timescale for its development are being formed. It is important that the council maintains the pace of its development along with member and officer enthusiasm.

### **The council is improving at a steady pace but the rate of improvement and use of performance information should be enhanced**

**126.** Across the council, from front-line staff to senior officers, there is a culture of being open to opportunities to improve. The council:

- uses the BMIP process to plan and monitor improvements
- carries out self-evaluation at a service level
- has successfully delivered services in innovative ways, improving outcomes for service users, through its transformation programme
- makes good use of self-evaluation resources to drive improvement, such as *How Good is Our Council*
- is receptive to third-party evaluation and inspection
- voluntarily prepared a Best Value self-evaluation for this audit and presented it to the full council, making it publicly available in council papers.<sup>19</sup>

**127.** The council's performance is improving at a steady pace but as noted in [\(paragraphs 60–64\)](#), the council's APR should be more balanced, exploring poor performance more fully. Equally performance information should be aligned with improvement objectives that feature in service BMIPs [\(paragraph 59\)](#). The council's Best Value self-evaluation was very thorough but could have been more explicit in setting out the action points for areas requiring improvement.

**128.** The council's planned approach to developing performance measures and action taken in response to recommendations in this report should support increasing the pace of improvement and consistency of approach.

**The council's approach to the use of resources has strengthened but it has more to do in respect of performance management and community planning**

**129.** The last Best Value audit of Perth and Kinross Council was carried out in 2008. In the report, the Accounts Commission commented that 'Perth and Kinross Council demonstrates a strong commitment to Best Value. We acknowledge the effective leadership of the council, good relationships between councillors and officers and the close involvement of its community planning partners. The council has effective performance management arrangements. We acknowledge that the council's rate of service improvement is good and that the council itself recognises the areas where improvement is needed in service delivery.'

**130.** [Exhibit 11 \(page 45\)](#) compares some of the previous Best Value judgements to our findings from this review. The council is currently carrying out a Modernising Performance Review. It has set up a project board to oversee the review and is investing resources to change the way it uses data and information. The council is preparing a procurement exercise for an electronic system and is linking this to its digital strategy. It aims to have an operational system in place by March 2020.

## Exhibit 11

### A comparison of selected Best Value judgements

Since the 2008 Best Value report, the council has improved at a steady pace. Its approach to the use of resources has strengthened but it has more to do in respect of performance management and community planning.

Controller of Audit judgement		2008	Controller of Audit judgement		2019	View
<b>Strategic direction</b>						
<p>The council and its strategic partners work well together, are clear about the priorities for the area and are committed to the Perth and Kinross Single Outcome Agreement (SOA).</p> <p>The leadership of the council is strong and effective. There are good working relationships between elected members and executive directors and relations between political group leaders are constructive.</p>			<p>The council has clear strategic objectives which have remained stable over a period of time and are supported by effective leadership.</p> <p><a href="#">Part 1</a></p>			
<b>Performance</b>						
<p>Services are improving above the Scottish average and overall, council services perform slightly better than the national picture.</p> <p>Improvements have been made in services such as education, social work and housing but there is scope for further improvement in others such as planning.</p> <p>A robust performance management framework is in place across the council.</p>			<p>Overall outcomes for the community are improving.</p> <p>More could be done to consistently demonstrate that performance management drives change and improvement.</p> <p>Residents are generally satisfied with the council's services.</p> <p><a href="#">Part 2</a></p>			
<b>Resources</b>						
<p>The council manages its financial resources very effectively and has made progress in delivering efficiency savings.</p> <p>There is scope to improve its approach to workforce planning, completing employee reviews and sickness absence management.</p>			<p>The council sets and approves a medium-term financial plan and ten-year capital plan that allows longer-term planning and informed investment decisions to be made.</p> <p>The financial outlook is challenging, but the council is well placed to address projected funding gaps through its transformation programme and savings identified as part of the medium-term financial plan.</p> <p>The corporate workforce plan 2018-2021 established a strategic context and introduces approaches to enhance council workforce sustainability and planning.</p> <p><a href="#">Part 3</a></p>			
<b>Cont.</b>						

## Exhibit 11 continued

Controller of Audit judgement	2008	Controller of Audit judgement	2019	View
<p><b>Partnership</b></p> <p>Community planning is well developed in Perth and Kinross, supported by a strong commitment to partnership working, effective planning structures and a clearly defined set of desired outcomes. Effective partnership working has already delivered improved outcomes.</p> <p>There is now a need to further develop performance management arrangements across the CPP to support the delivery of the Perth and Kinross SOA.</p> <p>The council can demonstrate many positive examples of directly involving local communities and service users in shaping plans and services. It is developing a range of information and skills among employees and communities to support more effective engagement in future.</p>		<p>Perth and Kinross Council works well with partners, in particular with regional partners across Tayside.</p> <p>The effectiveness of working arrangements with the integration joint board has improved over the last 12 months. However, the CPP board needs to take a more active role in leading partnership working and strategic direction.</p> <p>The council has invested in and continues to provide good support to local area partnerships with some communities making them effective. Community empowerment is not yet fully embedded in the way the council and its communities work. The Perth and Kinross Offer is a new approach that aims to empower communities and give them more influence over what matters to them.</p>	<a href="#">Part 4</a>	
<p><b>Continuous improvement</b></p> <p>The council has an ambitious corporate improvement agenda and has established a culture of continuous improvement among employees and elected members. It uses a wide range of self-assessment and review methodologies to drive change; it is aware of what its priorities are and that it needs to increase the pace of improvement in areas such as workforce planning and equalities.</p> <p>The council has an effective approach to performance management and public performance reporting is clear and balanced.</p>		<p>The council has improved at a steady pace. Its approach to the use of resources has strengthened. It makes effective use of performance management information in planning service improvements and recognises that it has more to do in respect of reporting performance management and community planning. The council is carrying out a Modernising Performance Review and is investing resources to change the way it uses data and information. The CPP board is carrying out a governance review.</p> <p>The Perth and Kinross Offer has the potential to create a step-change in the pace of continuous improvement in the council. This will require buy-in from councillors, staff and partners. A high-level summary of the aims of the Perth and Kinross Offer has been set out.</p>	<a href="#">Part 5</a>	

Source: Audit Scotland



# Recommendations



It is important that the council maintains the pace of development of the Perth and Kinross Offer as part of the framework and timeline it is currently developing.

[\(Paragraph 25\)](#)

Following completion of its updated maturity assessment the council should revise its digital strategy in line with its ambition.

[\(Paragraph 29\)](#)

As part of the ongoing governance review the council should consider simplifying arrangements to improve decision-making.

[\(Paragraphs 33–35\)](#)

The council should consistently demonstrate how it uses performance management and performance reporting to drive continuous improvement.

[\(Paragraph 59\)](#)

It also needs to make public performance reporting more transparent, clear and balanced. The Annual Performance Report should include ambitious targets and be clear about the reasons for underperformance and planned improvement actions.

[\(Paragraphs 63–64\)](#)

The council should build on its strong financial management and consider developing a longer-term financial plan covering a five to ten-year period as part of its modernisation agenda.

[\(Paragraph 73\)](#)

The ongoing review of the community planning partnership should be wide-ranging and include the effectiveness of the board, outcome delivery groups and the local action partnerships.



[\(Paragraph 98\)](#)

The council should improve how it involves communities. This includes earlier involvement in strategic planning processes, more involvement in budgeting processes, and better promotion of the Community Empowerment (Scotland) Act 2015 and providing appropriate resource to support the requirements of the Act.

[\(Paragraphs 113, 114, 116 and 119\)](#)

# Endnotes



- 1 *Rural deprivation: evidence summary*, Scottish Government, 2016.
- 2 *Perth and Kinross Community Plan (Local Outcomes Improvement Plan) 2017-2027*, Perth and Kinross Community Planning Partnership, October 2017.
- 3 *Fairer Futures*, Perth and Kinross Fairness Commission, 2017.
- 4 <http://pk-storyboard.org.uk> 
- 5 Common good funds in Scotland originated in the 15th century and are the assets and income of some former burghs. They represent a substantial portfolio of land, property and investments and by law continue to exist for the common good of the inhabitants of the former burghs to which they relate. The common good committee for each area will administer its own common good fund with support from council officers.
- 6 *Building Ambition: a Blueprint for a 21st Century Council*, Perth and Kinross Council, 2015.
- 7 *Roads maintenance strategy*, Perth and Kinross Council, 2014.
- 8 The Improvement Service produces information on outcomes in each CPP area including early years; older people; safer and stronger communities; health and wellbeing; and engagement with local communities. This is known as the Community Planning Outcomes Profile (CPOP).
- 9 *Services for children and young people in Perth and Kinross: report of a joint inspection*, Care Inspectorate, 2018.
- 10 *Perth and Kinross Council – homeless housing support service*, Care Inspectorate, 2018.
- 11 Information provided by Perth and Kinross Council to Audit Scotland, June 2019.
- 12 *Local Government Benchmarking Framework*, Improvement Service, 2019.
- 13 *Annual Workforce Report for Perth and Kinross Council - 2018*, Perth and Kinross Council, 2018.
- 14 Ibid.
- 15 *Services for children and young people in Perth and Kinross: report of a joint inspection*, Care Inspectorate, 2018.
- 16 *NHS Tayside 2018/19 Annual Audit Report* , Audit Scotland, June 2019.
- 17 *Community learning and development in Perth and Kinross Council*, Education Scotland, 2018.
- 18 *What works in local decision-making: a review for Perth and Kinross community planning partnership*, What Works Scotland, 2018.
- 19 *Perth and Kinross Council Best Value self-evaluation, 2019*, Perth and Kinross Council meeting, 27 February, 2019.

# Appendix

## Best Value audit timeline



**Council  
journey**

### May 2007

Scottish local elections  
Liberal Democrats/SNP  
administration

### May 2012

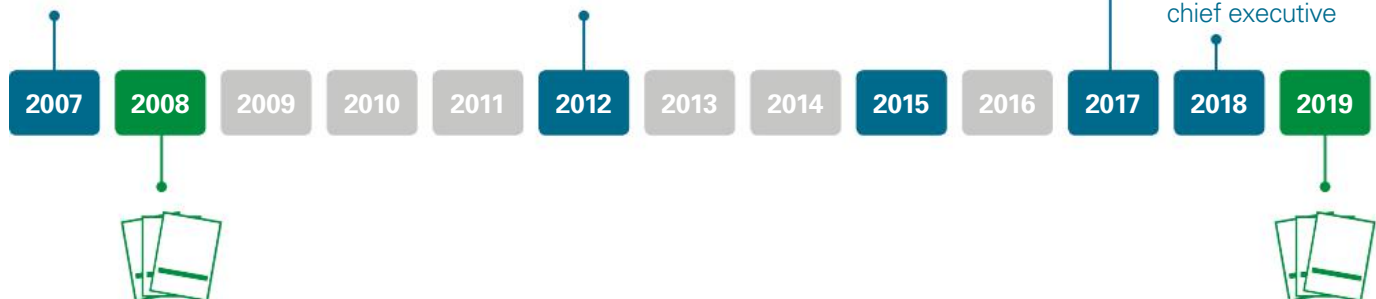
Scottish local elections  
SNP minority administration

### May 2017

Scottish local elections  
Conservative/Liberal  
Democrats administration

### September 2018

Karen Reid appointed as  
chief executive



### August 2008

The Audit of Best Value  
and Community Planning

### August 2019

Best Value  
Assurance Report

#### August 2008 – The Audit of Best Value and Community Planning:

The Accounts Commission found that Perth and Kinross Council demonstrated a strong commitment to Best Value with effective leadership, good relationships between councillors and officers and the close involvement of community planning partners.

#### August 2019 – Best Value Assurance Report:

The Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first assurance report on Perth and Kinross Council. The report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a focus on the Commission's strategic audit priorities.

## Best Value Assurance Report

# Perth and Kinross Council

This report is available in PDF and RTF formats, along with a podcast summary at:

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# PERTH & KINROSS INTEGRATION JOINT BOARD

## AUDIT AND PERFORMANCE COMMITTEE

### WORK PLAN 2019/20

This work plan outlines the major items the Audit and Performance Committee has to consider as part of its schedule of work for the year. This should allow the Committee to fulfil its terms of reference. It will continue to be kept under review throughout the year.

Item	Standing Item	Non Standing Item	Responsibility	June 18 <sup>th</sup> 2019	July 29 <sup>th</sup> 2019 <sup>1</sup>	Sept 16 <sup>th</sup> 2019	Dec 2 <sup>nd</sup> 2019 <sup>2</sup>	Feb 17 <sup>th</sup> 2020
<b>Governance &amp; Assurance</b>								
Strategic Risk Management	✓		Chief Financial Officer	✓		✓		✓
Transforming Governance Action Plan		✓	Chief Financial Officer	✓				
Partnership Improvement Plan	✓		Chief Officer					✓ <sup>3</sup>
Audit Recommendations Update	✓		Chief Financial Officer	✓		✓		✓
Internal Audit Annual Report and Assurance Statement		✓	Chief Internal Auditor	✓				
Appointment of Internal Auditors 2019/20		✓	Chief Financial Officer	✓				
Internal Audit Reports:								
• Risk Management		✓	Chief Internal Auditor				✓ <sup>4</sup>	
• Financial Risks PKIJB 19-01		✓	Chief Internal Auditor					✓
• Performance Management PKIJB 19-02		✓	Chief Internal Auditor					✓
• Improvement Actions PKIJB 19-03		✓	Chief Internal Auditor					✓
• Follow Up Of PK07/17 Internal Audit Report On Clinical, Care & Professional Governance (PK04/19)		✓	Chief Internal Auditor				✓ <sup>5</sup>	
Internal Audit Plan 2019/20 (Approved by 2019 Audit & Performance Committee)		✓	Chief Internal Auditor			✓		

<sup>1</sup> Annual Performance Report will be considered as part of a special A&PC meeting on this date

<sup>2</sup> Meeting cancelled

<sup>3</sup> Now going to IJB meeting in February 2020 for approval

<sup>4</sup> Deferred to Feb 2020 meeting

<sup>5</sup> Deferred to Feb 2020 meeting

Item	Standing Item	Non Standing Item	Responsibility	June 18 <sup>th</sup> 2019	July 29 <sup>th</sup> 2019 <sup>1</sup>	Sept 16 <sup>th</sup> 2019	Dec 2 <sup>nd</sup> 2019 <sup>2</sup>	Feb 17 <sup>th</sup> 2020
Internal Audit Plan 2019/20 <sup>6</sup>		✓	Chief Internal Auditor			✓		
Internal Audit Plan 2018/19 Progress Report		✓	Chief Internal Auditor			✓	✓	✓
Internal Audit Plan 2019/20 Progress Report		✓	Chief Internal Auditor				✓	✓
Audit & Performance Committee Forward Plan <sup>7</sup>		✓	Chief Officer			✓	✓	✓
External Audit Annual Report 2018/19		✓	External Auditor			✓		
Chief Social Work Officer Annual Report		✓	Chief Social Work Officer					✓

Performance								
Locality Action Plans:								
• South Locality		✓	Chief Officer				✓ <sup>8</sup>	
• Perth City Locality		✓	Chief Officer				✓ <sup>9</sup>	
• North Locality		✓	Chief Officer					✓
Financial Position	✓		Chief Financial Officer	✓	✓	✓		✓
Corporate Performance Annual Report <sup>10</sup>		✓	Chief Officer					
HSCP Performance Quarterly Report - OPUSC	✓		Chief Officer			✓	✓	✓
HSCP Performance Quarterly Report – Carers	✓						✓	✓
HSCP Performance Quarterly Report – Primary Care	✓							✓
HSCP Performance Quarterly Report – MHWB	✓							✓
Annual Performance Report		✓	Chief Officer		✓			

Annual Accounts								
Review Annual Governance Statement		✓	Chief Financial Officer	✓				
Unaudited Annual Accounts 2018/19		✓	Chief Financial Officer	✓				
Audited Annual Accounts 2018/19		✓	Chief Financial Officer			✓		
Letter of Representation to External Audit		✓	Chief Financial Officer			✓		

<sup>6</sup> Internal Audit Plan for 2020/21 will come to June 2020 meeting

<sup>7</sup> Forward Plan for 2020/21 will come to June 2020 meeting

<sup>8</sup> Deferred to Feb 2020 meeting

<sup>9</sup> Deferred to Feb 2020 meeting

<sup>10</sup> Corporate Performance Annual Report will come to June 2020 meeting.

Item	Standing Item	Non Standing Item	Responsibility	June 18 <sup>th</sup> 2019	July 29 <sup>th</sup> 2019 <sup>1</sup>	Sept 16 <sup>th</sup> 2019	Dec 2 <sup>nd</sup> 2019 <sup>2</sup>	Feb 17 <sup>th</sup> 2020
<b>For Information</b>								
Assurances Received from Partners		✓	For information			✓		
Audit & Performance Committee Record of Attendance	✓		For information	✓		✓		✓
<b>Plan How to Discharge Audit Committee Duties</b>								
Review of Committee Terms of Reference		✓	Chief Officer					✓ <sup>11</sup>
Self-Assess Committee's Effectiveness <sup>12</sup>		✓	Chair					✓
Produce Audit Committee Annual Report		✓	Chair	✓ <sup>13</sup>				
Review of Induction Programme for New Members <sup>14</sup>		✓	Chief Financial Officer					✓
Review Effectiveness of Audit (Internal/External)		✓	Chair					✓ <sup>15</sup>

<sup>11</sup> Agenda Note at Feb 2020 IJB meeting

<sup>12</sup> Deferred until later in 2020

<sup>13</sup> Now considered at IJB meeting (went in June 2019)

<sup>14</sup> Deferred until later in 2020 – part of Partnership Improvement Plan

<sup>15</sup> Deferred until later in 2020





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17 December 2019

Mr Gordon Paterson  
Chief Officer  
Perth & Kinross IJB  
Pullar House  
35 Kinoull Street  
Perth  
PH1 5GD

Dear Gordon

### **Annual Audit Report 2018/19**

As you know, the annual audit process continues to be a critical part of the assurance framework for integration authorities. It is central to our ability to provide assurance to the Accounts Commission, and the public more widely, on how IJBs are using public money.

Each year, your appointed auditor prepares an Annual Audit Report which is addressed to members of the IJB and me as Controller of Audit. As well as providing an opinion on the financial statements, these reports comment on financial sustainability and will increasingly provide a richer picture of Best Value in IJBs.

The Annual Audit Report summarised a number of positive conclusions in respect of 2018-19. However, it also included a 'grade one' recommendation in respect of the need to address key gaps in strategic and corporate planning capacity in order to ensure the IJB's effectiveness. This recommendation was also associated with continued changes in IJB membership which impacts on the level of experience and ability of members to adequately consider, challenge and support management proposals. Two 'grade two' recommendations were also made in respect of budget setting and the risk sharing agreement which underpin the ability of members to demonstrate good governance.

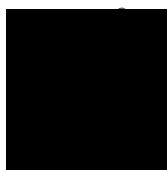
The Joint Inspection of the effectiveness of strategic planning, conducted by Healthcare Improvement Scotland and the Care Inspectorate, makes a number of similar observations, in particular around leadership, capacity and clarity of strategic direction.

I welcome the proposed development of a Corporate Improvement Plan which is referred to in the Chief Officer Strategic Update presented to the IJB in November 2019. I would further recommend that it includes actions in response to recommendations made in the Annual Audit Report, in addition to those in the Joint Inspection.

More broadly, the Accounts Commission has asked me to consider what the audit of Best Value in IJBs might look in future, from the next audit appointment round (i.e. from October 2021). Development work for this will be kicking off soon.

Thank you for your support of the audit process in 2018/19 and please do get in touch if you would like to discuss anything.

Yours sincerely



Fraser McKinlay  
Controller of Audit

