



A meeting of the **Integration Joint Board Audit & Risk Committee**  
will be held on Thursday 11 March 2021 at 2pm  
via MS Teams

Please notify apologies for absence to:  
[fv.clackmannanshirestirling.hscp@nhs.scot](mailto:fv.clackmannanshirestirling.hscp@nhs.scot)

## AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Minutes of previous meeting held on 9 December 2020** **For Approval**
4. **Matters Arising/Urgent Business Brought Forward by Chair**
5. **Verbal Update on Governance Matters** **For Noting**  
Presented by Ewan Murray, Chief Finance Officer
6. **Annual Audit Plan** **For Approval**  
Presented by Adam Haahr, Audit Manager, Audit Scotland
7. **Internal Audit Progress Report 2020/21** **For Noting**  
Presented by Tony Gaskin, Chief Internal Auditor
8. **Strategic Risk Register** **For Approval**  
Presented by Ewan Murray
9. **National Accounts Commission Reports** **For Noting**
  - 9.1. **NHS in Scotland 2020**
  - 9.2. **Local Government Financial Overview 2019/20**
  - 9.3. **Tracking the implications of Covid-19 on Scotland's public finances**
10. **Any Other Competent Business**
11. **Date of Next Meeting**

Wednesday 23 June 2021, 2pm

**Draft Minute of the Special Clackmannanshire & Stirling IJB  
Audit and Risk Committee**  
held on **Wednesday 9 December 2020 at 10.00am**  
via Microsoft Teams

**Present:**

Voting Members                    Allan Rennie, Non-Executive Board Member, NHS Forth Valley (Chair)  
   Councillor Graham Houston, Stirling Council  
   Councillor Martha Benny, Clackmannanshire Council  
   Gordon Johnston, Forth Valley NHS Non-executive Board member

Non-Voting Members            Natalie Masterson, Chief Officer, Stirling Voluntary Enterprise

**In Attendance:**

Ewan Murray, Chief Finance Officer, HSCP  
Annemargaret Black, Chief Officer, HSCP  
Tony Gaskin, Chief Internal Auditor  
Andrew Wallace, Senior Auditor, Audit Scotland  
Debbie Laing, Business Support Officer (Minutes)

The Chair welcomed everyone to the meeting which was taking place via Microsoft Teams due to Covid-19.

**1. APOLOGIES**

No apologies for absence were noted.

**2. DECLARATION(S) OF INTEREST**

There were no declarations of interest noted.

**3. Minutes of previous meeting**

3.1. Meeting of 16 September 2020

This minute was not available to view for this meeting but would be circulated as soon as possible after the meeting took place and members agreed this would be approved virtually.

### 3.2. Meeting of 19 November 2020

This minute was approved by the Committee.

## 4. **MATTERS ARISING/URGENT BUSINESS BROUGHT FORWARD BY CHAIR**

### 4.1. Training for Audit and Risk Committee Members

The Chair advised that he has attended some good training recently and would be happy to share the links with the others.

The Chair and Mr Murray have previously discussed the provision of iPads for any members who need one. There was agreement that it would be helpful for any training to centre on audit training for IJBs/HSCPs.

Mr Murray advised that arrangements for a training session would be progressed in the new year.

Mr Gaskin declared an interest, as he has been involved in writing some of the training modules available for audit committees; he offered to share some work he carried out with Angus local authority which is catered towards the specific challenges of IJBs.

## 5. **INTERNAL AUDIT CHARTER** 7. **AUDIT JOINT WORKING PROTOCOL**

The Committee received items 5 and 7 together from Tony Gaskin, Chief Internal Auditor with Audit Scotland.

Mr Gaskin advised that the charter has been approved by institute of internal auditors and many external auditors; it describes the relationship between internal auditors, officers of the board and the IJB governance structure as a whole.

The joint working protocol outlines the format of reporting, how the audit assignment plan will be put together and timescales for reporting.

The charter and protocol have been tailored toward the IJBs specific needs and circumstances.

FTF is an internal audit consortium hosted by NHS Fife, provides internal audit services to Forth Valley, Fife, Tayside and NHS Lanarkshire alongside a number of IJBs. There is a rotation agreement in place for the lead auditors on a 3 yearly cycle.

Mr Gaskin advised that the timelines for reporting back to the Audit and Risk Committee are available and will be circulated to members at the first opportunity.

The Chair reiterated that the Audit and Risk Committee has delegated responsibility for signing off the reporting timelines, so it is important that they're shared here in future.

The Audit and Risk Committee:

- Approved the Internal Audit Charter.
- Noted the Internal Audit Joint Working Protocol.

## **6. INTERNAL AUDIT PLAN 2020/21**

The Internal Audit Plan for 2020/21 was presented by Tony Gaskin.

Mr Gaskin acknowledged that the Committee was receiving the plan slightly later in the financial year than was usually intended, due to the pressures of 2020.

The plan picks up some items of work which had been delayed from previous years and reflects that the risk register is in a period of transition. The full ramifications of Covid-19 are not yet fully understood, therefore it is challenging to form an audit plan in those circumstances.

In relation to work around risk management and assurance mapping, there is an NHS Forth Valley risk management practitioner in post who will be assisting the IJB in updating the risk register going forward. Additionally, Sonia Kavanagh, Business Manager, is taking part in the assurance mapping principles group which is very reassuring.

Following detailed discussion amongst the Committee on the detail contained within the plan, Mr Gaskin agreed to meet at the first opportunity with Ewan Murray and Annemargaret Black in their capacity as Chief Finance Officer and Chief Officer respectively, to consider the timeline and detail of the plan.

A progress note will be shared with members on how the discussions will inform any amendments to the plan.

The Audit and Risk Committee:

- approved the Internal Audit Plan in principle, subject to Mr Murray, Ms Black and Mr Gaskin having further discussions on direction of travel.

## **8. STRATEGIC RISK REGISTER**

This standing item was presented to the Committee by Ewan Murray, Chief Finance Officer.

The strategic risk register is regularly reviewed by the HSCP's Senior Leadership Team and presented to the Audit and Risk Committee for full review and scrutiny. All high level risks are reported to the IJB via performance reports, which are also presented to the Finance and Performance Committee.

Ms Black outlined the process around the oversight arrangements for the risk register, which is reviewed by the NHS Forth Valley Systems Leadership Team in conjunction with the new NHS Risk Manager to ensure that there is alignment across the piece.

Ms Black also advised that the Organisational Development Practitioner post recruitment is in progress, dates have been set for shortlisting and interview which should take place before the year end. The Committee agreed that this post would be critical in going forward, shaping the culture of the organisation.

The Audit and Risk Committee:

- Approved the Strategic Risk Register, subject to a small typographical amendment to the cover paper.

## **9. STRATEGIC SCRUTINY GROUP**

This item was presented to the Committee by Ewan Murray, Chief Finance Officer.

This report from the Strategic Scrutiny Group, comprising Scotland's main public sector scrutiny bodies, shows how they are reviewing the scrutiny environment in light of Covid.

In the longer term, the report outlines how the Group will attempt to extract any lessons learned, both positive and negative.

In response to a question from the Committee on any adjustments made to practices during Covid which are actually working well and should be retained, Ms Black cited the Near Me function. The uptake has been encouraging, however there has been a lot of confusion amongst the public about whether GP services are open for business, due to consultations taking place in new ways such as via telephone or video call. It's a cultural change, which will take time for the public to become accustomed to.

The Audit and Risk Committee:

- Noted the report presented to the Committee.

**10. ANY OTHER COMPETENT BUSINESS**

No other business was raised.

**11. DATE OF NEXT MEETING**

Wednesday 10 February 2021, 2pm

# Clackmannanshire and Stirling Integration Joint Board

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

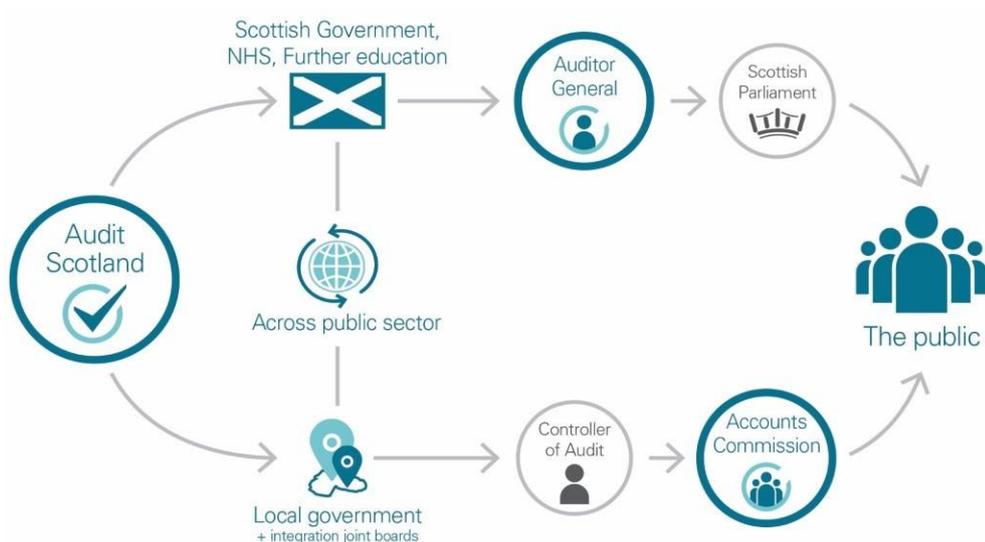
Prepared for Clackmannanshire and Stirling Integration Joint Board

March 2021

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

# Contents

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Risks and planned work	4
Audit scope and timing	8

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# Risks and planned work

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- 1.** This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.
- 2.** The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.
- 3.** The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.
- 4.** Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits. Audit Scotland views 2020/21 as another challenging year and in January 2021 published [Covid-19: What it means for public audit in Scotland – update](#) which restates the key principles for our response to Covid-19. It also provided an update on the financial and performance audit programmes. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

## Adding value

- 5.** We aim to add value to the Clackmannanshire and Stirling Integration Joint Board through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help Clackmannanshire and Stirling Integration Joint Board promote improved standards of governance, better management and decision making and more effective use of resources.

## Audit risks

- 6.** Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risk for Clackmannanshire and Stirling Integration Joint Board. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1

### 2020/21 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements risks</b>		
<p><b>1 Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul>
<p><b>2 Risk of material misstatement in the management commentary</b></p> <p>In our 2019/20 annual audit report we highlighted that the structure and content of the management commentary could be improved and that there is a risk that the information within the management commentary does not accurately capture the performance and financial information.</p> <p>Management agreed to review their approach to preparation of the management commentary. A full set of accounts has not yet been prepared under these new arrangements, and therefore the risk of material misstatement remains.</p> <p>Additionally, the impact of COVID-19 may reduce the availability of timely and reliable performance data and may compromise the content and accuracy of the management commentary.</p>	<p>The structure and content of the management commentary will be reviewed for 2020/21 accounts taking due account of any updated guidance from LASAAC particularly in relation to reporting of COVID-19 related items.</p> <p>As far as possible the exceptional Covid-19 impacts will be reported aligned to the Local Mobilisation Plan (LMP) though the impact on comparability with previous years is acknowledged and will be a challenge.</p>	<ul style="list-style-type: none"> <li>• Review of 2020/21 management commentary, with a focus on the financial and performance information.</li> </ul>
<b>Wider dimension risks</b>		
<p><b>3 Financial sustainability</b></p> <p>The IJB has identified longer term financial challenges in previous years arising from cost and demand pressures and developed a savings plan in response.</p> <p>The Covid-19 pandemic has disrupted these savings plans, with more than 50% of the planned £4.853 million savings for 2020/21 being assessed as “at risk”. The IJB estimates that £14.687 million of</p>	<p>The IJB and IJB Finance and Performance Committee received regular financial reports.</p>	<ul style="list-style-type: none"> <li>• Review and assess year-end position and the progress and impact in delivering savings.</li> <li>• Review and consider the medium-term financial plan and mobilisation plan.</li> </ul>

	Audit Risk	Source of assurance	Planned audit work
	<p>expenditure has been incurred as a result of its Covid-19 response, much of which has been funded by the Scottish Government.</p> <p>Looking forward Clackmannanshire and Stirling Integration Joint Board's ability to respond to longer term financial challenges has been disrupted by the COVID-19 pandemic. As a result, there is a continued risk to financial sustainability and the sustainability of services in future.</p>		
<b>4</b>	<p><b>Performance</b></p> <p>In 2020/21, the national response to the COVID-19 pandemic has significantly affected Clackmannanshire and Stirling Integration Joint Board's normal service provision.</p> <p>The continuing pressures of the pandemic, both operational and financial, result in a risk that Clackmannanshire and Stirling Integration Joint Board's will not be able to meet the performance expectations of its stakeholders.</p> <p>The pandemic may have also disrupted the IJB's ability to monitor its performance.</p>	<p>The IJB and IJB Finance and Performance Committee receive regular performance reports.</p>	<ul style="list-style-type: none"> <li>• Review of progress in achieving targets, understanding the impact of COVID-19 on non-financial performance and the actions being taken to manage performance.</li> <li>• Review of the arrangements to collate performance data.</li> </ul>

Source: Audit Scotland

**7.** As set out in ISA(UK) 240, there is a presumed significant risk of material misstatement due to fraud in revenue recognition. We have rebutted this presumed risk in 2020/21 because, while the possibility of fraud exists, we do not judge the risk to be significant as almost all transactions are processed at partner bodies.

**8.** In line with Practice Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is also presumed to exist for expenditure. Due to the nature of Clackmannanshire and Stirling IJB's expenditure, we have also rebutted the significant risk of material misstatement due to fraud in expenditure in 2020/21.

## Reporting arrangements

**9.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**10.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

**11.** We will provide an independent auditor's report to Clackmannanshire and Stirling Integration Joint Board and Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer and Accounts

Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

## Exhibit 2

### 2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	31 April 2021	11 March 2021
Independent Auditor's Report	31 October 2021	TBC
Annual Audit Report	31 October 2021	TBC

Source: Audit Scotland

### Audit fee

**12.** The proposed audit fee for the 2020/21 audit of Clackmannanshire and Stirling Integration Joint Board is £27,330 (2019/20: £26,560). In determining the audit fee we have taken account of the risk exposure of Clackmannanshire and Stirling Integration Joint Board, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package prior to the start of our audit work on the accounts.

**13.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

### Responsibilities

#### Audit & Risk Committee and Accountable Officer

**14.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

**15.** The audit of the annual accounts does not relieve management or the Audit & Risk Committee as those charged with governance, of their responsibilities.

#### Appointed auditor

**16.** Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

**17.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual. We also review and report on the arrangements within the audited body to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Annual accounts

**18.** The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Clackmannanshire and Stirling Integration Joint Board and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Clackmannanshire and Stirling Integration Joint Board will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**19.** We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the of the state of affairs of the IJB as at 31 March 2021 and its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code;
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.



characteristics



responsibilities



principal activities



risks



governance arrangements

## Statutory other information in the annual accounts

**20.** We also review and report on statutory other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

**21.** We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

## Materiality

**22.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

**23.** We assess materiality at different levels as described below. The materiality values for planning purposes for the 2020/21 audit of Clackmannanshire and Stirling Integration Joint Board are set out in [Exhibit 3](#). We will reconsider materiality upon receipt of the 2020/21 accounts for audit.

### Exhibit 3 Materiality values

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2021 based on the latest 2019/20 audited accounts.	£2.000 million
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 60% of planning materiality.	£1.200 million
<b>Reporting threshold (i.e., clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£0.100 million

Source: Audit Scotland

### Audit dimensions

**24.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 4](#).

### Exhibit 4 Audit dimensions



Source: Code of Audit Practice

**25.** The appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

### Financial sustainability

**26.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

### Financial management

**27.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether arrangements are in place to ensure systems of internal control are operating effectively
- the effectiveness of budgetary control systems in communicating accurate and timely financial performance can be demonstrated
- how the IJB has assured itself that its financial capacity and skills are appropriate
- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.

**28.** As part of our work this year we will broaden our consideration of these matters in light of the impact of the COVID-19 pandemic.

### Governance and transparency

**29.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the IJB can demonstrate that the governance arrangements in place are appropriate and operating
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

**30.** Again, as part of our work this year we will assess these arrangements in light of the impact of the COVID-19 pandemic.

### Value for money

**31.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the IJB can demonstrate:

- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered.
- that outcomes are improving.
- there is sufficient focus on improvement and the pace of it.

## Best Value

**32.** Integration Joint Boards have a statutory duty to make arrangements to secure best value. We will review and report on these arrangements.

## Independence and objectivity

**33.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

**34.** The engagement lead (i.e. appointed auditor) is John Cornett, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Clackmannanshire and Stirling Integration Joint Board.

## Quality control

**35.** International Standard on Quality Control 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.

**36.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

**37.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

# Clackmannanshire and Stirling Integration Joint Board

## Annual Audit Plan 2020/21

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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Clackmannanshire & Stirling

Health & Social Care  
Partnership

# Integration Joint Board Audit and Risk Committee

11 March 2021

Agenda Item 7

Internal audit progress report

**For Noting**

<b>Paper presented by</b>	A Gaskin
<b>Author</b>	A Gaskin
<b>Exempt Report</b>	No



Clackmannanshire  
Council



**NHS**  
Forth Valley

<b>Directions</b>	
No Direction Required	<input checked="" type="checkbox"/>
Clackmannanshire Council	<input type="checkbox"/>
Stirling Council	<input type="checkbox"/>
NHS Forth Valley	<input type="checkbox"/>

<b>Purpose of Report:</b>	The aim of this report is to brief the Audit and Risk Committee on the progress on the 2020/21 IJB internal audit plan and to inform the Audit & Risk Committee of relevant Clackmannanshire Council, Stirling Council and NHS Forth Valley internal audit reports, as agreed with the Chief Officer / Chief Finance Officer as relevant to the IJB Audit Committee.
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<b>Recommendations:</b>	<p>The Audit and Risk Committee is asked to:</p> <ol style="list-style-type: none"> <li>1) Note the progress on the 2020/21 internal audit plan set out at appendix 1;</li> <li>2) Note the summaries of relevant reports from the partner bodies set out at appendix 2.</li> </ol>
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## **1. Background**

- 1.1. The Clackmannanshire & Stirling IJB Internal Audit Plan 2020/21 was approved by the Audit and Risk Committee at its meeting on 9 December 2020.
- 1.2. Progress with the plan is shown in appendix 1.
- 1.3. Appendix 2 summarises relevant reports from the partner bodies.

## **2. Progress**

- 2.1. Resources to deliver the plan are provided by the NHS Forth Valley and the Clackmannanshire Council and Stirling Council Internal Audit services. Work on the completion of the 2020/21 internal audit plan is ongoing. We therefore expect to deliver the 2020/21 plan by June 2021.

## **3. Conclusions**

- 3.1. Completion of the planned programme of internal audit work for 2020/21 is progressing as anticipated. Audit work will be sufficient to allow the Chief Internal Auditor to provide his opinion on the adequacy and effectiveness of internal controls at year-end.

#### 4. Appendices

Appendix 1 – internal audit progress

Appendix 2 – summaries of relevant reports from the partner bodies.

<b>Fit with Strategic Priorities:</b>	
Care Closer to Home	<input type="checkbox"/>
Primary Care Transformation	<input type="checkbox"/>
Caring, Connected Communities	<input type="checkbox"/>
Mental Health	<input type="checkbox"/>
Supporting people living with Dementia	<input type="checkbox"/>
Alcohol and Drugs	<input type="checkbox"/>
<b>Enabling Activities</b>	
Technology Enabled Care	<input type="checkbox"/>
Workforce Planning and Development	<input type="checkbox"/>
Housing and Adaptations	<input type="checkbox"/>
Infrastructure	<input type="checkbox"/>

<b>Implications</b>	
<b>Finance:</b>	There are no resource implications arising from the recommendations in this report.
<b>Other Resources:</b>	This report, and the provision of an internal audit service in general, helps the Integration Joint Board and the Partnership in their delivery against National Health & Wellbeing Outcome 9: Resources are used effectively and efficiently to deliver Best Value.
<b>Legal:</b>	Internal Audit Strategic and Annual Plans help to ensure that the Integration Joint Board complies with the Local Authority Accounts (Scotland) Regulations 2014. The plans are aligned with the Integration Joint Board’s Strategic Risk Register. The delivery of an Internal Audit service in itself helps address risk HSC002 in the Strategic Risk Register: Leadership, Decision Making and Scrutiny (including effectiveness of governance arrangements and potential for adverse audits and inspections).
<b>Risk &amp; mitigation:</b>	Adequate and effective governance arrangements, including risk management and internal control, are necessary to deliver the outcomes and priorities of the IJB.
<b>Equality and Human Rights:</b>	The content of this report <b><u>does not</u></b> require a EQIA. No equalities issues arise from the recommendations of this

	report.
<b>Data Protection:</b>	The content of this report <b><u>does not</u></b> require a DPIA
<b>Fairer Duty Scotland</b>	<p>Fairer Scotland Duty places a legal responsibility on public bodies in Scotland to actively consider ('pay due regard' to) how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.</p> <p>The Interim Guidance for public bodies can be found at: <a href="http://www.gov.scot/Publications/2018/03/6918/2">http://www.gov.scot/Publications/2018/03/6918/2</a></p> <p>The content of this report <b><u>does not</u></b> require Fairer Duty Scotland Assessment</p>

**Clackmannanshire & Stirling IJB Audit & Risk Committee**  
**11 March 2021**  
**Internal audit progress report Appendix 1**

Ref	Audit	Indicative Scope	Target Audit Committee	Planning commenced	Work in progress	Draft issued	Completed	Grade
<b>CS01-21</b>	Audit Planning and Management	Liaison with management and attendance at Audit & Risk Committee. Preparation of Annual Internal Audit Plan	Dec-19					N/A
<b>CS02-21</b>	Audit Follow-up	Follow-up of previous Internal Audit recommendations and agreed governance actions	Ongoing					
<b>CS03-21</b>	Annual Internal Audit Report	CIA's annual assurance statement to the IJB and review of governance self-assessment	Jun-21					N/A
<b>CS04-21</b>	Governance & Assurance	Assist with and review the impact of Covid19 on existing governance arrangements, as well as the organisation's planning arrangements for recovery and reconfiguration. This would include validating a self assessment exercise against the Audit Scotland 'Covid19-Guide for Audit & Risk Committees' enhanced by the FTF Covid Governance checklist where applicable to the IJB.	Ongoing					
<b>CS05-21</b>	Risk Management	Ongoing advice and input to the Board in updating its systems of Risk Management, building on audit fieldwork undertaken last year. Advice and opinion on the necessary revision of the IJB Risk Register post-Covid.	Jun-21					

**Clackmannanshire & Stirling IJB Audit & Risk Committee**  
**11 March 2021**  
**Internal audit progress report Appendix 1**

<b>CS06-21</b>	Assurance mapping	Advice and input on the application of Assurance Mapping principles to the update of the Risk Strategy and Risk Register, allowing the IJB to understand the level of assurance it can place on internal control and informing the production of future Internal Audit plans and any future assurance developments for the IJB.	Jun-21					
<b>CS07-21</b>	Clinical & Care Governance	Review of adequacy of revised Clinical and Care Governance arrangements, with a focus on the nature and source of assurance to the IJB on the quality of all services it commissions. Reviews of effectiveness to be scheduled in future years.	Jun-21					

**Clackmannanshire & Stirling IJB Audit & Risk Committee**  
**11 March 2021**  
**Internal audit progress report Appendix 2**

**NHS Forth Valley Report detail**

Report No.	Report Description	Opinion	Key findings																												
A08/21	Internal Control Evaluation	N/A	<p>A08/21 – Interim Control Evaluation</p> <p>We have seen improvement in the overall systems of governance and noted that the NHS Board has responded positively to the governance challenges posed by COVID-19. The appointment of a Board Secretary provides an opportunity to further enhance governance through the application of assurance mapping principles. It is acknowledged that this way of working will help in creating the proportionate and nimble arrangements required in the short-term, as well as assisting ongoing developments in Risk Management and further developing of the role of Standing Assurance Committees.</p> <p>An enormous amount of reconfiguration and remobilisation work has been undertaken, allowing services to resume where appropriate in exceptionally challenging circumstances. Whilst our audit identified some potential enhancements to structures and processes which could be adopted in the next wave of reconfiguration, the key issue is to ensure the Chief Executive and Executive Directors have the space and time to focus and respond to this Pandemic as set out in the most recent Scottish Government letter.</p> <p>Looking to the future and acknowledging the current challenges, there is an opportunity to build on excellent work already undertaken and ensure that all the strands of transformation and innovation are formally integrated, to enhance governance and reporting, ensure that development continues with appropriate resources and prioritisation, learning from the experience of reconfiguration and capturing and using existing data to create sustainable services and a strategy which reflects the new circumstances faced by NHS Forth Valley.</p> <table border="1"> <thead> <tr> <th>Action point</th> <th>Theme</th> <th>Priority</th> <th>Due date</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Sustainability &amp; Transformation</td> <td>Significant</td> <td>Sept 2021</td> </tr> <tr> <td>2</td> <td>Strategy risk</td> <td>Significant</td> <td>May 2021</td> </tr> <tr> <td>3</td> <td>Year end assurances</td> <td>Merits attention</td> <td>Aug 2021</td> </tr> <tr> <td>4</td> <td>Risk Management</td> <td>Merits attention</td> <td>June 2021</td> </tr> <tr> <td>5</td> <td>Clinical Governance</td> <td>Significant</td> <td>Dec 2021</td> </tr> <tr> <td>6</td> <td>Staff Governance Committee &amp; Workforce Planning</td> <td>Significant</td> <td>Dec 2021</td> </tr> </tbody> </table>	Action point	Theme	Priority	Due date	1	Sustainability & Transformation	Significant	Sept 2021	2	Strategy risk	Significant	May 2021	3	Year end assurances	Merits attention	Aug 2021	4	Risk Management	Merits attention	June 2021	5	Clinical Governance	Significant	Dec 2021	6	Staff Governance Committee & Workforce Planning	Significant	Dec 2021
Action point	Theme	Priority	Due date																												
1	Sustainability & Transformation	Significant	Sept 2021																												
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4	Risk Management	Merits attention	June 2021																												
5	Clinical Governance	Significant	Dec 2021																												
6	Staff Governance Committee & Workforce Planning	Significant	Dec 2021																												

**Clackmannanshire Council:** work ongoing

**Stirling Council:** Work on Client Contributions and Justice Social Work ongoing.

# Integration Joint Board Audit and Risk Committee

11 March 2021

Agenda Item 8

## Strategic Risk Register

*For Approval*

<b>Paper Approved for Submission by:</b>	Ewan Murray, Chief Finance Officer
<b>Paper presented by</b>	Ewan Murray, Chief Finance Officer
<b>Author</b>	Ewan Murray, Chief Finance Officer
<b>Exempt Report</b>	No

<b>Directions</b>	
No Direction Required	<input checked="" type="checkbox"/>
Clackmannanshire Council	<input type="checkbox"/>
Stirling Council	<input type="checkbox"/>
NHS Forth Valley	<input type="checkbox"/>

<b>Purpose of Report:</b>	To provide the Audit and Risk Committee with the Strategic Risk Register for review and approval.
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<b>Recommendations:</b>	<p>The Audit and Risk Committee is asked to:</p> <p>1) Review and approve the Strategic Risk Register</p>
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## 1. Background

- 1.2 In line with approved Performance Reporting Frameworks the Integration Joint Board receives updates on high risks on an exception basis.
- 1.3 The Audit and Risk Committee undertakes a scrutiny function for the Integration Joint Board to scrutinise and review the full Strategic Risk Register.
- 1.4 The Strategic Risk Register is regularly reviewed by the Partnership Senior Leadership Team (SLT) and updated thereafter by the Chief Finance Officer. The most recent review was 8 March 2021 and this review included adding timescales to actions to aide monitoring.
- 1.5 A summary of the current 16 Strategic Risks are shown in Table 1 below and highlights movement
- Risk 5, Culture/HR/Workforce Planning – due to appointment of HSCP OD Adviser
  - Risk 9, Effective Links with other partnerships – due to reassessment of risk based on progress on actions

Additionally Risk 12 has been revised to reflect overall workforce risks rather than a profession specific one as there are demographic and recruitment and retention challenges across many aspects of the workforce.

Table 1

Strategic Risk	Risk Direction	Previous Score Dec 2020	Current Score March 2021	Target Score
1. Financial Resilience	↔	16	16	9
2. Leadership, Decision Making and Scrutiny	↔	12	12	8
3. Sustainability of partnership	↔	16	16	3
4. Performance Framework	↔	8	12	4
5. Culture/HR/Workforce planning	↓	12	9	3
6. Experience of service users/patients/unpaid carers	↔	12	9	6
7. Information Management and Governance	↔	16	16	9
8. Information Sharing Process and practice	↔	16	16	12
9. Effective links with other partnership	↓	9	6	6
10. Harm to Vulnerable People, Public Protection and Clinical & Care Governance	↔	12	12	4
11. Sustainability and safety of adult placement in external care home and care at home sectors	↔	20	20	4
12. Health and Social Care workforce demographic / resilience of service	↔	16	16	6
13. Potential Impact of the UK Decision to Leave the EU	↔	12	12	9
14. Ability to Deliver Primary Care Improvement Plan	↔	16	16	9
15. GP Sustainability	↔	16	16	9
16. COVID-19	↔	12	12	6

## 2. Appendices

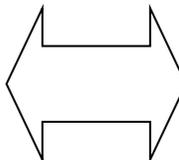
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### Strategic Risk Register

<b>Fit with Strategic Priorities:</b>	
Care Closer to Home	<input type="checkbox"/>
Primary Care Transformation	<input type="checkbox"/>
Caring, Connected Communities	<input type="checkbox"/>
Mental Health	<input type="checkbox"/>
Supporting people living with Dementia	<input type="checkbox"/>
Alcohol and Drugs	<input type="checkbox"/>
<b>Enabling Activities</b>	
Technology Enabled Care	<input type="checkbox"/>
Workforce Planning and Development	<input type="checkbox"/>
Housing and Adaptations	<input type="checkbox"/>
Infrastructure	<input type="checkbox"/>

<b>Implications</b>	
<b>Finance:</b>	None.
<b>Other Resources:</b>	None.
<b>Legal:</b>	None.
<b>Risk &amp; mitigation:</b>	None.
<b>Equality and Human Rights:</b>	The content of this report <b>does not</b> require a EQIA.
<b>Data Protection:</b>	The content of this report <b>does not</b> require a DPIA
<b>Fairer Duty Scotland</b>	<p>Fairer Scotland Duty places a legal responsibility on public bodies in Scotland to actively consider ('pay due regard' to) how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.</p> <p>The Interim Guidance for public bodies can be found at: <a href="http://www.gov.scot/Publications/2018/03/6918/2">http://www.gov.scot/Publications/2018/03/6918/2</a></p> <p>The content of this report <b>does not</b> require Fairer Duty Scotland Assessment</p>

**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action (Timescale)	Risk Owner(s)	Notes / Progress	Risk Direction
HSCP 001	<b>Financial Resilience</b> (This risk relates to financial and operational stability, and commissioning. It includes the sustainable capacity across all sectors, and co-location and/or sharing of teams and assets).	1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'	Current (4)  Target (3)	Current (4)  Target (3)	Current (16) <b>High</b>  Target (9) <b>Medium</b>	<ol style="list-style-type: none"> <li>Establishment of revised programme management arrangements including structure to monitor transforming care programme including savings delivery. (Complete)</li> <li>Review and continual assessment of deliverability of efficiency and redesign programmes and alignment to Strategic Plan Priorities (Ongoing)</li> <li>Approval of and periodic monitoring/updating of medium term financial plan to complement and support delivery planning to implement Strategic Plan. (March 21 - Six Monthly)</li> <li>Development of further financially sustainable service options aligned to Strategic Priorities and Transformation Themes consideration by IJB. (March 21 and ongoing)</li> <li>Agreed process for agreement and payment of contract rates including uplifts. (Annually)</li> <li>Identify and mitigate as far as possible the financial risk associated legislative changes including the Carers Act and Free Personal Care for &lt;65s (Annually as part of revenue budget)</li> <li>Develop planning and shared accountability arrangements for Unscheduled</li> </ol>	Chief Officer / Chief Finance Officer	<p>Need to consider how phased delegation to Chief Officer and possible future co-ordinated services impacts development of integrated financial reporting and financial risk.</p> <p>Likely to be significant financial challenges in medium term.</p>	

**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action (Timescale)	Risk Owner(s)	Notes / Progress	Risk Direction
						<p>Care and the 'set aside' budget for large hospital services. (September 2021)</p> <p><b>8.</b> Review of Governance Framework including Scheme of Delegation, Financial Regulations and Reserves Policy and Strategy as part of prudent financial planning and management arrangements. (Post Integration Scheme Review)</p> <p><b>9.</b> Review and agree relationship with Alcohol and Drugs partnership including financial plan and impact on outcomes. (Relationship agreed Financial Plan September 2021)</p> <p><b>10.</b> Development of alignment of investment to Strategic Commissioning Plan priorities and consideration of future disinvestment options (Ongoing)</p> <p><b>11.</b> Horizon Scanning arrangements internally and externally including use of economic outlook information (Ongoing)</p> <p><b>12.</b> Financial Reporting to Integration Joint Board, Strategic Planning Group and Partnership Senior Leadership Management Team, development of Financial Reporting Improvement Plan (Reporting Ongoing – Improvement Plan September 2021)</p>			

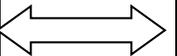
**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action (Timescale)	Risk Owner(s)	Notes / Progress	Risk Direction
						<p><b>13.</b> Ongoing monitoring of demand trends and relationship between investment and key performance indicators including Delays to Discharge, Early Intervention and Prevention Etc. Modelling additional potential future demand impact of COVID. (Ongoing)</p> <p><b>14.</b> Ensuring Role and Function of Finance &amp; Performance Committee is discharged to give assurance to IJB. (Annually)</p> <p><b>15.</b> Preparation and submission to Scottish Government of regular LMP (Local Mobilisation Plan) COVID19 costs returns. (In place and ongoing)</p> <p><b>16.</b> Assessment of financial impact of COVID19 on current and future years including Transformation Programme and additional demands. (Ongoing linked to periodic refresh of MTFP)</p> <p><b>18.</b> Use of Benchmarking including Investment Levels from Constituent Authorities and Early Intervention and Prevention where and when possible. (Ongoing)</p> <p><b>19.</b> Operational Grip and Control Meetings and Enhanced Accountability Framework for Senior Managers (in place subject to</p>			

**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action (Timescale)	Risk Owner(s)	Notes / Progress	Risk Direction
						ongoing development) 20. Implement Pan FV Budget Monitoring Arrangements (In place)			

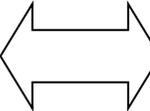
**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

<p><b>HSC 002</b></p>	<p><b>Leadership, Decision Making and Scrutiny</b> (including effectiveness of governance arrangements and potential for adverse audits and inspections).</p>	<p><b>1. National Core Outcome</b> 'Resources are Used Effectively &amp; Efficiently' <b>2. Local Outcome</b> 'Decision Making'</p>	<p>Current (3)  Target (2)</p>	<p>Current (4)  Target (4)</p>	<p>Current (12) <b>Medium</b>  Target (8) <b>Low</b></p>	<p><b>1.</b> Development of Transforming Care Board including input from Chief Executives and other senior officers of constituent authorities. (In place) <b>2.</b> In line with the Participation and Engagement Strategy develop ongoing approach to engagement with public and communities. (ongoing) <b>3.</b> Board Effectiveness Review, and review of Integration Scheme. (in progress) <b>4.</b> Review of Governance Frameworks and Scheme of Delegation. (post Integration Scheme review) <b>5.</b> Integration Joint Board development programme (annually) <b>6.</b> Development of Transforming Care Programme as delivery plan to support the pursuance of Strategic priorities underpinned by Strategic Improvement Plan (in place) <b>7.</b> Partnership Management Team Development Programme. (Ongoing with annual review) <b>8.</b> Strategic Improvement Plan including RAG status assessment and monitoring (in place). <b>9.</b> Implementation and reporting of Urgent Decision Making Powers (in place). <b>10.</b> Ensure preparedness for additional inspections highlighting improvement</p>	<p>Chief Officer</p>	<p>1. Annual Internal and External Audit Reports considered including agreed management responses to recommendations.</p>	
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**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

						requirements. (Ongoing)			
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**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

<p><b>HSC 003</b></p>	<p><b>Sustainability of Partnership</b> (The unique three way Health &amp; Social Care Partnership fails to further develop due to differing priorities and requirements).</p>	<p><b>1. National Core Outcome</b> 'Resources are Used Effectively &amp; Efficiently'.</p>	<p>Current (4)  Target (1)</p>	<p>Current (4)  Target (3)</p>	<p>Current (16) <b>High</b>  Target (3) <b>Low</b></p>	<ol style="list-style-type: none"> <li><b>1.</b> Establish, implement and periodically review Governance Framework (annually)</li> <li><b>2.</b> Regular Meetings of Chief Officer and Chief Executives.(ongoing)</li> <li><b>3.</b> Pre Agenda and use of briefings / seminars where appropriate (e.g. budget , unscheduled care) (ongoing)</li> <li><b>4.</b> Review of Governance and committee arrangements including reviews of committee structure (annually)</li> <li><b>5.</b> Board Development Programme. (annually)</li> <li><b>6.</b> Ongoing Staff Engagement Programme (September 21)</li> <li><b>7.</b> Review of Integration Scheme (in progress)</li> <li><b>8.</b> Review and development of management and professional structures. (in place subject to ongoing development)</li> <li><b>9.</b> Investment in Enhanced Structures including Heads of Service posts. (in place and ongoing)</li> <li><b>10.</b> Development of Assurance Frameworks (ongoing)</li> <li><b>11.</b> Frontline Social Care Review and implementation plan. (ongoing)</li> <li><b>12.</b> Continue to seek to have positive influence of competing organisational demands and resource priorities of constituent bodies. (ongoing)</li> <li><b>13.</b> Ensure Chief Officer and IJB have single overview of integration functions and</li> </ol>	<p>Chief Officer &amp; Chief Executives</p>		
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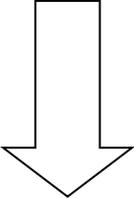
**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

						<p>services through performance and financial reporting. (ongoing)</p> <p>14. Development of operational service plans and a single overarching service plan (December 21)</p> <p>15. Align HSCP transformation plan with partners corporate plans (complete)</p> <p>16. Continue to work with NHS Chief Executive to complete transfer of operational services and ensure compliance with Public Bodies Act. (ongoing)</p>			
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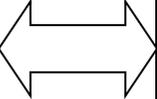
**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

<p><b>HSC 004</b></p>	<p><b>Performance Framework</b> (This relates to the responsibility of the Health and Social Care Partnership to provide an overview of performance in planning and carrying out the integrated functions in an open and accountable way).</p>	<p>1. National Core Outcome 'Resources are Used Effectively &amp; Efficiently' 2. Local Outcome 'Decision Making'.</p>	<p>Current (3)  Target (1)</p>	<p>Current (4)  Target (4)</p>	<p>Current (12) <b>Medium</b>  Target (4) <b>Low</b></p>	<p>1. Develop linkage of performance reporting to Strategic Plan Priorities and Outcomes Framework (ongoing) 2. Minimise duplication and bureaucracy to ensure performance management and reporting meaningful and realistic.(ongoing) 3. In relation to Measuring Performance Under Integration create integrated reporting framework and agree and monitor targets / trajectories. (December 21) 4. Further develop approach to Annual Performance Report including future development of planning and reporting at locality level and benchmarking with 'peer' Health and Social Care Partnerships. (annually) 5. Develop workplan for Finance and Performance Committee to undertake performance review and assurance role for IJB. (in place) 6. Development of performance measures and reporting at locality level. (ongoing) 7. Agree Improvement Plan with NHS FV to address data issues including SMR data. (September 21)</p>	<p>Heads Of Service / Chief Officer / Chief Finance Officer</p>	<p>Risk previously increased given ongoing challenges re data and information locally and nationally and absence of peer reporting in APR.</p>	
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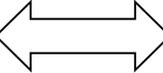
**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

<p><b>HSC 005</b></p>	<p><b>Culture/HR/ Workforce Planning</b> (This risk relates broadly to the work of Human Resource management across all partners to Workforce Planning for the 'in scope' workforce. It includes developing culture, behaviours and values, as well as sustainable change skills and capabilities).</p>	<p>1. National Core Outcome 'Engaged Workforce', and 'Resources are Used Effectively &amp; Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (3) Target (1)</p>	<p>Current (3) Target (3)</p>	<p>Current (9) <b>Medium</b> Target (3) <b>Low</b></p>	<p>1. Establish building blocks of inclusive approach to staff engagement at all levels. (Ongoing) 2. Develop multi-disciplinary care pathways and teams. (ongoing) 3. Refresh/ review workforce strategy and plan. (ongoing) 4. Refreshed staff engagement including linkage to Frontline Social Care Review (in place) 5. OD Advisor now appointed. (complete) 6. Move to consistent use of iMatter staff survey platform across the constituent authorities, and the development of reporting infrastructure against HSCP within that system. (in place) 7. Staff Development and Training Programmes including Mandatory Training. (ongoing) 8. Positively manage relationships with Staff Side/Trade Union representatives. (ongoing) 9. Develop integrated reporting infrastructure with partners (Dec 21)</p>	<p>OD Advisor / Heads of Service</p>	<p>Key strategic plans in place, Workforce Plan was refreshed as part of Strategic Commissioning Plan process, and the Participation &amp; Engagement Strategy has also been refreshed and approved by IJB (Sept 20). Further work on Equalities Mainstreaming requires to be completed.</p> <p>Risk when OD advisor workplan/ objectives agreed and begin to be progressed.</p>	
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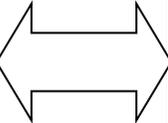
**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

<p><b>HSC 006</b></p>	<p><b>Experience of service users/patients/unpaid carers</b> (This risk is about failure to engage adequately and fully with stakeholders, in particular groups of service users and their unpaid carers including those who experience inequalities in access and/or outcomes. Includes feedback and learning from complaints. Key challenges in this area are around measuring and evidencing change).</p>	<p>1. National Core Outcome 'Carers are supported', and 'Positive Experiences' and Local Outcome 'Experience' 2. Local Outcome 'Community Focused Supports'</p>	<p>Current (3) Target (2)</p>	<p>Current (3) Target (3)</p>	<p>Current (9) <b>Medium</b> Target (6) <b>Low</b></p>	<p>1. Implement Participation and Engagement Strategy. (ongoing) 2. Review of Carers Act Implementation (ongoing) 3. Collegiate working across Forth Valley in relation to Ministerial Steering Group (MSG) indicators. (Dec 21) 4. Strategic Commissioning Plan and Budget Consultation process including Strategic Planning Group (in place) 5. Ongoing processes of participation and engagement. (ongoing) 6. Monitor trends in service user satisfaction, (annually as part of APR) 7. Briefing sessions to support service user and unpaid carer IJB members. Offer of devices and training for non voting IJB members. (in place) 8. Inclusion of data within Annual Performance Report (APR) (annually) 9. Establishment of Carers Strategy Group (in place) 10. Equality Duty Report considered by IJB Nov 20 (in place)</p>	<p>Chief Officer/ Head of Service (SP&amp;HI)</p>	<p>An Equality Outcomes and Mainstreaming Report has been considered by the Integration Joint Board in April 2016 and published. Equality and Human Rights Impact Assessment will be completed where required. The IJB report template revised.  Local Government Benchmarking Framework</p>	
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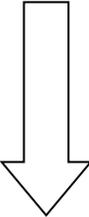
**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

<p><b>HSC 007</b></p>	<p><b>Information Management and Governance</b> (This risk relates to Information Management and Governance, and the risk of increased demand for relevant areas of provision covering Health &amp; social Care combined. It includes the lack of resources which are fit for purpose, capacity and capability of staff, as well as records and data management processes. It also covers Information and Communication Technology systems, infrastructure, data protection and data sharing).</p>	<p>1. National Core Outcome 'Resources are Used Effectively &amp; Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (4)  Target (3)</p>	<p>Current (4)  Target (3)</p>	<p>Current (16) <b>High</b>  Target (9) <b>Medium</b></p>	<p>1. Ensure and participate in refresh of data sharing governance arrangements. (October 21) 2. Further Development of Cross ICT system working capabilities across constituent authorities (ongoing) 3. GDPR arrangements. (in place) 4. Participate as key customer in procurement of replacement Adult Social Care information systems. (in place) 6. Take cognisance of systems issues from Frontline Social Care Review (ongoing)</p>	<p>Chair of Data Sharing Partnership / Heads of Service</p>	<p>This risk relates to Information Management and Governance. Including the difference between anonymised information, identifiable information, and performance information.</p>	
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**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

<p><b>HSC 008</b></p>	<p><b>Information sharing process and practice</b> (This relates to the risk of a lack of a structured common information provision across council social work areas and NHS, which is monitored, evaluated and managed operationally within integrated functions of the Clackmannanshire and Stirling Health and Social Care Partnership).</p>	<p><b>1. National Core Outcome</b> ‘Resources are Used Effectively &amp; Efficiently’ <b>2. Local Outcome</b> ‘Decision Making’</p>	<p>Current (4)  Target (3)</p>	<p>Current (4)  Target (4)</p>	<p>Current (16) <b>High</b>  Target (12) <b>Medium</b></p>	<p><b>1.</b> Building sufficient capacity and capabilities to carry out analytical functions for partnership in the long term including use of LIST Analysts (ongoing) <b>2.</b> Appropriate Information Sharing Agreements are in place and reviewed timeously (Annually) <b>3.</b> Develop use of SOURCE system to inform planning and benchmarking. (ongoing) <b>4.</b> Explore use of Systems Dynamics Modelling (via LIST support) (ongoing) <b>5.</b> Memorandum of Understanding being progressed through constituent authorities which will allow LIST team easier access to appropriate information systems (in place) <b>6.</b> Analytical Workplan (in place subject to annual review) <b>7.</b> Ensure data sharing agreements are reviewed and refreshed periodically. (annually)</p>	<p>Chair of Data Sharing Partnership / Head of Service (SP&amp;HI)</p>	<p>This risk relates to Information Management and Governance. Including the difference between anonymised information, identifiable information, and performance information.</p> <p>Risk re-assessed and considered higher than previously scored.</p>	
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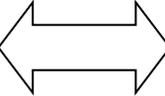
**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

<p><b>HSC 009</b></p>	<p><b>Effective Links with other Partnerships</b> (This risk relates to partnership planning and effective links with other partnerships. Such as Community Planning, Third and Voluntary Sectors, Criminal Justice, Housing, Falkirk Health and Social Care Partnership, Emergency Planning and Resilience Partnership).</p>	<p>1. National Outcome 'Resources are Used Effectively and Efficiently, and ' People are safe'</p>	<p>Current (2)  Target (2)</p>	<p>Current (3)  Target (3)</p>	<p>Current (6) <b>Low</b>  Target (6) <b>Low</b></p>	<p>1. Develop statutory links and clarify relationships with Community Planning Partnerships in Clackmannanshire and Stirling including developing plans to lead Wellness Agendas. (in place for Sept 21) 2. Develop links with Public Protection Fora. (in place) 3. Clarification of Relationship and Accountabilities with Alcohol and Drug Partnerships at Forth Valley and Partnership levels. (in place) 4. Develop relationships, linked to approach to Annual Performance Report, with 'peer' Health and Social Care Partnerships (ongoing) 5. Maintain effective working relationships with Third Sector Interface organisations and Providers through mechanisms such as Providers Fora. (in place) 6. Ensure officers participate actively in national groups including Chief Officers Group, IJB Chief Finance Officers and Integration Managers Networks (in place) 7. Established and effective relationships with Officers from Falkirk HSCP in relation to pan Forth Valley services and future coordination. (in place) 8. Use of Social Care Insights reports and other benchmarking data such as Local Government Benchmarking Framework to</p>	<p>Chief Officer, Head of Service (SP &amp; HI) Chief Finance Officer</p>	<p>Links are currently established with partners, including: a) Criminal Justice Authority (and successors) and Community Planning Partnership (note: these are Statutory links) b) Alcohol and Drugs Partnership (ADP) and Public Protection fora c) Third and Independent Sectors – representation as appropriate at Integration Joint Board and Strategic Planning Group, and representation of HSCP Officers on Third Sector Forum d) Housing Contribution Group</p>	
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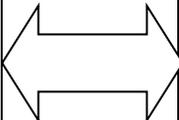
**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

						identify and learn from high performing partnerships. (Annually)			
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**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

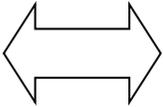
<p><b>HSC 010</b></p>	<p><b>Harm to Vulnerable People, Public Protection and Clinical &amp; Care Governance</b> (This risk relates to the risk to self, to others, and from others. Public Protection and involves the strategic work of the Adult Protection Lead Officer, Child Protection Lead Officer, Mental Health Officers, Independent Chair of the Adult and Child Protection Committees, as well as processes such as PVG checking, and training procedures).</p>	<p>1. National Outcome 'Resources are Used Effectively and Efficiently', ' People are safe', 'Positive Experience',                  2. 'Quality of life' Local Outcome 'Self-Management' 'Community Focused Supports', 'safety', Experience'</p>	<p>Current (3)  Target (1)</p>	<p>Current (4)  Target (4)</p>	<p>Current (12) <b>Medium</b>  Target (4) <b>Low</b></p>	<p>1. Integration Joint Board has assurance that services operate and are delivered in a consistent and safe way (June 21)                  2. Reviewed Clinical and Care Governance Framework (in place subject to annual review)                  3. whole system working to eliminate delay to discharge arrangements (ongoing)                  4. Development of Health and Care Village in Stirling and implementation of model of care including care governance arrangements (in place)                  5. Establishment of Quarterly Clinical and Care Governance Meetings (in place)                  6. Linkage with Performance Frameworks (in development)                  7. Annual Clinical and Care Governance Report to IJB (Annually next June 21))                  8. Self Evaluation of Adult Support and Protection Arrangements (May 21)</p>	<p>Chief Social Work Officers / NHS Forth Valley Medical Director / Chair of Clinical and Care Governance Group</p>		
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**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

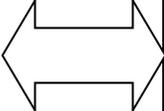
<p><b>HSC 011</b></p>	<p><b>Sustainability and safety of adult placement in external care home and care at home sectors</b> Both Local Authorities utilise externally commissioned care home placements for adults, particularly older adults. External care homes are commissioned and inspected nevertheless risks arise from the sustainability of care homes as business models; having enough scrutiny at an earlier stage of any risks or concerns within a care home; reviews of adult placements by Local Authorities should take place at a minimum of once a year. Capacity to review is under significant pressure and an escalation method of concern needs put in place. Approach replicated, as appropriate for Care at Home providers.</p>	<p>1. National Outcomes 'People are Safe' 'Positive Experience' 2. Quality of Life</p>	<p>Current (4)  Target (2)</p>	<p>Current (5)  Target (2)</p>	<p>Current (20) <b>High</b>  Target (4) <b>Low</b></p>	<p>1. Provider forums are in place as is a commissioning and monitoring framework. (in place) 2. There is clear regulation and inspection. (ongoing) 3. The thresholds matrix for homes around adult support and protection has been implemented and is being monitored. (in place) 4. A process for reviews and a clear escalation model is being developed including reporting to the Clinical and Care Governance Group. 5. Monitoring of Financial Sustainability of Providers using informatics provided via Scotland Excel and local intelligence ( in place) 6. Future consideration of mixed economy options for future models of care. (ongoing) 7. Business continuity planning arrangements. (ongoing) 8. Preparation on Briefings for Senior Officers (including Chief Executives) and IJB Chair and Vice Chair on emergent provider issues ( as required) 9. Plan to undertake caseload review. (ongoing) 10. New Care and Support Framework (partially inplace – full implementation April 22) 11. COVID19 Financial Assistance arrangements. (in place) 12. Strengthening of management structures. (subject to ongoing review)</p>	<p>Heads of Services / Strategic Commissioning Manager /Adult Support and Protection Coord,</p>		
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**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

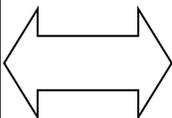
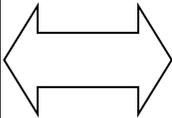
						13, Care Home Monitoring and Enhanced Assurance re COVID19 per SG Guidance including role of CHART Team (inplace)			
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<b>HSC 012</b>	<p><b>Health and Social Care workforce demographic / resilience of service.</b> This risk relates to the sustainability workforce due to challenges of demographics and recruitment/retention. Covid is assumed to increase this risk.</p>	<p><b>Health and Social Care Outcomes</b></p> <ul style="list-style-type: none"> <li>• People can live well at home for as long as possible</li> <li>• People are safe and live well for longer</li> <li>• People are satisfied with the care they get</li> </ul>	Current (4)  Target (2)	Current (4)  Target (3)	(16) <b>High</b>  Target (6) <b>Low</b>	<ol style="list-style-type: none"> <li>1. Proactively implement transformation programme working in partnership with staff side. (ongoing)</li> <li>2. Review models of working and optimise opportunities of integration.(ongoing)</li> <li>3. Proactive recruitment including opportunities for new roles (ongoing)</li> <li>4. Explore opportunities with staff to optimise retention. Flexible working, training, education. (ongoing)</li> <li>5. Consider organisational change opportunities to build workforce capacity. (ongoing)</li> <li>6. Ensure staff welfare and development are clear priorities with action plans.(ongoing)</li> <li>7. Work with partners to promote Clackmannanshire and Stirling as a positive area to work and live. (ongoing)</li> </ol>	Head of Services, CH&I and Professional Leads	HSCP OD advisor now started (March 21)	
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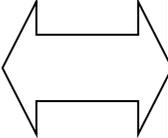
**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

<p><b>HSC 013</b></p>	<p>Potential Impact of the UK Decision to Leave the EU (commonly referred to as Brexit)</p>	<p><b>1. National Outcome</b> 'Resources are Used Effectively and Efficiently, and ' People are safe'</p>	<p>Current (4)  Target (3)</p>	<p>Current (3)  Target (3)</p>	<p>12 (Medium)  9 (Medium)</p>	<ol style="list-style-type: none"> <li><b>1.</b> Continue to work with constituent authorities to understand assessed risk in relation to commissioned functions and service delivery. (in place and ongoing)</li> <li><b>2.</b> A reporting process has been established and updates on status are collated for the Partnership and submitted to Scottish Government via NHSFV's emergency planning team on behalf of the HSCP. (in place)</li> <li><b>3.</b> All commissioned services have updated their business continuity plans, as have constituent authorities. (ongoing)</li> <li><b>4.</b> Periodically review plans in light of transitional arrangements and emergent issues. (ongoing)</li> <li><b>5.</b> Horizon Scanning arrangements including assessment of potential economic impacts (ongoing)</li> <li><b>6.</b> Work with constituent authorities to understand likelihood of supply issues and cost impacts. E.g via Directors of Pharmacy Group on pharmaceutical supply issues. (ongoing)</li> </ol>	<p>Head of Service (SP &amp; HI), Chief Finance Officer</p>	<p>Risk under review as implications emerge.</p>	
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**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

<b>HSC 014</b>  (added 26 May 2019)	Ability to Deliver Primary Care Improvement Plan including tripartite agreement within additional resources provided by Scottish Government	<b>1. National Outcome</b> 'Resources are Used Effectively and Efficiently, and ' People are safe'	Current (4)  Target (3)	Current (4)  Target (3)	16 <b>High</b>  9 <b>Medium</b>	<ol style="list-style-type: none"> <li>1. Continue to work collaboratively with NHS Board and LMC reps via Programme Board (ongoing)</li> <li>2. Continue to explore options to maximise impact from available investment (ongoing)</li> <li>3. Ensure reporting to Scottish Government reflects risk in ability to meet policy objectives and tripartite agreement (in place)</li> <li>4. Continue to discuss (as part of tripartite) and work with government colleagues to understand deliverability of Memorandum of Understanding (ongoing)</li> </ol>	Chief Officer / Chief Finance Officer / Programme Manager	<p>Tripartite statement presented to June 20 IJB.</p> <p>PCIP allocation letter received and in line with expectations but leaves significant recurrent financial gap.</p>	
<b>HSC 015</b>  (added 21 Feb 2020)	GP Sustainability: Risk that general practice will not be able to sustain the delivery of general medical services to the population	<b>1. National Outcome</b> 'Resources are Used Effectively and Efficiently, and ' People are safe'	Current (4)  Target (3)	Current (4)  Target (3)	16 <b>High</b>  9 <b>Medium</b>	<ol style="list-style-type: none"> <li>1. GP Sustainability Group in Place including Horizon Scanning and Linkage to PCIP (in place)</li> <li>2. 2C practice arrangements. (in place)</li> <li>3. Recruitment drives (ongoing)</li> <li>4. Promotion of Clacks and Stirling as positive place to live and work. (ongoing)</li> <li>5. GP Premises Improvement Plans (in place)</li> <li>6. PCIP Tripartite Statement (in place)</li> </ol>	Associate Medical Director Primary Care / GP Clinical Leads / Chief Officer/ NHS Chief Exec	<p>Plan is delivered on pan Forth Valley basis with NHS FV Chief Exec chairing Programme Board</p>	

**CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021**

<p><b>HSC 016</b>  <b>(added 17 March 2020)</b></p>	<p>COVID 19: Risk that critical services to vulnerable populations cannot be delivered as a result of coronavirus pandemic</p>	<p>1. National Outcome ' People are safe'</p>	<p>Current (3)  Target (2)</p>	<p>Current (4)  Target (3)</p>	<p>12 <b>Medium</b>  6 <b>Low</b></p>	<ol style="list-style-type: none"> <li>1. Review and Update Service Business Continuity Plans (in place)</li> <li>2. Costed mobilisation plans for government and service prioritisation plans. (complete subject to ongoing review)</li> <li>3. Establishment of partnership coordination centre in Bellfield (in place)</li> <li>4. Service monitoring arrangements. (in place)</li> <li>5. Care Home Assurance and Monitoring Arrangements. (in place)</li> <li>6. Flexible working arrangements where possible including risk assessments and following guidance for non clinical workspaces. (in place)</li> <li>7. Effective and efficient linkage to emergency planning arrangements within constituent authorities and government. (in place)</li> <li>8. Approval of remobilisation plans (March 21)</li> <li>9. Ensure contingency plans in place for potential additional waves of infections. (in place)</li> <li>10. Submission of Covid cost estimates for 21/22 using Scottish Government template and assumptions (complete)</li> </ol>	<p>Partnership Leadership Team (Chief Officer, Heads of Service &amp; Chief Finance Officer)</p>	<p>Partnership Co-ordination led by Chief Officer and links to Multiagency responses in place.</p>	
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## CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 8 March 2021

### Explanation of Scoring:

Likelihood and Impact are Scored on a 1-5 Rating. The scores are then multiplied to give an overall risk score. Risk scores over 15 are rated High/Red. Risk Scores from 9 to 15 are rated Medium / Amber and risk scores up to 8 are rated Low/ Green.

# Integration Joint Board Audit and Risk Committee

11 March 2020

Agenda Item 8

Accounts Commission Reports: Local Government Overview, NHS in Scotland 2020 and Tracking the Implications of Covid19 on Scotland's Public Finances

*For Noting*

<b>Paper Approved for Submission by:</b>	Ewan Murray, Chief Finance Officer
<b>Paper presented by</b>	Ewan Murray, Chief Finance Officer
<b>Author</b>	Ewan Murray, Chief Finance Officer
<b>Exempt Report</b>	No

<b>Directions</b>	
No Direction Required	<input checked="" type="checkbox"/>
Clackmannanshire Council	<input type="checkbox"/>
Stirling Council	<input type="checkbox"/>
NHS Forth Valley	<input type="checkbox"/>

<b>Purpose of Report:</b>	To bring the recently published Accounts Commission reports which are relevant to the IJB to the attention of the Audit and Risk Committee members
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<b>Recommendations:</b>	<p>The Audit and Risk Committee is asked to:</p> <p>1) Note the reports and their relevance to wider context of public finances and the strategic planning and commissioning role and accountabilities of the Integration Joint Board.</p>
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## **1. Background**

- 1.1. The extant terms of reference for the Audit and Risk Committee states that any national reports relevant to the context or responsibilities of the IJB will be brought to the attention of the Audit and Risk Committee.
- 1.2. Since the last meeting of the Audit and Risk Committee three Accounts Commission reports have been published:
  - Local Government in Scotland: Financial 2019/20 Overview (published 26/1/2021)
  - NHS in Scotland 2020 (published 17/2/2021)
  - Tracking the Implications of Covid19 on Scotland's Public Finances (published 24/2/2021)
- 1.3. Unsurprisingly, these reports all have a significant focus on the in-year and potential future impacts of Covid19 pandemic on services provided and public finances however the impact is greater on 2020/21 than 2019/20.

## **2. Considerations**

- 2.1. The Accounts Commissions annual overview reports for Local Government and the NHS focus on the impact Covid19 has had on services, performance and finance and the longer term impacts and risks as a result.
- 2.2. The Accounts Commission also published a specific report on tracking the implications of Covid19 on Scotland's public finances.

2.3. Key messages from the Local Government Overview include:

- Councils funding and increased by £0.8bn with £0.5bn increase coming from Scottish Government funding.
- Reductions in council budgets over the past 7 years are larger than in other areas of the Scottish Government budget.
- Nearly half of the increase in Scottish Government funding was to fund the expansion in early learning and childcare.
- Councils continue to plan for and achieve savings on an annual basis but there is significant variation in delivery of savings.
- Councils added to usable reserves by £65m (net).
- The financial cost to councils of Covid19 was estimated to be £767m with over half of that estimate due to lost income.
- Auditors reported wider medium-term financial implications of Covid19
- The majority of IJBs (22 of 31) struggled to achieve break-even and many received year-end funding from partners.
- Instability of leadership continues to be a challenge for IJBs. There were changes in Chief Officer at 12 IJBs in 2019/20.

2.4. Key messages from the NHS in Scotland 2019/20 report include:

- The challenges presented by Covid19 are significant and unprecedented.
- Some people have been more adversely affected by Covid19 than others. For instance, those from most deprived areas are twice as likely to die from Covid19 as those in the least deprived.
- The Scottish Government could have been better prepared to respond to the Covid19 pandemic.
- Remobilising the full range of NHS services is challenging and maintaining innovation and learning from the pandemic will be essential.
- Covid19 has exacerbated the existing financial and operational challenges in the NHS.

2.5. The key messages from the report on tracking the implications of Covid19 on Public Finances include:

- The risks to Scottish public finances and public services remain significant
- Measures to support people through the pandemic must be effective and provide value for money
- Difficult decisions lie ahead to keep Scottish public finances on a sustainable footing
- Looking after public money is as important as ever.
- Decision-making is happening in a fast-moving environment, and transparency is essential
- Governance of public funds and accountability must be robust

### 3. Conclusions

- 3.1. Audit and Risk members are invited to read the Accounts Commission reports and how they can consider the key messages in discharge of the committee and the IJBs roles and responsibilities.

### 4. Appendices

Appendix 1 - Local Government Overview  
 Appendix 2 - NHS in Scotland 2020  
 Appendix 3 - Tracking the Implications of Covid19 on Scotland's Public Finances

<b>Fit with Strategic Priorities:</b>	
Care Closer to Home	☒
Primary Care Transformation	☒
Caring, Connected Communities	☒
Mental Health	☒
Supporting people living with Dementia	☒
Alcohol and Drugs	☒
<b>Enabling Activities</b>	
Technology Enabled Care	☒
Workforce Planning and Development	☒
Housing and Adaptations	☒
Infrastructure	☒
<b>Implications</b>	
<b>Finance:</b>	The report detail financial implications.
<b>Other Resources:</b>	N/A
<b>Legal:</b>	N/A
<b>Risk &amp; mitigation:</b>	The reports detail financial and other risks.
<b>Equality and Human Rights:</b>	The content of this report <b><u>does not</u></b> require a EQIA
<b>Data Protection:</b>	The content of this report <b><u>does not</u></b> require a DPIA
<b>Fairer Duty Scotland</b>	Fairer Scotland Duty places a legal responsibility on public bodies in Scotland to actively consider ('pay due regard' to) how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.  The Interim Guidance for public bodies can be found at:

	<p><a href="http://www.gov.scot/Publications/2018/03/6918/2">http://www.gov.scot/Publications/2018/03/6918/2</a></p> <p>The content of this report <b>does not</b> require Fairer Duty Scotland Assessment</p>
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# NHS in Scotland 2020



AUDITOR GENERAL 

Prepared by Audit Scotland  
February 2021

# Auditor General for Scotland

The Auditor General's role is to:

- appoint auditors to Scotland's central government and NHS bodies
- examine how public bodies spend public money
- help them to manage their finances to the highest standards
- check whether they achieve value for money.

The Auditor General is independent and reports to the Scottish Parliament on the performance of:

- directorates of the Scottish Government
- government agencies, eg the Scottish Prison Service, Historic Environment Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Police Authority, Scottish Fire and Rescue Service.

You can find out more about the work of the Auditor General on our website:

[www.audit-scotland.gov.uk/about-us/auditor-general](http://www.audit-scotland.gov.uk/about-us/auditor-general) 

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.

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# Contents



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Summary	4
Introduction	6
The response to Covid-19	7
Health impact of Covid-19	15
Pandemic preparedness	20
NHS remobilisation	22
NHS finances and performance	27
Endnotes	35
Appendix 1. Audit methodology	37
Appendix 2. Financial performance 2019/20 by NHS board	38

## Audit team

The core audit team consisted of Leigh Johnston, Fiona Watson, Eva Thomas-Tudo and John Kirkwood, with support from other colleagues and under the direction of Angela Canning.

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## Links

-  PDF download
  -  Web link
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# Summary



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## Key messages

- The challenges presented by Covid-19 are significant and unprecedented. Staff across the NHS and Scottish Government have worked hard, in challenging circumstances, to respond quickly to the pandemic. NHS frontline staff have put themselves at risk to meet the demands presented by Covid-19, reflecting their extraordinary commitment to public service. The NHS implemented several actions during the first wave of Covid-19 that prevented it from becoming overwhelmed, such as increasing intensive care capacity and stopping non-urgent planned care. The Scottish Government's Test and Protect strategy is crucial to suppressing the virus and will continue to be until Covid-19 vaccinations are fully rolled out.
- Some people have been more adversely affected by Covid-19 than others. For instance, those from the most deprived areas are twice as likely to die from Covid-19 than those in the least deprived areas. Covid-19 has so far caused or contributed to the deaths of almost 9,000 people across Scotland, and deaths from other causes were also higher than average at the start of the pandemic. The NHS workforce has been under considerable pressure during the pandemic, with high levels of work-related stress reported.
- The Scottish Government could have been better prepared to respond to the Covid-19 pandemic. It based its initial response on the 2011 UK Influenza Pandemic Preparedness Strategy but did not fully implement improvements identified during subsequent pandemic preparedness exercises. It also did not include an influenza pandemic as a standalone risk in its corporate or health and social care directorate risk registers, despite assessing it as high risk.
- Remobilising the full range of NHS services is challenging and maintaining innovation and learning from the pandemic will be essential. Covid-19 has led to a substantial backlog of patients waiting for treatment. NHS boards are prioritising those in most urgent need; those who are of lower clinical priority will have to wait longer. NHS leaders need to work collaboratively, in partnership across public services, to deal with the ongoing challenges caused by Covid-19 and to remobilise services.

- Covid-19 has exacerbated the existing financial and operational challenges in the NHS and is predicted to cost £1.67 billion in 2020/21. Most NHS boards achieved their savings targets in 2019/20, but four NHS boards needed additional financial support from the Scottish Government to break even. Responding to the pandemic has resulted in significant additional expenditure across health and social care and there is uncertainty about the longer-term financial position.

## Recommendations

### The Scottish Government should:

- ensure that NHS National Services Scotland returns to procuring personal protective equipment (PPE) through a competitive tender process as soon as practicable, considering options that reduce the environmental impact where possible, while demonstrating good value for money and robust quality assurance ([paragraph 17, page 12](#))
- update and publish national pandemic guidance for health and social care as a priority. The scope of this guidance should not be limited to covering only an influenza pandemic and it should include lessons learned from the Covid-19 pandemic and the previous pandemic preparedness exercises ([paragraph 46, page 21](#))
- ensure that the work undertaken as part of the re-mobilise, recover, re-design programme of work has clear priorities that align with the remobilisation framework. Work should be monitored and reported to ensure sufficient progress is being made ([paragraph 56, page 25](#))
- work with its partners to update the integrated workforce plan. This should consider how services will be delivered differently in the future, and how this will affect the shape of the health and social care workforce in the longer term ([paragraph 57, page 25](#))
- ensure that all NHS leaders, particularly those newly appointed, have the support they need to balance the ongoing challenges presented by Covid-19 with the need to remobilise health and social care services ([paragraph 60, page 26](#)).

### The Scottish Government and NHS boards should:

- monitor and report on the effectiveness of the measures introduced to support the health and wellbeing of staff, to assess whether sufficient progress is being made ([paragraph 23, page 14](#))
  - take action to meet the needs of those whose access to healthcare has been reduced as a result of the pandemic and monitor the long-term impact of this on health outcomes ([paragraph 27, page 16](#)) ([paragraph 49, page 22](#))
  - publish data on performance against the clinical prioritisation categories to enable transparency about how NHS boards are managing their waiting lists ([paragraph 48, page 22](#)).
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# Introduction

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**1.** The Covid-19 pandemic has created a unique and challenging set of circumstances for the NHS in Scotland. This report outlines the response to the pandemic by the NHS in Scotland and presents an overview of its financial and operational performance for 2019/20 ([Appendix 1, page 37](#)).

**2.** The Scottish Government and NHS in Scotland's response to Covid-19 continues to develop as the pandemic progresses. Policy and guidance are being updated frequently and our findings reflect the situation at January 2021, using information available prior to publication. We plan to consider the longer-term impact of Covid-19 in our *NHS in Scotland 2021* report.

**3.** We would like to acknowledge the support and assistance provided by the Scottish Government and NHS boards that has enabled us to prepare this report.

# The response to Covid-19



## **The challenges presented by Covid-19 are significant and unprecedented** The Scottish Government and NHS in Scotland responded quickly to the rapidly developing pandemic

**4.** The response to the Covid-19 pandemic by the Scottish Government and NHS Scotland began soon after the emergence of the outbreak in China, before any cases had been confirmed in Scotland. In January 2020, the Scottish Government started to implement its emergency response plans. This included attending the UK Government's COBRA meetings and activating the Scottish Government Resilience Room (SGoRR). The SGoRR is the main point of contact between the UK Government and Scotland's resilience partnerships in the event that UK-level action is initiated.<sup>1</sup> The four nations of the UK coordinated their initial response to the pandemic, publishing a joint Covid-19 action plan on 3 March 2020.<sup>2</sup> This action plan is based on the 2011 UK Influenza Pandemic Preparedness Strategy.<sup>3</sup> Military liaison officers were deployed to NHS boards to assist with logistics and planning.

**5.** The Scottish Government established a Covid-19 directorate, with a workforce of staff redeployed from other departments across the government. There was good oversight and regular communication across the NHS and Integration Authorities (IAs) from the Scottish Government.<sup>4</sup> NHS boards revised their governance arrangements during the pandemic. Some reduced in size or suspended subcommittees, while maintaining close contact with the Scottish Government and their local partners.

## **The NHS implemented a number of actions that prevented it from becoming overwhelmed**

**6.** The Scottish Government had difficult decisions to make about how to prevent the NHS from becoming overwhelmed during the first wave of the Covid-19 pandemic. There are longer-term risks associated with some of these decisions, but the Scottish Government needed to prioritise creating additional capacity for Covid-19 patients. From March 2020, the Scottish Government instructed NHS boards to implement several key actions at pace, that enabled them to treat Covid-19 patients while maintaining vital emergency, maternity and urgent care. For instance:

- All non-urgent surgery, treatment and appointments were suspended, and national screening programmes for some types of cancer were paused. This enabled existing facilities and equipment to be repurposed and staff to be retrained and redeployed to support the response to Covid-19.
- The number of intensive care beds was increased from 173 to 585.<sup>5</sup> This meant that the NHS had sufficient intensive care capacity throughout the first wave of the pandemic. The number of patients in intensive care beds

(including non-Covid-19 patients) exceeded the original capacity between 31 March and 24 April, peaking at 250 on 9 April. The number of Covid-19 patients in intensive care beds peaked at 221 on 12 April.

- A rapid discharge strategy was introduced with the aim of reducing delayed discharges from hospital. This resulted in a reduction of 64 per cent, from 1,612 on 4 March to 580 on 27 April. The impact of this strategy on outbreaks of Covid-19 in care homes is discussed in [paragraph 29, page 17](#).
- NHS workforce capacity was increased, which enhanced NHS resilience. During the first wave of Covid-19, 4,880 nursing students were deployed, registration dates for 575 junior doctors were brought forward and recently retired NHS staff were invited to return to work. An accelerated recruitment portal was also launched, which received 16,000 expressions of interest.
- Digital improvements were rolled out across the NHS including software to facilitate working from home, and the use of virtual appointments such as Near Me increased.<sup>6</sup> Video consultations increased from about 300 per week in March 2020 to more than 18,000 per week in November 2020. By December, more than 600,000 video consultations had taken place.
- The NHS Louisa Jordan, a temporary hospital at the Scottish Event Campus in Glasgow, was established. It was set up in under three weeks and was operational by 20 April, with an initial capacity of 300 beds, and the ability to expand to 1,036 beds if needed – including 90 intensive care unit (ICU) beds. The hospital has not yet been needed to treat Covid-19 patients. It has been used for outpatient appointments and for diagnostic services such as X-ray and ultrasound. By January 2021, the facilities had also been used to train more than 5,000 healthcare staff and students and vaccinate nearly 10,000 NHS staff.<sup>7</sup> The hospital remains on standby to receive Covid-19 patients if needed.
- Covid-19 community hubs and assessment centres were established. These hubs assess patients presenting with Covid-19 symptoms in the community, relieving pressure on GP surgeries. Between March 2020 and January 2021, over 250,000 consultations for advice or assessment were conducted through these hubs and centres.<sup>8</sup>

**7.** Cases of Covid-19 in Scotland decreased significantly over summer 2020 but started to increase again throughout autumn and winter.<sup>9</sup> The NHS already faces more demand and pressure over winter months and increasing cases of Covid-19 exacerbated these existing challenges. The Scottish Government published its *Winter Preparedness Plan* in October 2020, which outlined several strategies during the second wave to prevent the NHS from becoming overwhelmed. Strategies included the ability to expand ICU capacity again if needed, while maintaining access to essential healthcare services, including mental health support. Some of the strategies for suppressing Covid-19 during the second wave differed from the response during the first wave.<sup>10</sup> For instance:

- An extensive vaccination programme has been implemented. Three Covid-19 vaccines have been approved by the UK Medicines and Healthcare Products Regulatory Agency. The Scottish Government committed that by 5 February 2021, care home staff and residents, frontline health workers and people aged over 80 years in the community will have received their first dose. By 1 February 2021, more than 500,000 people had received

their first vaccination. The Scottish Government also increased eligibility criteria for the flu vaccine, to help prevent additional pressure being placed on the NHS.

- The Test and Protect programme is being expanded to help suppress the virus. The Scottish Government increased testing capacity, widened eligibility criteria, and improved contact tracing processes to quickly isolate potential cases.
- New clinical triage arrangements for urgent care have been introduced through NHS 24. This aims to optimise access to care by offering virtual appointments or a face-to-face appointment, if required, at the nearest Accident and Emergency (A&E). This aims to reduce demand on healthcare services under pressure and avoid unnecessary travel and waiting in crowded areas.

### **The Test and Protect strategy is crucial to suppressing the virus and will remain so until Covid-19 vaccinations are fully rolled out**

**8.** Testing, tracing and isolating all cases of Covid-19, and quarantining their contacts is essential to control transmission of the virus.<sup>11</sup> The Scottish Government published its Test and Protect strategy on 4 May 2020. The strategy aims to control the spread of Covid-19 by identifying local outbreaks in the community and tracing contacts to prevent further transmission. The Scottish Government set up a new directorate to lead the strategy and launched the Test and Protect programme on 28 May.

**9.** The Scottish Government recognised that having enough capacity to test all possible cases of Covid-19 would be essential for the Test and Protect strategy to be effective. The Scottish Government planned to increase testing capacity in Scotland to 65,000 per day by December 2020. This target was achieved, with a maximum capacity for more than 68,000 tests per day created by the end of December. By the end of January 2021, Scotland had a maximum capacity for more than 77,000 tests per day. The majority of testing capacity was provided by the UK Government testing programme (64 per cent) and the remainder by NHS Scotland laboratories (36 per cent).

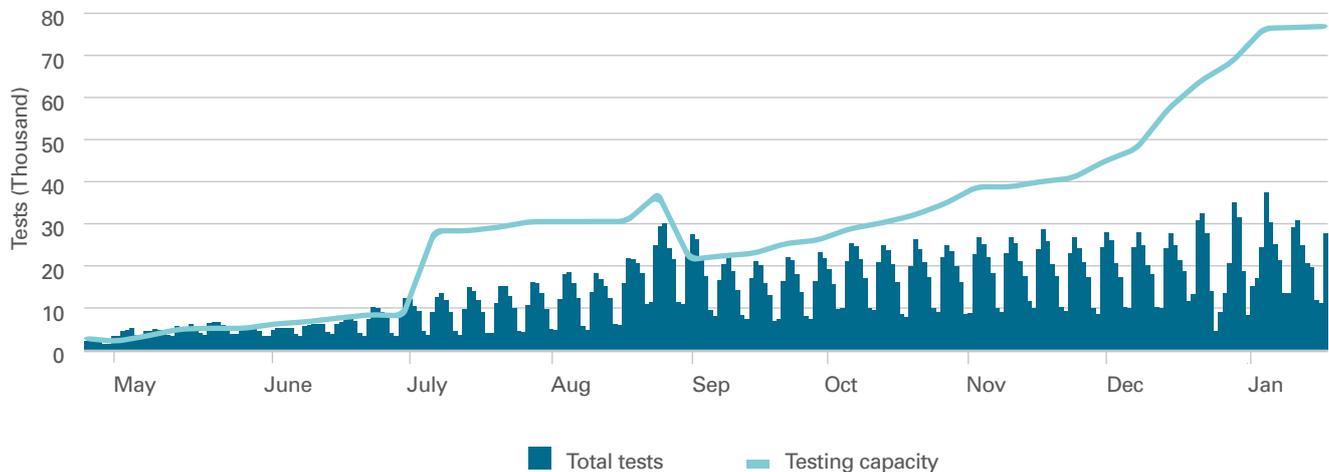
**10.** The number of tests carried out has not yet increased in line with this additional capacity. In October 2020, the Scottish Government estimated that demand for tests based on eligible groups at the time would be about 54,000 per day by winter. In January 2021, an average of just over 21,000 tests were carried out per day ([Exhibit 1, page 10](#)). The Scottish Government intends to use the additional capacity to expand eligibility for testing to certain people without symptoms. This includes expanding asymptomatic community testing, and introducing routine testing for:

- workplaces providing essential services where the risk of transmission is high, such as food processing and distribution, and emergency service control rooms
- additional health and care staff such as GPs, pharmacists and community nurses
- close contacts of confirmed cases
- supporting the return to schools.

## Exhibit 1

### Covid-19 testing capacity and total tests carried out from April 2020 to January 2021

The Scottish Government achieved its target to have capacity for 65,000 tests per day by the end of December 2020. The number of tests carried out has not yet increased in line with the additional capacity.



#### Notes:

1. In June 2020, Public Health Scotland and the Scottish Government began reporting total capacity as 'NHS Scotland capacity plus full capacity of the Glasgow Lighthouse lab'.
2. In August 2020, total capacity was calculated as NHS Scotland capacity plus a population share of the total UK lighthouse lab network.
3. Capacity data from 21 April to 11 October 2020 was reported by Public Health Scotland. Capacity data from 12 October was reported by NHS NSS and NHS England. Scotland's share of UK Government testing capacity is included from 30 June.

Source: Scottish Government and Public Health Scotland

### Between November 2020 and January 2021, enough contacts of people testing positive with Covid-19 have been traced for the system to work effectively

**11.** Contact tracing is an essential part of the Test and Protect strategy. This is carried out by health protection teams within territorial NHS boards and by the National Contact Tracing Centre (NCTC) managed by NHS National Services Scotland (NHS NSS). The Scottish Government also launched the Protect Scotland app in September 2020, which alerts users if they have been in contact with another app user who has tested positive for the virus. It complements existing contact tracing processes and has more than 1.8 million users.

**12.** The Scottish Government asked NHS boards to make 2,000 staff from within existing resources available for contact tracing activity ahead of the launch of Test and Protect in May 2020. This was achieved, with 2,002 staff being made available for deployment across NHS boards and the NCTC if required. As prevalence of the virus decreased and NHS services started to resume over summer 2020, some staff returned to their substantive positions. This meant that contact tracing capacity was reduced, with 717 staff being available on 26 August 2020. As cases started to rise again, more staff were rostered to keep up with demand. At 23 December 2020, 2,707 staff had been fully trained in contact tracing.

**13.** The Scientific Advisory Group for Emergencies (SAGE) agreed that at least 80 per cent of contacts need to be reached for the system to be effective. It also found that contacts that were not isolated within 48-72 hours led to significantly increased spread of the virus.<sup>12</sup> In Scotland, enough cases have had their contacts

traced for the system to work well (95 per cent between 26 October and 24 January). On average, over the same timeframe 84 per cent of contacts of positive cases were traced within 72 hours.<sup>13</sup> The Test and Protect strategy will remain central to suppressing Covid-19 until the Covid-19 vaccinations are fully rolled out.

### **Demand for PPE has been unprecedented with shortages early in the pandemic, but the situation has since improved**

**14.** There has been huge global demand for personal protective equipment (PPE) since the start of the pandemic.<sup>14</sup> The Scottish Government had a pandemic PPE stockpile in place, as part of a UK-wide approach, but the PPE requirements during the Covid-19 pandemic were unprecedented. For example, in early February 2020, NHS NSS shipped 96,911 items of PPE weekly, however by 6 April this figure was 24,496,200 weekly. Therefore, the pandemic PPE stockpile was not enough to fully meet the demands of the NHS. For example:

- Some NHS boards reported shortages of certain items of PPE early in the pandemic. NHS boards set up PPE groups to monitor and manage PPE availability. Local supply chains were disrupted during the pandemic, so the National Distribution Centre supplied the majority of PPE.<sup>15</sup> In some instances, however, NHS boards had to procure some items directly.
- In a survey of Scottish members carried out in late April 2020, the British Medical Association (BMA) reported that some doctors did not have access to correct and sufficient PPE. This was highlighted as the most concerning issue for 16 per cent of respondents.<sup>16</sup> Those working in higher-risk areas reported shortages of a number of items of PPE, including full-face visors (29 per cent) and long-sleeved disposable gowns (16 per cent).
- The Royal College of Nursing (RCN) surveyed its members in Scotland in April 2020.<sup>17</sup> It found that, of those respondents working in high-risk environments, 25 per cent had not had their mask fit tested and 47 per cent were asked to reuse single-use equipment.

### **NHS National Services Scotland has played a vital role in securing and distributing Scotland's PPE supply throughout the pandemic**

**15.** Initial difficulties in supplying and distributing sufficient PPE across the NHS in Scotland have since been resolved and supply is now meeting demand. The central coordination by NHS NSS has been vital in supplying the health and social care sector with PPE throughout the pandemic. Its remit was extended to include distributing PPE directly to General Medical Services, such as GP surgeries and community pharmacies, and social care settings, including private providers. From April 2020, NHS NSS established 48 regional hubs, where PPE has been stored and distributed to social care providers and unpaid carers. Councils and IAs manage the hubs. Between 1 March 2020 and 27 January 2021, NHS NSS had distributed more than 800 million items of PPE to health and social care services throughout Scotland.<sup>18</sup>

**16.** Because of the unprecedented need for PPE and how quickly it was required, NHS NSS procured PPE under emergency regulations, rather than through a competitive tender process as normal. The cost of PPE increased globally because of increased demand. In March 2020, the World Health Organization called on industry and governments to increase PPE manufacturing by 40 per cent to meet demand. In response, NHS NSS worked with a multi-agency team, including Scottish Enterprise and the Scottish Government, to establish new

supply chains with a number of Scotland-based companies. Agreements included providing 40,000 non-sterile gowns per week and a contract to supply high-protection, medical-grade face masks and visors until summer 2021.<sup>19</sup>

**17.** In October 2020, the Scottish Government published its PPE action plan, which outlined its plans for maintaining sufficient supply of PPE to health and social care over the winter.<sup>20</sup> The action plan sets out the intention to significantly increase the amount of PPE that is manufactured in Scotland. The Scottish Government aims for over 90 per cent of Scotland's demand for PPE (excluding gloves) to be supplied from Scottish manufacturers by March 2021. This would support its aim to develop a robust and resilient supply chain of many critical items of PPE for any potential future outbreak. The Scottish Government should ensure that NHS NSS returns to procuring PPE through a competitive tender process as soon as practicable. It should consider options that are more environmentally friendly, such as reusable gowns, where possible, while demonstrating value for money and robust quality assurance. We will cover PPE arrangements during the pandemic in more detail in our forthcoming work on this topic.

**18.** The Scottish Government has been providing PPE across health and social care, free of charge during the pandemic. It has committed to continue this support until the end of June 2021. It is not clear what support, if any, will be available beyond this date for those who were previously responsible for their own PPE supplies.

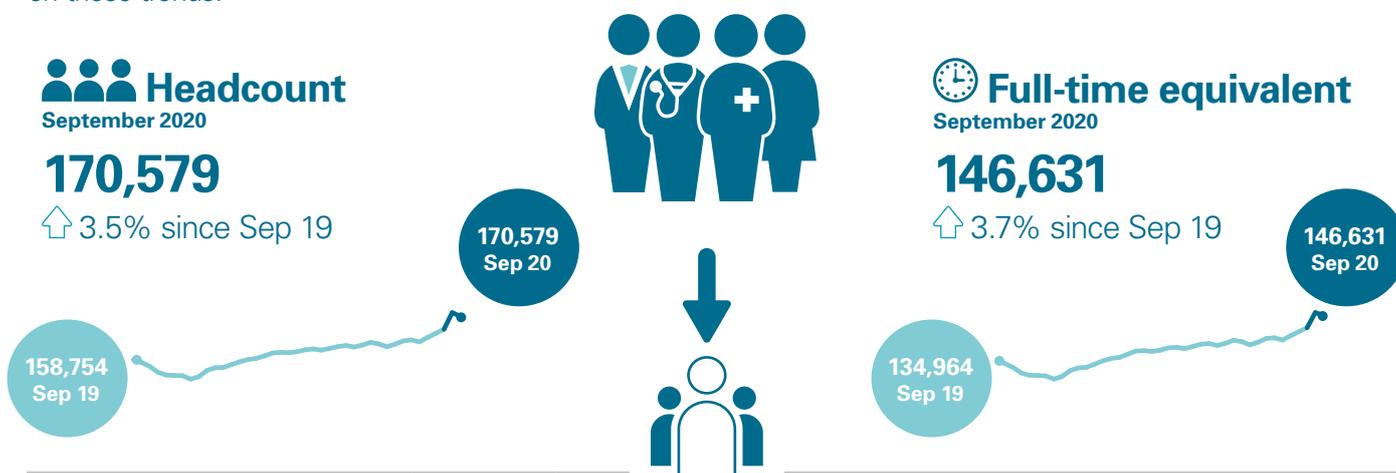
### **The NHS workforce has been under considerable pressure during the pandemic**

**19.** We have highlighted in previous reports that the NHS workforce has been under pressure for several years.<sup>21</sup> It has been increasingly difficult to recruit enough people with the necessary skills and using temporary staff has become commonplace ([Exhibit 2, page 13](#)). During the pandemic, staff across the Scottish Government and NHS in Scotland worked hard to maintain essential services. Some staff have been redeployed and retrained, and new staff have been appointed, to support the response to the pandemic. It is too soon to tell what impact this additional recruitment during the pandemic will have on the NHS workforce in the longer term.

## Exhibit 2

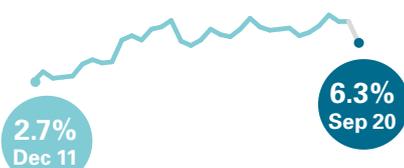
### NHS workforce update

The number of people working for the NHS continues to increase, but the NHS continues to struggle to recruit people with the necessary skills. It is too soon to tell what the longer-term impact of the Covid-19 pandemic will be on these trends.



### Vacancy rates (September 2020)

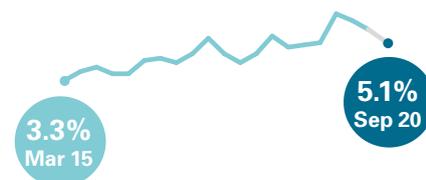
#### Consultant



**55%**

vacancies open for at least six months  
↑ from 52% in Sep 19

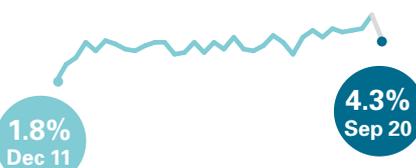
#### Nursing and midwifery



**29%**

vacancies open for at least three months  
↑ from 28% in Sep 19

#### Allied health professional



**32%**

vacancies open for at least three months  
↓ from 33% in Sep 19

### Temporary staffing costs (2019/20) in real terms

#### Medical locum

**£102.9m**  
2018/19 - £99.9m  
2015/16 - £106.6m

#### Nursing agency

Data not available for 2019/20  
2018/19 - £26.7m  
2015/16 - £25.5m

#### Nursing bank

**£180m**  
2018/19 - £165m  
2015/16 - £145.9m

### Sickness absence

**5.3%**

↓ down from 5.4% in 2018/19

### Staff turnover

**6.4%**

↔ no change from 2018/19

**20.** To better understand the experiences of staff working in health and social care during the pandemic, the Scottish Government and unions have conducted a series of surveys:

- BMA Scotland surveyed Scottish doctors in April 2020.<sup>22</sup> The survey showed nearly 40 per cent of 1,171 respondents reported problems with depression, anxiety, stress, burnout, emotional distress or other mental health conditions relating to their work. This had worsened for 25 per cent of respondents during the pandemic.
- The RCN conducted a UK-wide survey in May 2020.<sup>23</sup> It received almost 42,000 responses and reported that nurses feel undervalued and under pressure. Thirty-five per cent of respondents were considering leaving the profession (more than 14,000). Of the 3,800 respondents in Scotland, 77 per cent reported an increase in stress levels and 90 per cent were concerned about the wellbeing of those in the nursing profession. In addition, 34 per cent reported that staffing levels had worsened during the pandemic, with the same percentage reporting that they were working longer hours.
- The Scottish Government conducted a short survey for all NHS, community health and social care staff in September 2020.<sup>24</sup> This replaced the annual iMatter staff experience survey and received 83,656 responses, a response rate of 43 per cent. It found that 41 per cent of respondents were worried about the threat of a second wave of Covid-19. Thirty-five per cent were worried about catching Covid-19 themselves and passing it on to colleagues, friends and family.

**21.** The Scottish Government worked to improve the support available for the health and social care workforce during the pandemic. It established a workforce senior leadership group, bringing together partners, staff and regulators from across health and social care, to respond to issues quickly. The group has met frequently throughout the pandemic and provides strategic guidance and oversight on areas such as staff wellbeing, Covid-19-related absences and guidance for staff needing to shield.

**22.** Demand for the Scottish Government's National Wellbeing Hub website has been high. By December 2020, there had been over 50,000 visits to the website.<sup>25</sup> It was developed by NHS Greater Glasgow and Clyde's Anchor Service and NHS Lothian's Rivers Centre and was launched in May 2020. It gives staff, carers, volunteers and their families access to a range of resources to help them look after their physical and mental health. A helpline and a wellbeing champions network were also launched. In addition, practical staff support was put in place including assistance with accommodation and transport, and the creation of rest areas within NHS hospitals for staff to use.

**23.** The Scottish Government and NHS boards should monitor and report publicly on the effectiveness of the measures introduced to improve staff health and wellbeing, to assess whether sufficient progress is being made.

# Health impact of Covid-19



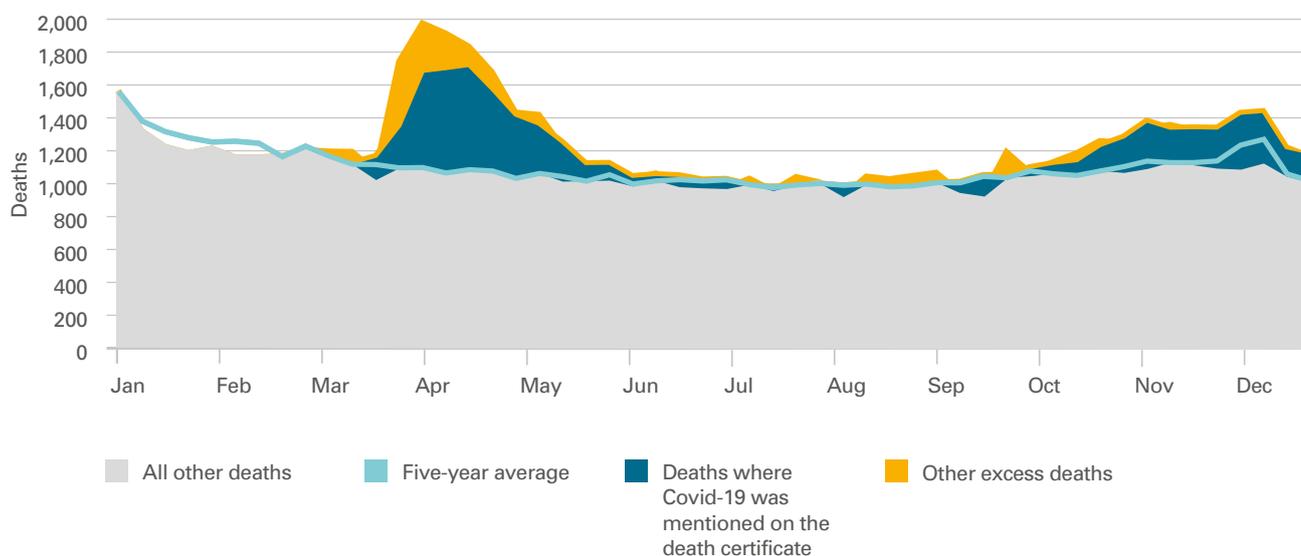
## Covid-19 is causing a substantial number of deaths

**24.** In April and May 2020, deaths from all causes were considerably higher than the five-year average ([Exhibit 3](#)). Most of this increase can be attributed to Covid-19-related deaths. By February 2021, there had been almost 9,000 deaths in Scotland where Covid-19 was mentioned on the death certificate. Between 30 March 2020 and 17 May 2020 however, the number of deaths where Covid-19 was not mentioned on the death certificate was also considerably higher than the five-year average. For example, deaths attributed to heart disease, stroke, cancer and dementia increased significantly in the week beginning 30 March 2020.<sup>26</sup>

## Exhibit 3

### Excess deaths January to December 2020

Deaths in April and May 2020 were considerably higher than the five-year average and increased again from September.



Source: National Records of Scotland

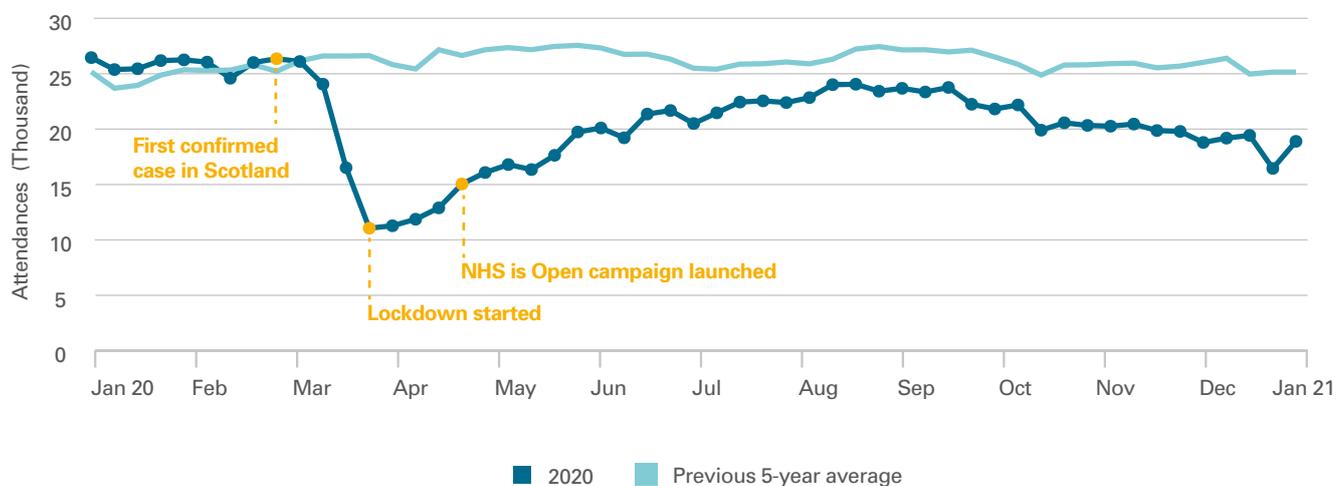
**25.** During the first few months of the pandemic, the number of people attending A&E fell dramatically ([Exhibit 4, page 16](#)). In April 2020, a survey found that up to 45 per cent of people said they would avoid going to GPs or hospitals for

immediate non-Covid-19-related health concerns.<sup>27</sup> The Scottish Government and senior medical officials were concerned that people with symptoms requiring urgent attention, such as those associated with strokes and heart attacks, were not seeking help. There were also concerns that pauses in national screening programmes would cause delayed or missed diagnosis among people with serious medical conditions such as cancer.

## Exhibit 4

### A&E attendances in Scotland from January 2020 to January 2021

A&E attendances fell sharply during March. Attendances increased steadily between April and September but decreased again throughout winter 2020.



Source: Public Health Scotland

**26.** The BMA surveyed 1,351 doctors in Scotland in April 2020, as part of regular monitoring of the impact of Covid-19.<sup>28</sup> It found that 55 per cent of respondents felt that prioritising patients with Covid-19 was having a detrimental impact on care for people with other healthcare needs.

**27.** The Scottish Government set up the NHS is Open campaign to encourage people with urgent symptoms to continue to seek help. There were regular reminders that hospitals were open and urgent care was still available. A&E attendances increased between April and August 2020 but started to decrease again from September as Covid-19 cases started to rise. The percentage of people who said they would avoid going to GPs or hospitals decreased from 45 per cent in April to 27 per cent in October.<sup>29</sup> There were significantly fewer referrals for outpatient appointments and mental health services between April and June 2020. The longer-term impact of delayed or missed diagnoses or treatment is yet to be determined. The Scottish Government and NHS boards should monitor this and take action to mitigate any adverse impacts as a result.

### Some people have been more adversely affected by the pandemic than others

**28.** Issues emerged across social care during the pandemic that need to be addressed. By July 2020, 65 per cent of all adult care homes reported having at

least one suspected case of Covid-19. By January 2021, 39 per cent of all Covid-19-related deaths were in care homes, 55 per cent were in acute hospitals and six per cent were at home or non-institutional settings.<sup>30</sup>

**29.** Public Health Scotland (PHS) reviewed hospital discharges to care homes between 1 March and 31 May 2020 because of the significant number of Covid-19 cases and deaths in care homes.<sup>31</sup> PHS found that hospital discharge was associated with an increased risk of an outbreak of Covid-19 when considered in isolation. However, the risk of an outbreak was much more strongly associated with the size of care homes. Of the care homes with more than 90 places, 90 per cent had an outbreak, compared to less than four per cent of care homes with fewer than 20 places. After accounting for this and other care home characteristics, PHS considered that the risk associated with hospital discharges decreased and was not statistically significant. Public Health Wales conducted similar analysis and had similar findings. PHS highlighted that there were significant issues with the availability of data about care home residents and made recommendations for improvement.

**30.** The Scottish Government acknowledged there was a lack of oversight of the care home sector and stepped in to provide an enhanced system of assurance during the pandemic. In April 2020, the Scottish Government announced that NHS directors of public health in NHS territorial boards would provide oversight and clinical support to care homes across Scotland. The Care Inspectorate had stopped on-site inspections early in the pandemic to reduce the risk of spreading Covid-19. From May, the Care Inspectorate resumed on-site inspections of care homes that were deemed to be high risk. The findings of these inspections are currently reported to the Scottish Parliament every two weeks. From 4 May to 31 July, 134 visits had been carried out. These visits resulted in 16 letters of serious concern, one improvement notice and one application for cancellation of registration.<sup>32</sup>

**31.** In May 2020, the Care Inspectorate carried out an unannounced inspection of the 37-bed, privately-run Home Farm Care Home on Skye following the deaths of ten residents from Covid-19. It identified failings in the quality of care provided and made an application for emergency cancellation of Home Farm's registration. NHS Highland became the registered provider and operator of the care home in November 2020, with the Scottish Government providing £0.9 million to fund the purchase.<sup>33</sup>

**32.** Legal experts, human rights groups and others had concerns that people who lacked capacity may have been discharged from hospital or moved without due legal process and without their consent. This may have been a breach of their human rights.<sup>34</sup> In addition, the Scottish Human Rights Commission (SHRC) highlighted concerns about the care-at-home provision being reduced or removed during the pandemic.<sup>35</sup> It reported that in many cases decisions to change care-at-home provision happened quickly, without adequate assessment of the impact and were poorly communicated. The SHRC made 24 recommendations including to urgently restore care and support; improve assessments and communication; and incorporate the United Nations Convention on the Rights of Persons with Disabilities into Scots law.

**33.** As part of the Programme for Government 2020/21, the Scottish Government commissioned an independent review of adult social care. This considered options for improvement, including the establishment of a national care service. A report was published in February 2021. The findings of the report will be discussed in our forthcoming work on social care sustainability.

### Systemic issues, such as socio-economic and health inequality, were exacerbated during the pandemic, leading to a disproportionate impact on certain groups

**34.** Certain groups have been disproportionately affected by Covid-19. For example:

- the death rate from Covid-19 is more than twice as high in the most deprived areas (183 per 100,000 population) than in the least deprived areas (79 per 100,000 population)<sup>36</sup>
- there is around a twofold increase in risk of admission to critical care or death from Covid-19 among people of South Asian origin. There is also evidence of an increased risk of hospitalisation arising from Covid-19 among those of Caribbean or black ethnicity.<sup>37</sup>

**35.** In April 2020, the Scottish Government published its framework for decision-making in relation to the use of restrictions to manage the pandemic. This outlined four main categories of harm that the Scottish Government would consider in making decisions on whether to ease or tighten restrictions. These categories were the direct health impact of Covid-19, non-Covid-19-related health harms, societal impact and economic impact. In July, the Scottish Government published an impact assessment of the measures it planned to take to manage the pandemic.<sup>38</sup> This outlined how some people with certain protected characteristics and socio-economic disadvantages were more adversely affected by the pandemic and by the measures taken to suppress it.<sup>39</sup>

**36.** The Scottish Government established an expert group to study the effects of Covid-19 on minority ethnic communities. In September 2020, the group published two reports with initial advice and recommendations for the Scottish Government.<sup>40</sup> One report called for improvements in data and evidence on ethnic inequalities and health. The other report recommended improving systemic issues such as socio-economic and health inequality.

**37.** Health inequalities are wide and have worsened over the last ten years.<sup>41</sup> We have previously reported on the impact of factors such as deprivation and ethnicity on health inequalities.<sup>42</sup> These long-standing systemic issues were exacerbated during the pandemic, leading to the disproportionate impact experienced by these groups.

### The Scottish Government updated its ethical decision-making framework to improve clarity on equality and human rights obligations

**38.** If the pandemic causes an increase in demand for healthcare that exceeds capacity, complex and challenging decisions may need to be made about the delivery of healthcare. In April 2020, the Scottish Government published an ethical advice and support framework (EASF).<sup>43</sup> The EASF outlines the structures and principles for supporting an ethical approach to decision-making during the pandemic if needed.

**39.** The Scottish Government conducted an equalities impact assessment (EIA) to ensure that the EASF complied with equality and human rights legislation.<sup>44</sup> As a result, the EASF was updated in July 2020 to improve clarity on equality and

human rights obligations. The language was revised throughout. In addition, a new section on equality and human rights was added to:

- outline how the EASF relates to the Human Rights Act (1998) and the Equality Act (2010)
- emphasise the national commitment to ensure that every patient has the right to the highest possible standard of physical and mental health.

**40.** As part of the EASF, NHS boards were required to establish ethical advice and support groups. These groups were designed to help clinicians to make difficult ethical decisions and enable theoretical discussions to support planning during the pandemic. A national group was also available to provide advice to local groups and to consider national ethical issues, although this had not been used as of February 2021.

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# Pandemic preparedness

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## Not all actions from previous pandemic preparedness exercises were fully implemented

### The Scottish Government based its initial response to Covid-19 on the 2011 UK Influenza Pandemic Preparedness Strategy

**41.** In its consideration and assessments of risks to Scotland, the Scottish Government rated the risk of an influenza pandemic as highly likely to occur with a potentially severe impact.<sup>45</sup> This aligns with the risk classification of an influenza pandemic in the UK National Risk Register of Civil Emergencies, 2017.<sup>46</sup> However, the Scottish Government did not include an influenza pandemic as a standalone risk in its corporate or health and social care risk registers. This meant that there was not adequate corporate oversight of this risk, and it is therefore unclear how it was being managed and monitored.

**42.** The Covid-19 pandemic was caused by a new virus with unknown characteristics. Initially, there was insufficient evidence internationally to show how the virus behaved and was transmitted, who was at risk and what the incubation period was. The Scottish Government had no plan in place to manage this specific kind of outbreak, so its response was informed by the 2011 UK Influenza Pandemic Preparedness Strategy. This was developed jointly by the four governments of the UK. The Scottish Government's response was also informed by the 2017 Management of Public Health Incidents: Guidance on the roles and responsibilities of Incident Management Teams. The Scottish Government's response to Covid-19 had to be adapted frequently as new information emerged.

**43.** In the five years prior to the Covid-19 pandemic, Scotland was involved in three pandemic preparedness exercises:

- **Exercise Silver Swan** was conducted across Scotland in late 2015 and sponsored by the Scottish Government.<sup>47</sup> It involved a range of partners, including the Scottish Government, NHS boards, councils and Health and Social Care Partnerships (HSCPs), and consisted of a series of four separate desk-based exercises. The exercises focused on health and social care, excess deaths, business continuity and overall coordination nationally. Seventeen recommendations for further action were identified. A review exercise was conducted in November 2016.
- **Exercise Cygnus** was held in October 2016.<sup>48</sup> It was a three-day, UK-wide simulation of a severe pandemic and involved the Scottish Government. The exercise identified 22 ways in which the 2011 UK Influenza Pandemic Preparedness Strategy could be improved.

- **Exercise Iris** was delivered by the Scottish Government in March 2018.<sup>49</sup> It involved territorial NHS boards, NHS 24, Health Protection Scotland and the Scottish Ambulance Service. It assessed the readiness of the NHS in Scotland to respond to suspected outbreaks of a Middle East respiratory syndrome coronavirus (MERS-CoV). Thirteen actions were identified.

**44.** Each of these exercises highlighted a number of areas that required improvement. They defined specific actions to be implemented, with some common themes, including the need to:

- clarify roles and responsibilities in the event of a pandemic
- increase the capacity and capability of social care to cope during an outbreak
- ensure the availability and correct use of PPE, including through fit testing and procurement processes.

### Progress in addressing recommendations from pandemic preparedness exercises has been slow

**45.** Progress in implementing the actions identified during these pandemic planning exercises has been slow. The Scottish Government set up the Flu Short Life Working Group (FSLWG) in early 2017. In November 2017, the group set out priority actions following the recommendations from the Silver Swan and Cygnus exercises. While the exercises conducted were not in preparation for the specific type of pandemic that arose, some of the areas that were identified for improvement became areas of significant challenge during the Covid-19 pandemic. For instance:

- Concerns about the capacity and capability of social care to cope during a pandemic. Flu pandemic guidance published in 2012, designed for health and social care in England, was issued to health and social care in Scotland.<sup>50</sup> One of the priorities of the FSLWG was to develop a Scottish version of this guidance for consultation by March 2018. This guidance was drafted and issued for consultation between July and September 2019. The draft guidance was not updated following consultation and has not been published. The Scottish Government is now reviewing this guidance to incorporate lessons learned from the Covid-19 pandemic.
- Access to, and training in, the use of PPE were identified as areas requiring improvement. The FSLWG identified a priority action in relation to clarifying access to the PPE stockpile. This was required to be completed by March 2018. The Scottish Government planned to include this in the flu pandemic guidance that was being developed for health and social care. The FSLWG also identified raising awareness of the type of PPE required and fit testing for staff as priorities. In March 2018, however, findings from Exercise Iris again highlighted the need for substantive progress in the area of PPE availability and use across Scotland.

**46.** As a priority, the Scottish Government should update and publish national pandemic guidance for health and social care. The scope of this guidance should not be limited to covering only an influenza pandemic. It should include lessons learned from the Covid-19 pandemic and the previous pandemic exercises.

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# NHS remobilisation

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## Remobilising health services is challenging, and maintaining innovation and learning from the pandemic will be essential

The pandemic led to a substantial backlog of patients waiting to be seen, with NHS boards prioritising those in most urgent need

**47.** As highlighted in our previous NHS in Scotland reports, NHS boards have found meeting national waiting times targets very challenging ([Exhibit 8, page 33](#)).<sup>51</sup> The Scottish Government acknowledged that Covid-19 has severely affected NHS boards' ability to meet these targets and that a new approach was needed to manage the substantial backlog of patients ([Exhibit 5, page 23](#)). The Waiting Times Improvement Plan (WTIP), announced in October 2018, was paused at the beginning of the Covid-19 outbreak. The Scottish Government had planned to invest more than £850 million to sustainably improve waiting times by spring 2021, but the WTIP will now not restart. The Scottish Government published a new framework outlining the approach that should be taken during the Covid-19 pandemic.<sup>52</sup> This new approach is based on clinical prioritisation, which means that patients most in need will be seen first and those of lower clinical priority will have to wait longer. Patients are categorised in priority levels as follows:

- Level 1a emergency - operation needed within 24 hours
- Level 1b urgent - operation needed within 72 hours
- Level 2 surgery - scheduled within four weeks
- Level 3 surgery - scheduled within 12 weeks
- Level 4 surgery - may be safely scheduled after 12 weeks.

**48.** These timescales are ambitious, considering that NHS boards already found it challenging to meet waiting times targets ([Exhibit 8, page 33](#)). NHS boards are under more pressure during the Covid-19 pandemic, along with having a significant backlog of patients waiting to be seen ([Exhibit 5, page 23](#)). Data on waiting times for each category should be published, to enable transparency about how NHS boards are managing their waiting lists.

**49.** The framework is clear that patients waiting a long time – determined by their priority level – should be offered a review consultation to ensure their clinical priority categorisation is up to date. Clinical risks associated with patients waiting longer for treatment need to be assessed and mitigated. The Scottish Government and NHS boards should monitor the longer-term impact on health outcomes.

## Exhibit 5

### National trends in demand and activity for acute services

Services being paused during the first wave of the pandemic led to increasing numbers waiting longer for tests and treatment.

Demand		% change
Monthly April 2019 to September 2020		
Number waiting for diagnostic tests	<p>92,239 102,716</p>	↑ 11.4%
Quarters ending June 2019 to September 2020		
Number of patients waiting for an inpatient or day case admission	<p>75,630 85,869</p>	↑ 13.5%
Quarters ending June 2019 to September 2020		
Number of patients waiting for a new outpatient appointment	<p>322,746 324,810</p>	↑ 0.6%
Activity		
Monthly April 2019 to November 2020		
Number of scheduled elective operations in theatre system	<p>27,204 17,916</p>	↓ -34.1%
Quarters ending June 2019 to September 2020		
Number of inpatient and day case admissions	<p>70,696 37,926</p>	↓ -46.4%
Quarters ending June 2019 to September 2020		
Number of new outpatient appointments	<p>361,825 192,528</p>	↓ -46.8%
Length of waits		
Monthly April 2019 to September 2020		
Number waiting longer than 6 weeks for diagnostic tests	<p>16,446 47,968</p>	↑ 191.7%
Quarters ending June 2019 to September 2020		
Number of patients waiting longer than 12 weeks for an inpatient or day case admission	<p>23,928 60,074</p>	↑ 151.1%
Quarters ending June 2019 to September 2020		
Number of patients waiting longer than 12 weeks for a new outpatient appointment	<p>85,791 173,663</p>	↑ 102.4%

### Managing cases of Covid-19 has taken priority over resuming the full range of NHS services

**50.** Over summer 2020, NHS boards began resuming some services that had been paused during the first wave of Covid-19. Services providing the most urgent care were prioritised. There are a number of challenges related to resuming the full range of health services and bringing capacity back to pre-Covid-19 levels. The need to physically distance means that operating theatres, clinics and waiting rooms cannot be used to their full capacity. More time is needed between appointments and procedures for replacing PPE and cleaning. Managing ongoing cases of Covid-19 is also very resource intensive. This has taken priority over resuming non-urgent health services.

**51.** In October 2020, the Scottish Government published its Winter Preparedness Plan for the NHS in Scotland. It plans to maximise the use of NHS Golden Jubilee, NHS Louisa Jordan and the private sector to help maintain access to some services over the winter. Since July 2020, NHS Louisa Jordan has been used to help reduce the backlog of people waiting for diagnostic services and outpatient appointments. By January 2021, approximately 18,000 outpatients from four NHS boards had attended NHS Louisa Jordan. The elective centres currently being built will help deal with some of the backlog of patients and the longer-term strategy for planned care.<sup>53</sup>

**52.** The paused national screening programmes also started to resume in stages over the summer of 2020, and have now resumed routine screening. NHS boards are working to catch up on delayed appointments.

### The Scottish Government is committed to rebuilding the NHS differently

**53.** The Scottish Government published its Re-mobilise, Recover, Re-design Framework in May 2020. This sets out the priorities for resuming services while maintaining capacity for Covid-19 patients. The framework is clear about rebuilding the NHS differently, which will be essential for it to be sustainable. Some of the key ambitions described in the framework include:

- developing new priorities for the NHS based on engagement with staff and the public
- achieving greater integration, recognising the interdependencies between health and social care services
- providing more care closer to home, minimising unnecessary travel
- reducing inequality and improving health and wellbeing outcomes.

**54.** Achieving these ambitions will require a considerable amount of work and resources, at both Scottish Government and NHS board levels. The Scottish Government is working with external consultants to look at the nature of the work and structures required to support the delivery of the ambitions in the remobilisation framework. NHS boards have developed remobilisation plans that align with these ambitions and include details of how they plan to resume healthcare services. These plans also describe how positive changes introduced during the pandemic will be maintained. Some of this innovation that would normally have taken years to develop and implement, happened within weeks. For instance, the roll out of digital improvements such as Near Me and establishing community hubs and assessment centres.

### **Maintaining new ways of working and learning from the pandemic will be an essential part of rebuilding the NHS**

**55.** Maintaining new ways of working and learning from the pandemic will be essential. As part of this, it will be important to evaluate how effective and appropriate these changes have been and establish which of these should be maintained in the longer term. The Scottish Government is developing a Re-mobilise, Recover, Re-design programme of work, which focuses on recovery and renewal across health and social care. The detailed scope and objectives of this are under development. However, work on this has been paused until there is more capacity for further discussions on strategic priorities.

**56.** The Scottish Government should ensure that the work undertaken as part of this programme has clear priorities that align with the remobilisation framework. This should include achievable and realistic objectives and timescales for completion. Progress should be monitored and reported to ensure sufficient progress is being made. In addition, the Scottish Government:

- committed to review and develop the role of the Covid-19 community assessment hubs and virtual appointments, with the aim of providing more care closer to home <sup>54</sup>
- developed a recovery plan to redesign cancer services, to ensure that all patients have timely access to diagnostic services and the best possible treatments. <sup>55</sup>

### **The shape of the health and social care workforce will need to change**

**57.** In December 2019, the Scottish Government published a national health and social care integrated workforce plan. <sup>56</sup> This contains plans and assumptions about the shape of the health and social care workforce in the future, aligned with the medium-term financial framework. Ways of working and roles in the NHS and social care will need to be different after the Covid-19 pandemic. When the immediate pressures on NHS workforce planning during the Covid-19 pandemic subside, the Scottish Government should work with its partners to update the integrated workforce plan. This should consider how services will be delivered differently in the future, and how this will affect the shape of the health and social care workforce in the longer term.

### **There continues to be a lack of stable senior leadership, with high turnover and short-term tenure**

**58.** We have previously reported on the lack of stable senior leadership in the NHS and that tenure should ideally be at least five years. This gives organisations the stability they need for effective strategic planning and reform, and development of effective working relationships. <sup>57</sup> High turnover and short-term tenure has continued. Since April 2019, there have been 32 new senior appointments of Board Chairs, Chief Executives and Directors of Finance across 21 NHS boards in Scotland (excluding the newly established Public Health Scotland). These included ten Board Chairs, 14 Chief Executives and eight Directors of Finance. Two NHS boards, NHS Grampian and NHS Highland, had more than one change in Chief Executive in that period.

**59.** There are also a number of newly filled posts in place at the Scottish Government senior leadership team. These include the Chief Executive of NHS Scotland and Director-General of the Health and Social Care Directorates, the Chief Medical Officer and the Chief Nursing Officer.

**60.** The NHS requires stable and collaborative leadership, working in partnership across public services to balance the ongoing challenges caused by Covid-19 and to remobilise health and social care. The Scottish Government must ensure that all NHS leaders, particularly those who are newly appointed, have the support they need.

# NHS finances and performance



## Covid-19 has exacerbated existing financial and operational challenges

Responding to Covid-19 has resulted in significant additional expenditure across health and social care, and there is uncertainty about the longer-term financial position

**61.** Responding to Covid-19 has resulted in significant additional costs. NHS boards and HSCPs submitted monthly integrated financial returns to the Scottish Government, which included predicted costs for 2020/21 and actual costs where available. These submissions were scrutinised through peer review by NHS directors of finance and the Scottish Government.

**62.** At December 2020, NHS boards and HSCPs predicted an additional £1.67 billion in costs associated with Covid-19 for 2020/21. This consisted of £1.56 billion in revenue costs and £112.2 million in capital costs. Predicted revenue costs are made up of £1.13 billion for NHS boards and £0.43 billion for HSCPs. The highest predicted revenue costs for NHS boards relate to:

- PPE, at £324.5 million
- testing for Covid-19, at £89.7 million
- additional hospital bed capacity, at £70.1 million.

**63.** Covid-19-related costs to the NHS for 2020/21 will be covered by funds allocated to Scotland from the UK Government through Barnett consequentials.<sup>58</sup> At September 2020, the Scottish Government confirmed that £2.5 billion received in consequentials will be passed on for health and social care. There is uncertainty in the longer term about costs associated with Covid-19 and the funding that will be available from the UK government.

**64.** The Scottish Government needed to revise NHS boards' budgets for 2020/21 to take into account the additional costs as a result of the pandemic. It agreed the approach to doing this with the NHS directors of finance. The Scottish Government reviewed the actual costs submitted for the first three months of the 2020/21 financial year and confirmed an additional £1.1 billion in allocations in September 2020 for NHS boards and IAs. In February 2021, it announced a further £491 million in allocations. The Scottish Government recognised that the pandemic has significantly affected NHS boards' ability to deliver their financial recovery plans, and confirmed that NHS boards and IAs would be fully funded to deliver a financial balance for 2020/21. It will review this in 2021/22, to consider any ongoing impact of the pandemic.

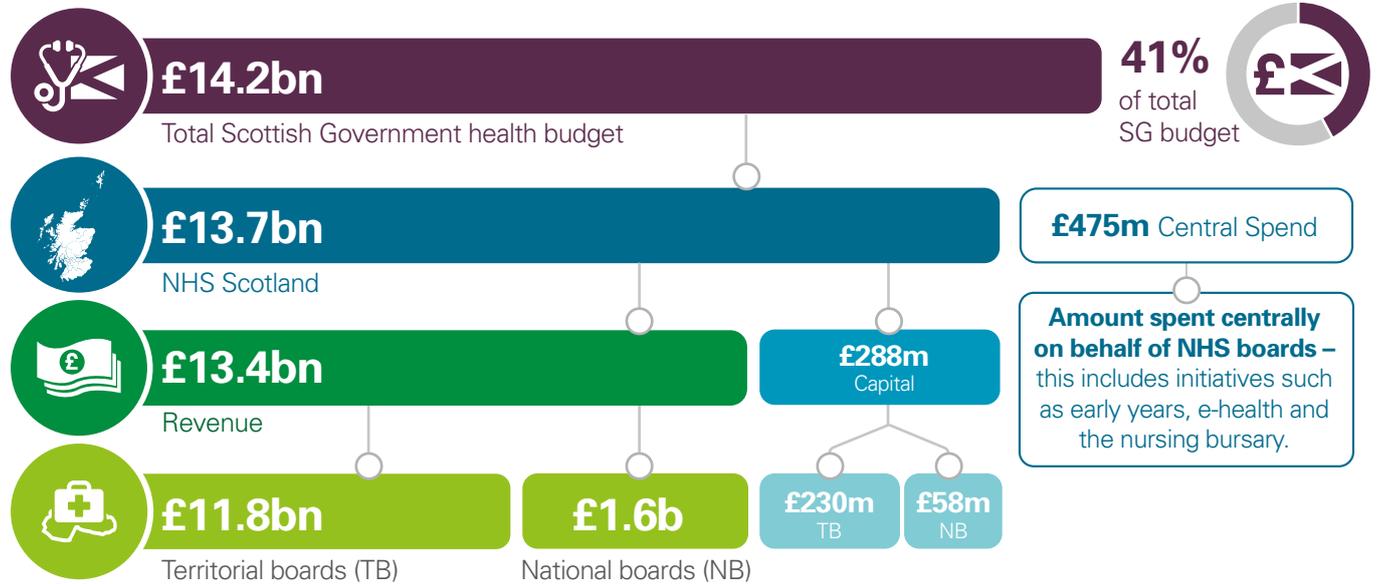
**65.** The usual financial planning arrangements were paused for 2020/21. This means that, for 2020/21, NHS boards do not have three-year plans approved by the Scottish Government in place. It is not yet clear:

- what long-term impact Covid-19 will have on the financial position of the NHS
- how the pandemic will develop over time and what level of spending will be required to respond
- what additional funding will be made available through Barnett consequentials beyond 2020/21.<sup>59</sup>

**66.** The Scottish Government's health and social care medium-term financial framework (MTFF) identified the need to save £1.7 billion between 2016/17 and 2023/24. Covid-19 has had an impact on the ability of the health and social care sector to meet the trajectory set out in the MTFF. The Scottish Government has committed to reviewing the MTFF in 2021/22 to consider the impact of the Covid-19 pandemic.

## Exhibit 6

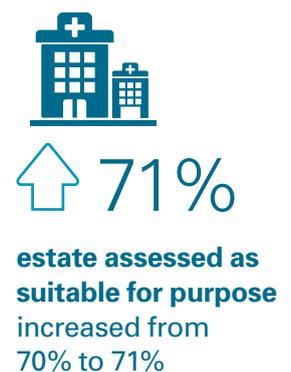
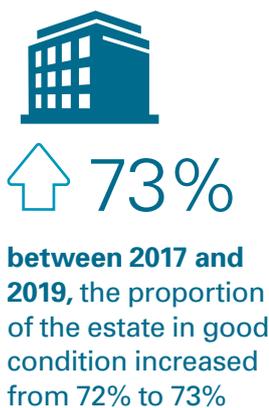
A breakdown of NHS funding for 2019/20, key areas of spend and state of the estate update  
 NHS funding increased by 5.2 per cent in 2019/20. More than half of the NHS budget was spent on workforce.  
 The level of backlog maintenance in 2019 was £1.03 billion.



## KEY AREAS OF SPEND



## NHS ESTATE



### Financial and operational performance for 2019/20

#### Some NHS boards were unable to break even without additional financial support from the Scottish Government

**67.** In 2019/20, four NHS boards required additional financial support from the Scottish Government to break even, totalling £41 million. This was less than the £65.7 million needed in 2018/19 by the same four NHS boards. These NHS boards will be expected to repay this funding in the future once they achieve a break-even position after the pandemic. The four NHS boards that required additional financial support in 2019/20 were (2018/19 figure in brackets):

- NHS Ayrshire and Arran - £14.7 million (£20 million).
- NHS Borders - £8.3 million (£10.1 million).
- NHS Highland - £11 million (£18 million).
- NHS Tayside - £7 million (£17.6 million).

**68.** Before the Scottish Government announced that NHS boards would be fully funded for 2020/21, three of the four NHS boards also predicted that they would have needed £30.2 million in additional financial support during the 2020/21 financial year. This would have been a further improvement. NHS Tayside forecasted that it would break even. The following case studies outline the challenges facing three of the NHS boards that were unable to break even in 2019/20 without this support. We published a report outlining the challenges in [NHS Tayside](#)  in December 2020.<sup>60</sup>

## Case study 1



### NHS Ayrshire and Arran still requires significant transformational change, particularly in acute services

In 2019/20, NHS Ayrshire and Arran needed £14.7 million in additional financial support, known as brokerage, from the Scottish Government to break even. This was in line with what the board predicted at the start of the financial year. The board's 2019/20 budget included a savings target of £23.2 million and it achieved £16.8 million. The shortfall is largely attributable to unachieved savings of £8.4 million in acute services, which were partly offset by additional savings in other areas.

NHS Ayrshire and Arran continues to face an extremely challenging financial position in the medium to longer term. The board projected that it would have needed £13.5 million in brokerage for 2020/21. It did not expect to achieve financial balance until 2022/23, a year later than was projected in 2019/20. Achieving financial balance in 2020/21 would have required a number of challenges to be overcome, such as the delivery of £8.5 million of savings in acute services and medicine cost pressures of £8.5 million.

The board has continued with its Transformational Change Improvement Programme, but significant transformational change is still required. The board should prioritise developing detailed improvement programmes incorporating medium to longer-term initiatives, clear action plans, milestones, and the capacity and resources needed. The additional pressures and challenges associated with responding to Covid-19 should be considered and included in these plans. During 2019/20, the board started its Caring for Ayrshire programme, a ten-year vision for the whole-system redesign of health and social care services. This programme is a positive step towards financial sustainability but is still in the early stages of development.

## Case study 2



### NHS Borders needs to restart its Financial Turnaround programme

In 2019/20, NHS Borders required £8.3 million in brokerage from the Scottish Government to break even. The board needed to make efficiency savings of £21.7 million in 2019/20. The board achieved £10 million in savings, of which £7.1 million was recurring. While the total savings achieved were less than the £15.2 million in 2018/19, the board managed to increase its recurring savings by around £0.4 million.

NHS Borders continues to face a challenging financial position, with particular cost pressures in acute services and delegated IJB services. The board reported that a £13.1 million deficit would be carried forward in to 2020/21 because of unachieved savings and continued financial pressures, and forecasted that it would have continued to need brokerage over the next two years.

In 2018/19, NHS Borders created its Financial Turnaround programme. This made some progress with increasing the level of recurring savings achieved but this progress is unlikely to be sustained. Covid-19 is expected to have a significant impact on 2020/21 and beyond. NHS Borders reported that no savings were made in the first five months of 2020/21 and had forecast achieving £1.6 million in recurring savings in 2020/21, from a target of £9 million. The board must re-start the Financial Turnaround programme and assess the financial impact of Covid-19.

Source: NHS Borders 2019/20 Annual Audit Report

## Case study 3



### NHS Highland would benefit greatly from stability in its leadership team

In November 2019, the Auditor General reported that NHS Highland needed a clear plan to redesign services to achieve a sustainable model of care.<sup>63</sup> It also needed stable senior leadership, to strengthen its governance arrangements and to respond to the recommendations of the Sturrock Report on cultural issues related to allegations of bullying and harrassment.

In 2019/20, NHS Highland needed £11 million in brokerage from the Scottish Government to break even. This was £0.4 million less than predicted at the start of the year. The board achieved its target of £28 million in savings. NHS Highland still faces financial challenges, and forecasted that it would have needed £8.8 million in brokerage to break even in 2020/21. It continues to rely on agency and locum staff and increasing spending in the last three years has led to a consistent overspend on medical pay. The board needs to address this to achieve long-term financial sustainability.

NHS Highland made substantial progress in establishing the Programme Management Office (PMO) and Financial Recovery Board during 2019/20. The PMO has played an essential role in helping deliver the board's Financial Recovery Programme. The board is committed to implementing the recommendations in the Sturrock Report. It has developed a plan, Culture Fit for the Future, and included this as one of its three strategic priorities. Progress has been made, but this is a long-term programme and considerable work has still to take place.

There were several departures from the senior leadership team during 2019/20 and a number of new appointments to senior management positions. Changes to the senior management team will continue for at least the short term. NHS Highland would benefit greatly from stability in its leadership as the board develops a financially sustainable operating model and balances the ongoing demands of Covid-19.

Source: NHS Highland 2019/20 Annual Audit Report

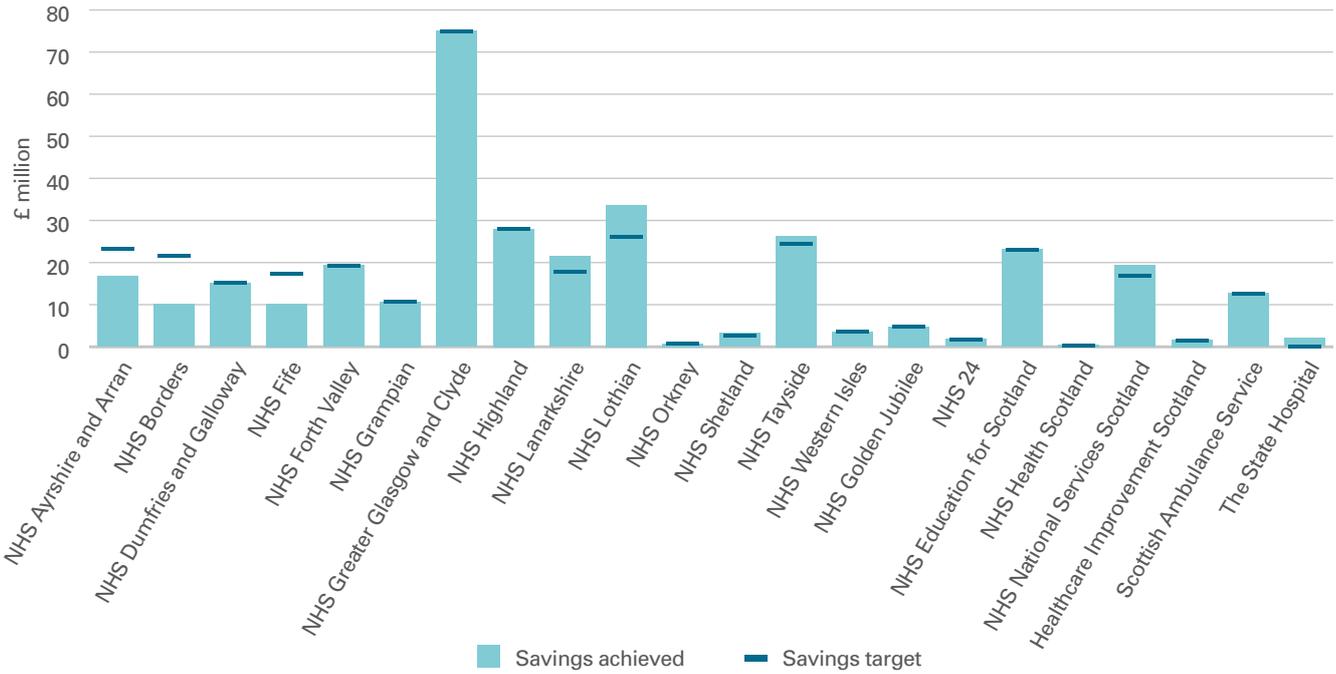
<sup>69</sup>. Most NHS boards achieved their savings targets in 2019/20 ([Exhibit 7, page 32](#)). Three NHS boards did not achieve their savings target in 2019/20. These were NHS Ayrshire and Arran ([Case study 1, page 30](#)), NHS Borders

(Case study 2, page 31) and NHS Fife. Most of the shortfall in NHS Fife is attributable to unachieved savings in acute services.

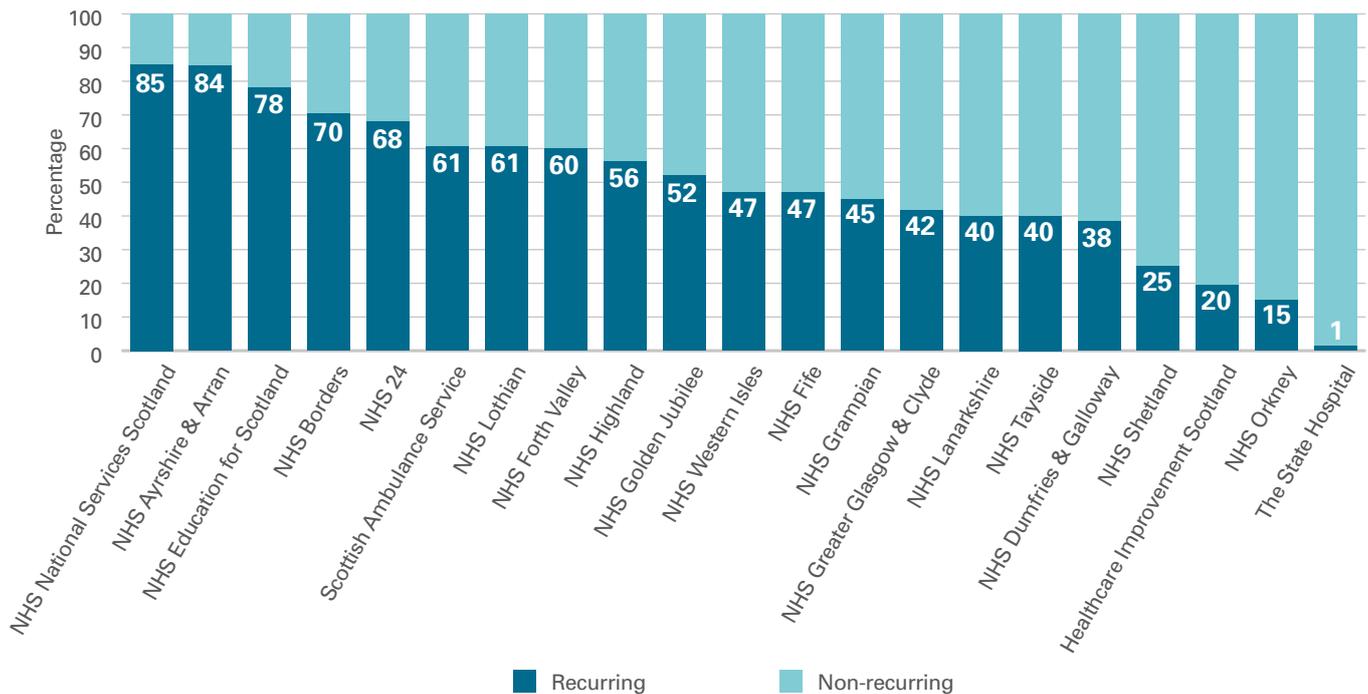
### Exhibit 7

#### Savings achieved 2019/20

Most NHS boards achieved their savings targets in 2019/20.



#### NHS boards varied significantly in their reliance on non-recurring savings



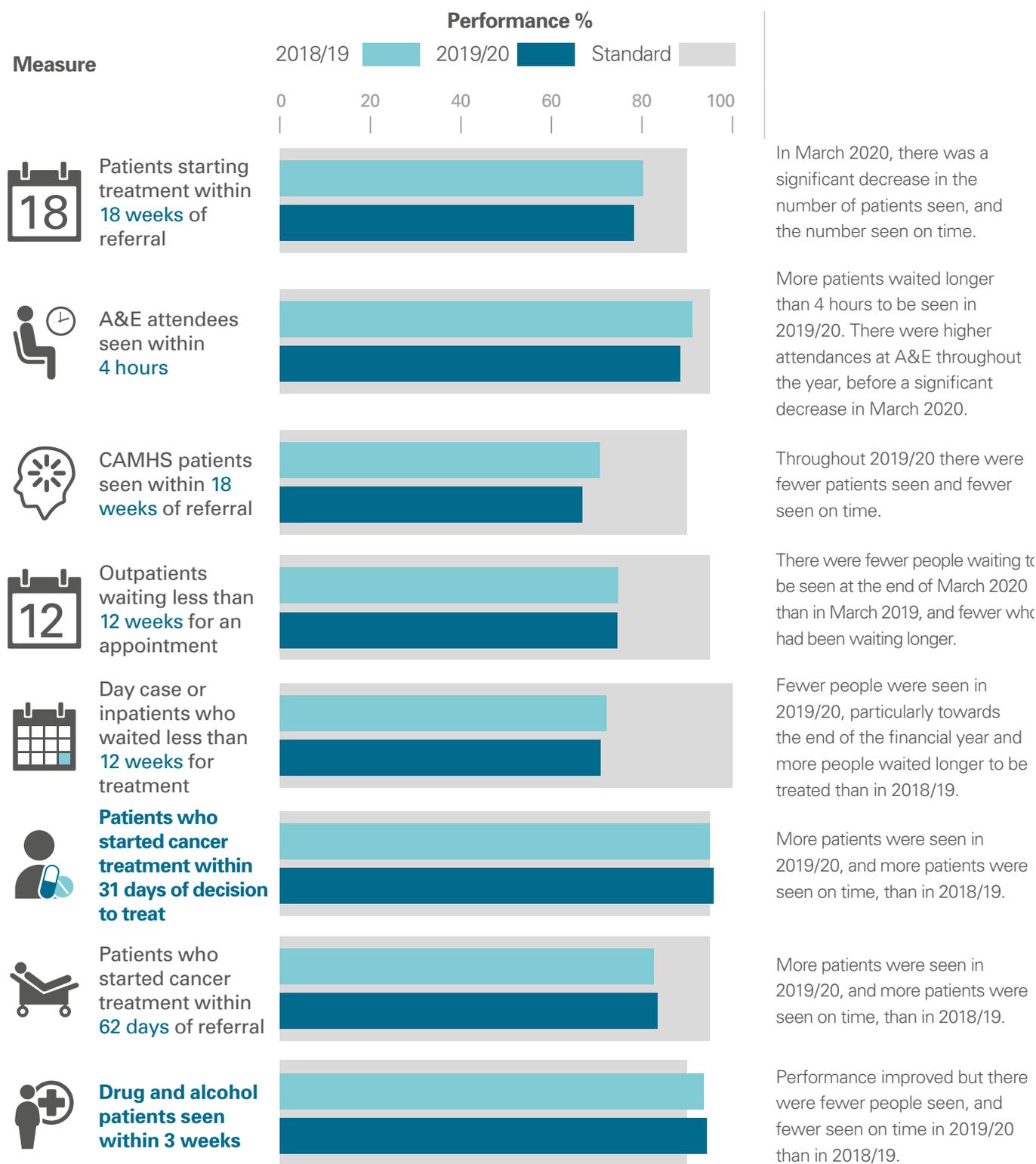
Note: NHS Health Scotland ceased to exist on 31 March 2020. It has been excluded from the graph showing proportion of recurring and non-recurring savings as there was no breakdown available for 2019/20.

Source: Annual Audit Reports 2019/20 and auditor returns to Audit Scotland

## Exhibit 8

### NHS performance against eight key waiting times standards, 2018/19 and 2019/20

NHS in Scotland met two waiting times standards in 2019/20. Performance improved for three waiting times standards and worsened for five.



Note: Performance towards the end of 2019/20 was affected by the Covid-19 pandemic. On 17 March 2020, NHS Scotland was placed in emergency measures and NHS boards were asked to suspend non-urgent treatment.

Source: Audit Scotland using Public Health Scotland data

### Work needs to continue to reduce hospital associated infections

**70.** Efforts continue to try and reduce healthcare associated infections (HAI). Some serious infections caused by Gram-negative bacteria are resistant to most available antibiotics and are a major threat to public health and patient safety.

**71.** Escherichia coli (E. coli) is the most common cause of Gram-negative bloodstream infections, and numbers are increasing.<sup>61</sup> The healthcare associated incidence rate of E. coli blood stream infection increased by 11.7 per cent between 2017 and 2019. As part of national efforts to tackle anti-microbial resistance, the UK government has published a 2019-2024 action plan for the four nations of the UK. This sets a target of reducing healthcare associated gram-negative bloodstream infections by 25 per cent in 2021/22 and by 50 per cent in 2023/24.

**72.** Positive progress has been made in reducing the incidence rates of healthcare associated Clostridium difficile. Between 2015 and 2019, there was a decrease from 18.7 to 13.3 per 100,000 bed days in patients aged 15 years and older. The incidence of Staphylococcus aureus bacteraemia remained stable.<sup>62</sup>

### Investigations continue into infection control risks in major capital projects

**73.** During 2018/19, an unusual cluster of cases of a specific type of infection at the Royal Hospital for Children and the Queen Elizabeth University Hospital (QEUH) in NHS Greater Glasgow and Clyde prompted a series of investigations. The Scottish Government commissioned an independent review to determine whether the design, build, commissioning and maintenance of the QEUH had increased the risk of HAI. The report was published in June 2020.

**74.** The Scottish Government also commissioned a public inquiry into the construction of the QEUH and the newly built Royal Hospital for Children and Young People (RHCYP) in Edinburgh because of similar issues. This began in August 2020.

**75.** More broadly, the Scottish Government is planning to set up a National Centre for Reducing Risk in the Healthcare Built Environment. This intends to focus knowledge and expertise to ensure that lessons are learned and provide greater confidence in the delivery of future capital projects. In addition, an Oversight Board, led by Scotland's Chief Nursing Officer, will report on infection prevention and control practices at the QEUH.

# Endnotes



- 1 Resilience partnerships in Scotland support local and regional emergency preparedness and link with national resilience structures. Members include NHS boards, police, fire, ambulance and councils.
- 2 Coronavirus: action plan, *A guide to what you can expect across the UK*, UK Government, March 2020.
- 3 UK Influenza Pandemic Preparedness Strategy, UK Department of Health, November 2011.
- 4 Integration Authorities (IAs) are partnerships between NHS boards and councils in Scotland. They are responsible for the planning, resourcing and operational oversight of a wide range of health and social care services delivered by Health and Social Care Partnerships (HSCPs).
- 5 Scottish Intensive Care Society Audit Group report on Covid-19, Public Health Scotland. July 2020.
- 6 Near Me is a video consulting service that allows people to attend healthcare appointments remotely.
- 7 NHS Louisa Jordan continues to support NHS Scotland, <https://nhslouisajordan-newsroom.prgloo.com/news/nhs-louisa-jordan-continues-to-support-nhsscotland>, January 2021.
- 8 Weekly Covid-19 statistical report, Public Health Scotland, January 2021.
- 9 Public Health Scotland Tableau Covid-19 dashboard [https://public.tableau.com/profile/phs.covid.19#!/vizhome/COVID-19DailyDashboard\\_15960160643010/Overview](https://public.tableau.com/profile/phs.covid.19#!/vizhome/COVID-19DailyDashboard_15960160643010/Overview).
- 10 Winter Preparedness Plan for NHS Scotland - 2020/21, Scottish Government, October 2020.
- 11 Covid-19 Strategy Update, World Health Organization, April 2020.
- 12 Thirty-second SAGE meeting on Covid-19, on UK Government website, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/888807/S0402\\_Thirty-second\\_SAGE\\_meeting\\_on\\_Covid-19\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/888807/S0402_Thirty-second_SAGE_meeting_on_Covid-19_.pdf).
- 13 To calculate these figures we have used the sum of cases created and closed within 72 hours in the contact tracing, contact management system and compared these numbers to the total complete cases for that week as published by **Public Health Scotland** <https://beta.isdscotland.org/find-publications-and-data/population-health/covid-19/covid-19-statistical-report/>.
- 14 PPE is equipment that will protect the user against health or safety risks such as splash or droplet exposure. It can include items such as gloves, masks, gowns and eye protection.
- 15 National Distribution Centre (part of National Procurement in NHS NSS) buys and supplies goods for Scotland's hospitals and healthcare facilities. It manages over £1.4 billion in national contracts.
- 16 BMA Scotland Covid-19 Tracker Survey Results, BMA Scotland, May 2020.
- 17 RCN publishes results of member survey about PPE, RCN website, <https://www.rcn.org.uk/news-and-events/news/ppe-survey-results-18-april-2020>.
- 18 Coronavirus (Covid-19): PPE distribution statistics, Scottish Government website, <https://www.gov.scot/publications/coronavirus-covid-19-ppe-distribution-statistics/>.
- 19 Coronavirus (COVID-19): Personal Protective Equipment - Action Plan, Scottish Government, October 2020.
- 20 Personal Protective Equipment (PPE) for Covid-19 - Scotland's Action Plan, Scottish Government, October 2020.
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- 22 BMA Scotland Covid-19 Tracker Survey Results, BMA Scotland, May 2020.
- 23 Building a Better Future for Nursing, RCN Members have their say, Royal College of Nursing, August 2020.
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- 25 More mental health support for health and social care staff, Scottish Government, <https://www.gov.scot/news/more-mental-health-support-for-health-and-social-care-staff/>.

- 26 Deaths involving coronavirus (Covid-19) in Scotland, Week 5, National Records of Scotland, February 2021.
- 27 Public attitudes to Coronavirus, May summary, Scottish Government, June 2020.
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- 29 Public attitudes to Coronavirus, November update, Scottish Government, November 2020.
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- 31 Discharges from NHS Scotland Hospitals to Care Homes between 1 March and 31 May 2020, Public Health Scotland, October 2020.
- 32 The Care Inspectorate's role, purpose and learning during the Covid-19 pandemic, Care Inspectorate, August 2020.
- 33 Home Farm Care Home. Scottish Government News <https://www.gov.scot/news/home-farm-care-home/>
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- 35 Covid-19 social care monitoring report, Scottish Human Rights Commission, October 2020.
- 36 Deaths involving coronavirus (Covid-19) in Scotland, National Records of Scotland, December 2020.
- 37 Covid-19 Statistical Report, Public Health Scotland, 2 December 2020.
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# Appendix 1

## Audit methodology

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This is our annual report on the NHS in Scotland. Given the unprecedented challenges of the Covid-19 pandemic in 2020, the report focuses on:

- how well the NHS and Scottish Government responded to the Covid-19 pandemic
- the health impact of the Covid-19 pandemic on the population of Scotland
- how prepared the Scottish Government and NHS were for a pandemic
- how well the NHS and Scottish Government are working to resume the full range of NHS services
- the financial impact of the Covid-19 pandemic on the NHS in Scotland
- a brief overview of how well the NHS managed its finances and operational performance in 2019/20.

Because of the Covid-19 pandemic, this audit was carried out remotely. Our findings are based on evidence from sources that include:

- strategies, frameworks and plans for responding to Covid-19
- the audited annual accounts and auditors' reports on the 2019/20 audits of NHS boards
- activity and performance data published by Public Health Scotland
- publicly available data and information including results from staff surveys
- Audit Scotland's national performance audits
- interviews with senior officials in the Scottish Government and a sample of NHS boards.

We reviewed service performance information at a national level. Our aim was to present the national picture. We focused on a sample of key targets and standards, covering some of the main activities of the NHS. Where we have used trend information, we have selected a time period where information is most comparable.

# Appendix 2

## Financial performance 2019/20 by NHS board



NHS board	Escalation framework level	Core revenue outturn (£m)	Total savings achieved (£m)	Recurring savings (%)	NRAC: distance from parity (%)
NHS Ayrshire and Arran	3	841.7	16.8	85	-0.8
NHS Borders	4	247.0	10.1	70	0.7
NHS Dumfries and Galloway		353.4	15.1	38	2.8
NHS Fife		752.3	10.2	47	-0.8
NHS Forth Valley		605.2	19.3	60	-0.8
NHS Grampian		1,099.8	10.7	45	-0.8
NHS Greater Glasgow and Clyde	4	2,543.3	75.0	42	1.9
NHS Highland	4	751.4	28.0	56	-0.8
NHS Lanarkshire		1,345.6	21.5	40	-0.8
NHS Lothian	3/4	1,684.3	33.7	61	-0.8
NHS Orkney		64.2	0.8	15	-0.3
NHS Shetland		63.0	3.3	25	-0.2
NHS Tayside	4	883.0	26.3	40	-0.8
NHS Western Isles		89.0	3.5	47	13.1
NHS Golden Jubilee		84.7	4.8	52	
NHS 24		70.4	1.8	68	
NHS Education for Scotland		500.3	23.1	78	
NHS Health Scotland		21.1	0.5	-	
NHS National Services Scotland		502.4	19.3	85	
Healthcare Improvement Scotland		32.1	1.7	20	
Scottish Ambulance Service		281.3	12.7	61	
The State Hospital		34.7	2.1	1	

### Notes:

1. There are five stages of the Scottish Government's performance escalation framework for NHS boards:

Stage 1 Steady state "on-plan" and normal reporting

Stage 2 Some variation from plan; possible delivery risk if no action

Stage 3 Significant variation from plan; risks materialising; tailored support required

Stage 4 Significant risks to delivery, quality, financial performance or safety; senior level external support required.

Stage 5 Organisational structure / configuration unable to deliver effective care.

2. NHS Lothian is at Stage 4 for specific issues relating to the Royal Hospital for Children and Young People, and at Stage 3 for specific issues relating to performance.
3. The Scottish Government uses the NHS Scotland Resource Allocation Committee (NRAC) formula to assess how much funding each board should be allocated. The formula considers the demographics of each board area including population size, deprivation levels, unavoidable geographical variations in the cost of providing services.

Source: Scottish Government

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# NHS in Scotland 2020

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Local government in Scotland

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# Financial overview 2019/20



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
January 2021

# Contents

Chair's introduction	3
Key messages	5
Key facts	8
Councils' income in 2019/20	9
Councils' financial position in 2019/20	13
Councils' financial outlook	22
Integration Joint Boards	30
Endnotes	35

## Audit team

The core audit team consisted of: Blyth Deans, Lisa Duthie, Chris Lewis and Lucy Ross, under the direction of Brian Howarth.

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## Links

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## Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

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# Chair's introduction

Councils and Integration Joint Boards (IJBs) play a vital role in supporting Scotland's communities. This has been amplified by the Covid-19 global pandemic. Covid-19 has fundamentally affected local government services and increased the uncertainty of how those services will be provided in the future. The financial impact of the pandemic on our public services is extreme. At the same time, we have seen the strength and resilience of many communities highlighted as they have worked with public service partners to provide invaluable support to those who need it most.

In 2019/20, before the pandemic really took hold in Scotland, the financial impact of Covid-19 was limited. This report notes that more councils added to their usable revenue reserves than in previous years. Reserves play an important role in effective financial management and provide a cushion for future unexpected events. I think that the emergence of the global pandemic and resultant UK lockdown from 23 March 2020 could be described as a once-in-a-lifetime event and Council reserves can be a key tool to manage the medium-term financial impacts of Covid-19.

Scottish Government funding accounts for the majority of council income. After several years of reductions in funding, there has been a real terms increase in 2019/20. It is important to note though that around 40 per cent of the increase was intended to meet the Scottish Government's policy of expanding early learning and childcare provision. As we have reported before, councils have limited flexibility over how they use this type of additional funding. It is also important to recognise that although funding in 2019/20 improved, reductions in local government funding over the past six years are still larger than in other areas of the Scottish Government budget.

Capital funding had experienced significant increases in the past three years by 33 per cent between 2017/18 to 2019/20. But Scottish Government capital funding in 2020/21 is now decreasing by 30 per cent in real terms. This will have an impact on councils' future investment plans.

In IJBs, the bodies set-up to deliver local health and social care services, the financial pressures are significant, with many needing additional funding from councils and health board partners to break-even in 2019/20. We also continue to see a high turnover in leadership in many IJBs, at a time when they are tackling both the impact of Covid-19 along with the ongoing and longer-term pressures of increased demand.

2020 presented significant challenges to the preparation and audit of councils', pension funds' and IJBs' annual accounts. However, 92 per cent of annual accounts were signed off by the revised audit deadlines due to the dedication of local government finance staff and of our auditors in these challenging circumstances. I am grateful for everyone's hard work and diligence to achieve this outcome.

During 2020/21, the pandemic and associated lockdown has affected many aspects of Councils' and IJB's finances and created significant financial uncertainty. Councils face the challenge of meeting additional mobilisation and recovery costs as well as the lost income resulting from closures of leisure facilities and reductions in income from fees and charges. Councils are also administering support schemes on behalf of the Scottish Government. Substantial additional funding for councils has been announced by the Scottish Government together with some further financial flexibilities, but it is currently unclear whether this will cover all cost pressures faced by councils in 2020/21 and beyond.

2020/21 also saw a large shift in the way that public services and communities worked together to support those most in need. Many communities and individuals stepped in to provide much needed local services and were empowered and encouraged to do so by councils, IJBs and their partners. We have heard of much good practice and hope that this continues.

The Accounts Commission's future reporting, together with the Auditor General for Scotland, will be refocused on the significant impact of Covid-19 across all public services. This report highlights the emerging and developing financial challenges due to Covid-19, but future financial overview reports will be better able to assess the full year impact in 2020/21, based on financial reporting to 31 March 2021. Our Local Government Overview 2021 report, due to publish in May, will consider the initial response phase of the pandemic.

Audit Scotland has published a [Guide for audit and risk committees](#)  to support effective scrutiny of how public bodies have responded to Covid-19. This covers key areas, including internal controls and assurance, financial management and reporting, governance and risk management. Good governance, strong financial management and transparency of decision making will be critical for local government bodies in dealing with the implications and fallout from the pandemic.

## **Elma Murray**

Interim Chair of the Accounts Commission

# Key messages

## Councils and pension funds

- 1** Councils' funding and income increased by £0.8 billion in 2019/20. There was an increase in Scottish Government funding of £0.5 billion, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget
  - 2** Nearly half of the increase in Scottish Government funding in 2019/20, and all the initial additional funding in 2020/21, was to fund the expansion in early learning and childcare
  - 3** Councils continue to plan for, and deliver, savings as part of their annual budgets, but there are significant variations in individual councils' ability to deliver planned savings
  - 4** More councils added to their usable revenue reserves totalling £65 million (net) in 2019/20
  - 5** Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year (2019/20)
  - 6** The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income. We estimate that funding announced by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils, although total costs and funding are still uncertain
  - 7** Councils' auditors reported wider medium-term financial implications of Covid-19
-

## Integration Joint Boards (IJBs)

- 8** A majority of IJBs (22) struggled to achieve break-even in 2019/20 and many received year-end funding from partners
  - 9** Total mobilisation costs for Health and Social Care Partnerships for 2020/21 due to Covid-19 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all of these costs
  - 10** Instability of leadership continues to be a challenge for IJBs. There were changes in chief officer at 12 IJBs in 2019/20
-

## About this report

**1.** This report provides a high-level independent analysis of the financial performance of councils and IJBs during 2019/20 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils and IJBs. It is one of two overview reports that the Accounts Commission publishes each year. The second report, commenting on councils' initial response to the Covid-19 pandemic, will be published in May 2021.

**2.** Our primary sources of information for the financial overview are councils' and IJBs' 2019/20 unaudited accounts, including management commentaries and the 2019/20 external annual audit reports, where available. We have supplemented this with data submitted by councils to COSLA as part of their Covid-19 cost collection exercise, and mobilisation plan financial summaries submitted to the Scottish Government by IJBs. COSLA returns were requested and obtained from auditors. We received 29 returns, with 3 outstanding. The COSLA returns are not subject to audit review.

**3.** The Covid-19 pandemic has created new challenges which have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts for all councils were not available for analysis and, as a result, judgements are based on data from unaudited accounts, except where significant audit adjustments have been identified. We are comfortable with this approach, and our analysis of available audited information tells us that the level of change between unaudited and audited accounts has not significantly affected our key judgements. We have reviewed external annual audit reports for 2019/20 that were available at 30 November 2020.

**4.** We refer to 'real-terms' changes in this report. This means we are showing financial information from past and future years at 2019/20 prices, adjusted for inflation so that they are comparable. Similarly, where 2020/21 comparisons are made, we have adjusted for inflation to 2019/20 prices. We also refer to figures in 'cash terms'. This means we are showing the actual cash or money paid or received.

# Key facts

	2019/20 £ billion	2018/19 £ billion	Movement
 Councils' funding and income	<b>£18.5</b>	£17.7	4.5%
 Scottish Government revenue funding	<b>£10.3</b>	£9.8	5.4%
 Councils' capital spending	<b>£3.6</b>	£2.8	29.0%
 Councils' usable revenue reserves	<b>£2.0</b>	£1.9	3.4%
 IJBs' spending	<b>£9.2</b>	£8.6	7.0%
 Additional estimated cost in councils and IJBs due to Covid-19 in 2020/21	<b>£1.2 billion</b>		

# Councils' income in 2019/20

## Key messages

- 1** Councils' funding and income increased by £0.8 billion in 2019/20
  - 2** The cash increase in Scottish Government funding (£0.5 billion) in 2019/20 improved the position relative to others, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget
  - 3** Nearly half of the increase in Scottish Government funding in 2019/20 was to fund the expansion in early learning and childcare
-

## Total revenue funding and income

### Councils' funding and income increased by £0.8 billion in 2019/20

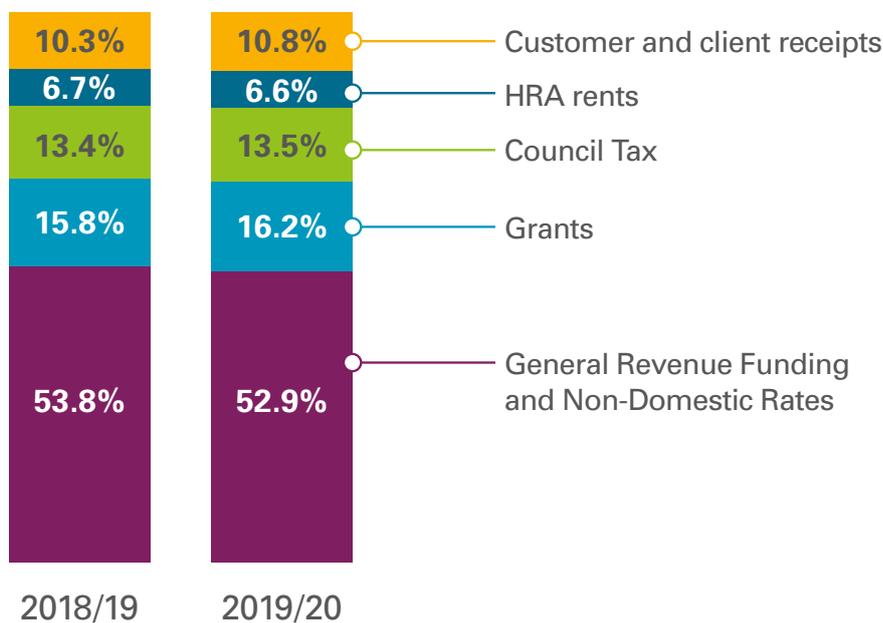
5. Total revenue funding and income received by councils was £18.5 billion in 2019/20, representing an increase of £0.8 billion (or five per cent) on the previous year. A comparison between years ([Exhibit 1](#)) shows that most of the funding comes from the Scottish Government and the relative value of specific grant income to councils has increased.

Councils' funding and income increased by £0.8 billion in 2019/20.

### Exhibit 1

#### Sources of funding and income, 2018/19 and 2019/20

The majority of funding for councils comes from the Scottish Government.



Source: Unaudited financial statements 2019/20 (audited financial statements 2018/19)

6. Grant income includes housing benefit and Scottish Government specific grants (eg Early Learning and Childcare and Criminal Justice Social Work), which are treated as service income by councils generally. Scottish Government direct grants increased by £0.2 billion in 2019/20. There were also increases in grants from other sources. For example, Aberdeen City Council received £0.1 billion from Transport Scotland for the Aberdeen Western Peripheral Route.

7. Council tax income has increased by £0.1 billion (or 5 per cent) mainly as the Scottish Government raised the cap on council tax rate increases to 4.8 per cent. Twelve councils took the decision to increase the council tax rate by the full amount.

## Scottish Government funding

### Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20

**8.** In 2019/20, the total revenue funding from the Scottish Government increased by 5.4 per cent in cash terms and increased by 3.4 per cent in real terms ([Exhibit 2](#)). Total revenue funding of £10.3 billion consists of the general revenue grant funding of £7.0 billion; Non-Domestic Rates distribution (NDR) £2.8 billion and specific grants of £0.5 billion.

## Exhibit 2

### Changes in Scottish Government revenue funding in 2019/20

Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20.

	2018/19	2019/20	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,521	9,811	3.0%	1.1%
Specific Revenue Grants	274	508	85.5%	82.0%
<b>Total revenue funding</b>	<b>9,795</b>	<b>10,319</b>	<b>5.4%</b>	<b>3.4%</b>
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	<b>10,150</b>	<b>10,674</b>	<b>5.2%</b>	<b>3.2%</b>

Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

### Funding in 2019/20 improved relative to others, but an historic difference still exists

**9.** Funding from the Scottish Government to local government between 2013/14 and 2019/20 decreased by 4.7 per cent, in real terms ([Exhibit 3, page 12](#)). The increased funding in 2019/20 improved the position that existed last year (2018/19), when the total reduction was 7.6 per cent. Scottish Government funding to other areas of the total Scottish budget decreased by 0.8 per cent between 2013/14 and 2019/20, demonstrating that local government funding has still undergone a larger reduction than the rest of the Scottish Government budget over this period.

### Nearly half of the increased funding in 2019/20 was to fund the expansion in Early Learning and Childcare

**10.** There is an element of the revenue settlement for funding that is linked to specific ongoing policy initiatives and expectations.

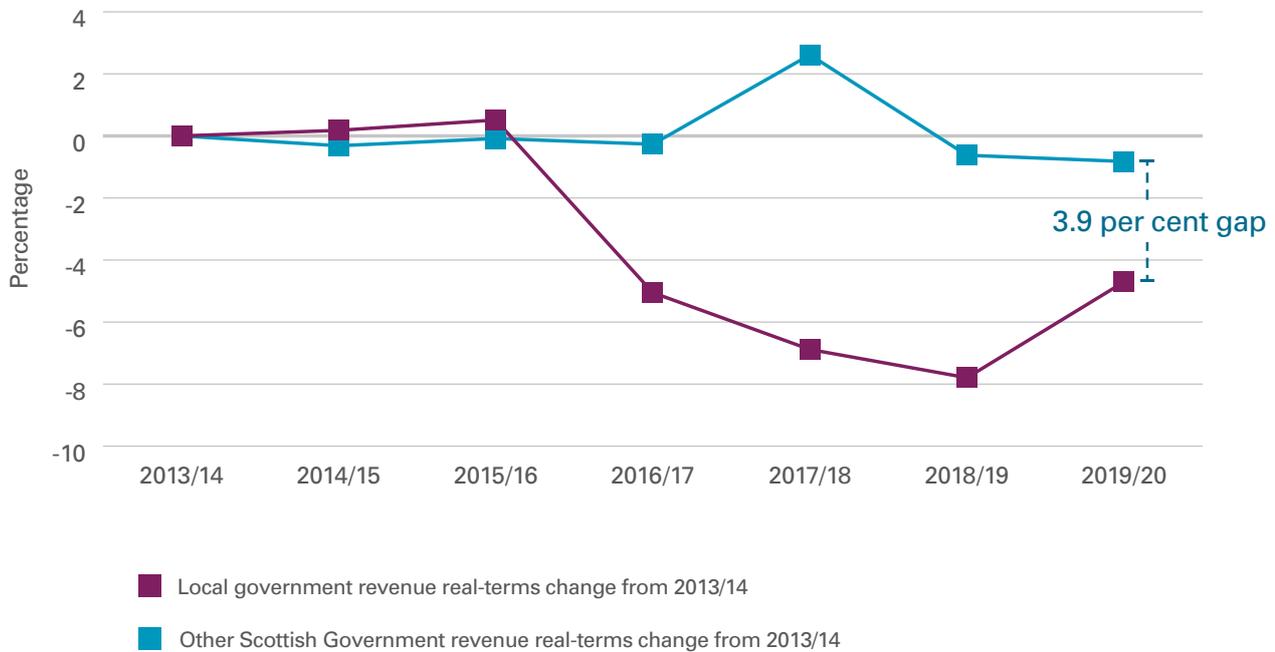
**11.** Specific revenue grants increased in cash terms by £234 million in 2019/20, growing from 2.8 per cent of total revenue funding to 4.9 per cent. This represented 45 per cent of the increase in revenue funding in cash terms between 2018/19 and 2019/20. The majority of this increase could be attributed to an additional £210 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 from 600 hours by 2020 for all three- and four-year-olds and eligible two-year-olds.

Scottish Government revenue funding increased by 3.4% in real terms in 2019/20. Nearly half of this was to support the expansion in Early Learning and Childcare.

### Exhibit 3

#### A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas

Over the last six years local government revenue funding from the Scottish Government fell by 4.7 per cent, while other Scottish Government revenue funding fell by 0.8 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

# Councils' financial position in 2019/20

## Key messages

- 1** On the whole councils continue to deliver savings as part of their budget in 2019/20, but there are significant variations in individual councils
  - 2** In 2019/20 councils' auditors reported wider medium-term financial implications of Covid-19
  - 3** More councils added to their usable revenue reserves in the year totalling £65 million (net)
  - 4** Two councils are at risk of running out of general fund reserves in the medium-term if current trends continue
  - 5** Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year
  - 6** Councils had the highest level of capital expenditure of the last five years
  - 7** Local auditors drew attention to material uncertainty in property and investment valuations due to Covid-19
  - 8** Local government pension funds returns were negatively affected by Covid-19, but the majority of funds still tended to outperform their benchmarks
-

## Council budgets and outturn 2019/20

### In 2019/20 budget gaps were to be addressed by planned savings

**12.** In 2019/20, councils identified budgeted net expenditure of £12.6 billion. The initial budget gap in 2019/20 was £0.5 billion (three per cent). In 2018/19, the initial budget gap was similar at £0.4 billion. Planned savings were the most common way of addressing funding gaps in 2019/20.

### Councils appear to have delivered 2019/20 savings plans, but with significant variation

**13.** A sample analysis of 14 councils identified that 84 per cent of the planned savings were delivered. However, there was significant variation in how individual councils performed against their savings targets:

- East Lothian Council, which planned savings of £5.2 million, and Stirling Council, which planned savings of £7.3 million, reported achieving 100 per cent of their targets.
- Comhairle nan Eilean Siar planned to deliver savings of £2.6 million but achieved savings of £0.8 million or just 31 per cent of its target.

## Impact of Covid-19

### The effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets

**14.** Covid-19 restrictions began in March 2020 and the financial effect on councils (excluding social care – see [paragraph 70](#)) in 2019/20 was limited to between £20 million and £25 million.<sup>1</sup> Councils reported that lost income and unachieved savings accounted for two-thirds of identified financial impacts. The remaining costs were mainly associated with mobilising support services for vulnerable groups and the wider community.

**15.** There were no additional Covid-19-related funding allocations from the Scottish Government in 2019/20. Our review of available annual audit reports confirms that Covid-19 did not have a significant impact on councils' outturn, and costs were mostly managed within existing available budgets. Additional Covid-19-related funding allocations to councils were not received until 2020/21.

### In 2019/20, councils' auditors reported wider financial consequences of Covid-19 in their annual reports

- **Delays in growth deals:** Dumfries and Galloway Council. The impact of Covid-19 has delayed some of the progress in establishing governance structures and formal sign off of the Borderlands' Collaboration Agreement as part of the Borderlands growth deal.
- **Additional borrowing:** East Lothian Council and Inverclyde Council both took out additional loans towards the end of March 2020 to ensure sufficient liquid funds to address the expected consequences of Covid-19.
- **Planned savings proposals:** East Lothian Council identified that many of the plans related to savings have effectively been placed on hold to enable the council to focus its attention and support on responding to Covid-19. East Dunbartonshire Council anticipated that transformation programme savings for 2020/21 were unachievable due to the impact of the pandemic.

The financial effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets.

- **Medium term financial planning:** West Lothian Council reported that early planning arrangements for its next medium-term financial plan have been deferred to 2021/22 as management focuses on the more immediate impact and actions arising from the impact of Covid-19.
- **Capital programmes:** Aberdeenshire Council identified that the capital programme was suspended for around three months with a phased restart thereafter. In Inverclyde Council officers have reviewed the phasing of the 2020–23 Capital Programme in light of Covid-19 and have estimated the slippage for 2020/21 as 47 per cent. An initial additional budget of £2.7 million has been agreed to cover the potential cost pressures resulting from the site working requirements, increases in the price of materials and general cost increases generated by Covid-19.
- **Delays in bad debt collection:** Aberdeenshire Council reported that elements of the debt recovery processes had been suspended for several months owing to Covid-19 and recognised the potential for bad debts to increase.
- **Expected capital receipts:** West Dunbartonshire Council identified that expected capital receipts of £9 million from the sale of sites were subject to greater uncertainty due to Covid-19 effects on asset values.
- **Going concern issues in subsidiary/joint venture partners:** Some auditors of group component bodies, including those arms-length external organisations (ALEOs) and partners that provide housing repair and leisure services, drew attention to the additional going concern uncertainty due to the financial impact of the Covid-19 pandemic.

## Reserves

### More councils (22) added to their usable revenue reserves, but most of the total relates to Glasgow City Council

**16.** Last year we reported that councils were increasingly using up revenue reserves to balance their budgets. This trend did not continue into 2019/20 ([Exhibit 4, page 16](#)). Twenty-two councils reported increases in their revenue reserves balance (13 last year) with a net increase of £65 million (or 3 per cent) across all councils.

**17.** The most significant increase was Glasgow City Council, where usable revenue reserves went up by £87 million (or 80 per cent) mainly due to the equal pay funding strategy that was implemented in the year ([paragraph 28](#)).

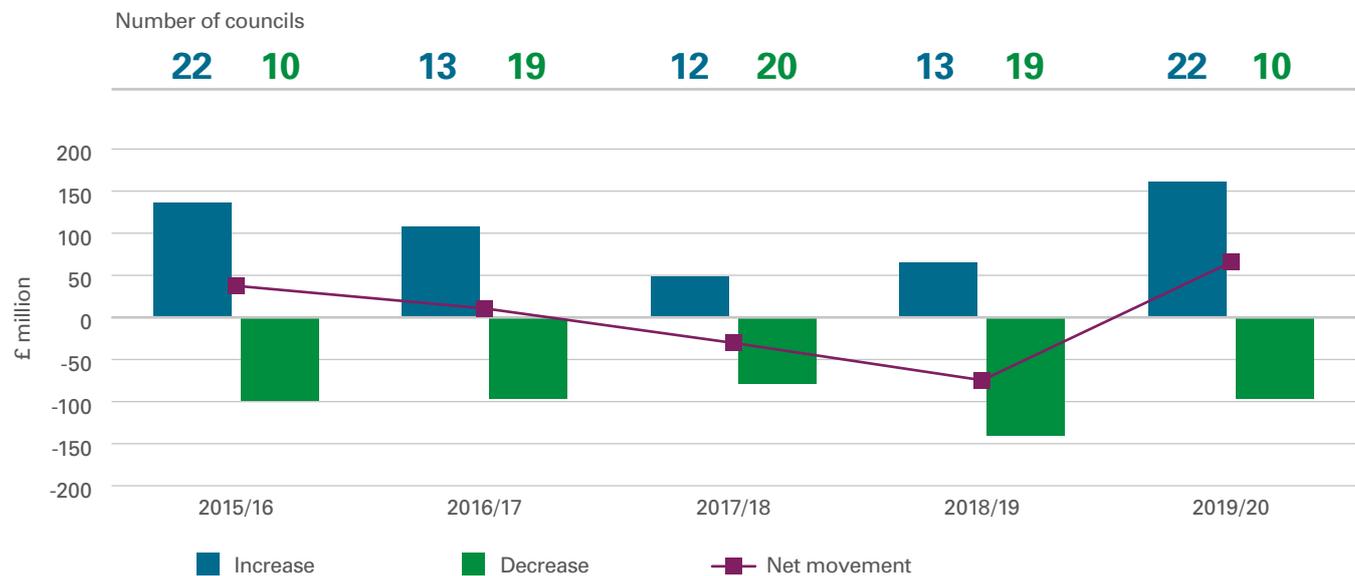
**18.** Highland Council also experienced a significant increase in its usable revenue reserves of £15 million (or 47 per cent). Contributing factors include spending constraints on recruitment and discretionary spend and £22 million of delivered savings and additional income.

More councils added to their usable revenue reserves in 2019/20, with a net increase of £65 million across all councils.

## Exhibit 4

### Movement in usable revenue reserves over the past five years

More councils added to their usable revenue reserves in 2019/20.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2015/16 to 2018/19

### There is variation in whether councils have been adding to or using up general fund reserves

**19.** Councils have different strategies for managing their financial position and reserves position over time, so we would expect to see variation in the movements and balances held. Reserves play an important role in effective financial management. They provide a working balance to smooth out uneven cashflows, protect against the financial impact of unexpected events, as well as enabling funds to be built up for known future commitments.

**20. Exhibit 5 (page 17)** shows the annual average rate of general fund use at 31 March 2020, based on the last three years. It indicates how long it would take for a council to run out of its general fund reserve if the pattern of use (over the last three years) were to continue. An amount less than minus 25 per cent would indicate reserves would be depleted in less than four years.

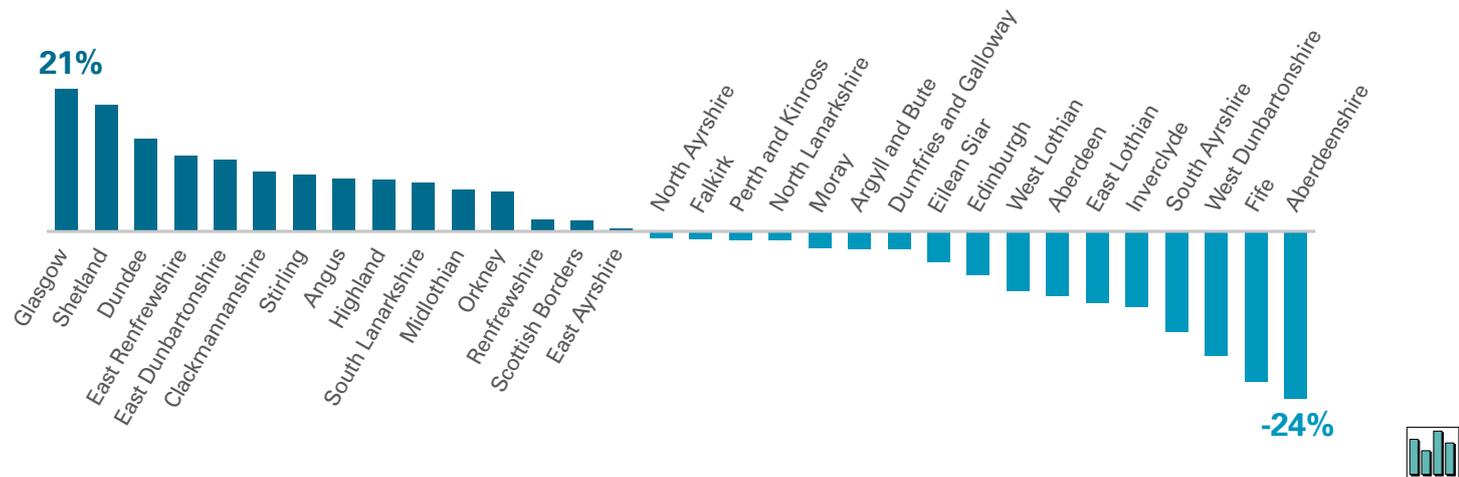
### Moray Council sustainability has improved with a significant surplus in 2019/20

**21.** In our 2018/19 report, we highlighted Moray Council as being at risk of depleting its reserves within five years. In 2019/20, the council's financial position improved, with the general fund increasing by £7 million. This was in contrast to a budgeted reduction of £5 million in the general fund. The turnaround was largely due to better than expected funding and income, including council tax income, Business Rates Incentivisation Scheme (BRIS) retention, a one-off VAT refund and insurance settlement and additional general revenue grant funding. The council also exceeded its savings target and delivered £13 million of savings in year.

## Exhibit 5

### Average annual movement in the general fund (including HRA) over the last three years

The movement on councils' general fund reserves varies significantly.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2018/19 and 2017/18

### Two councils are now at risk of running out of general fund reserves in the medium term if current trends continue

**22.** Fife and Aberdeenshire Council are now at risk of running down their general fund balance within four to five years if their current trend of using these continues ([Exhibit 5](#)). Neither council planned to use general fund balances as part of their 2020/21 initial budget, but the unusual circumstances of Covid-19 may now affect this.

**23.** Local auditors report that Aberdeenshire Council regularly reviews reserves as part of its medium-term financial strategy. The recent [Best Value Assurance Report](#) (October 2020) identified that reserves have largely decreased due to planned use. However, this also includes some unplanned use, including additional contributions of £5.5 million to the Aberdeenshire Integration Joint Board (IJB), to meet the council's share of IJB revenue budget overspends. The Report notes that the remaining balance is low relative to other councils.

**24.** Fife Council has been drawing on its reserves over the last few years, particularly the planned use of committed balances. However, the council's medium-term financial strategy forecasts the level of general fund will continue to deteriorate over the next three years and will be insufficient to fully mitigate against the financial impact of Covid-19.

## Capital

### Councils recorded the highest level of capital expenditure over the last five years

**25.** Capital expenditure increased by £0.8 billion (or 29 per cent) to £3.6 billion in 2019/20. Glasgow City Council's sale and leaseback transactions, as part of the equal pay funding strategy, make up £0.5 billion of the increase ([paragraph 28](#)). Excluding this, capital expenditure is still the highest level recorded by councils



Best Value Assurance  
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Council

October 2020 [Download](#)

over the last five years. This is aligned with a peak in Scottish Government capital funding ([Exhibit 12, page 29](#)).

**Some councils had significant increases in their capital investment:**

- City of Edinburgh Council: £0.15 billion (or 49 per cent) increase. New or additional investment across several areas including the Trams to Newhaven Project, creation and expansion of educational properties, investment in council houses, sports facilities and road infrastructure.
- Moray Council: £0.04 billion (or 87 per cent) increase. Investment in schools and early learning and childcare facilities, council houses and waste management facilities. This includes a joint venture with Aberdeen City and Aberdeenshire Councils to build an energy from waste plant.

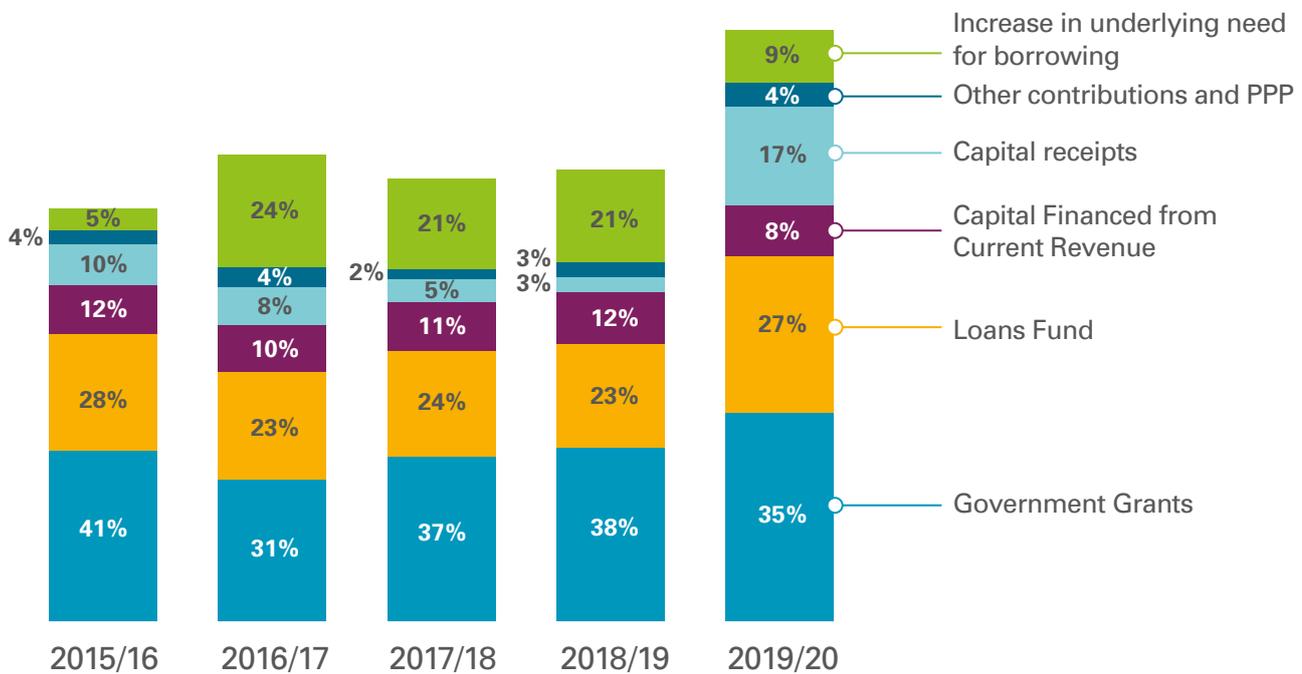
**The main sources of capital financing are still government grants and internal loans fund repayments from council services**

**26.** Government grants continued to provide the main source of capital finance. The effect of the sale and leaseback arrangements at Glasgow City Council significantly increased the element of funding generated from capital receipts in 2019/20 ([Exhibit 6](#)).

**Exhibit 6**

**Capital expenditure analysed by source of finance 2015/16 to 2019/20**

Sixty-two per cent of capital expenditure was financed by government grants or internal loans fund repayments.



Source: Unaudited financial statements 2019/20 and audited financial statements 2015/16–2018/19

## Debt

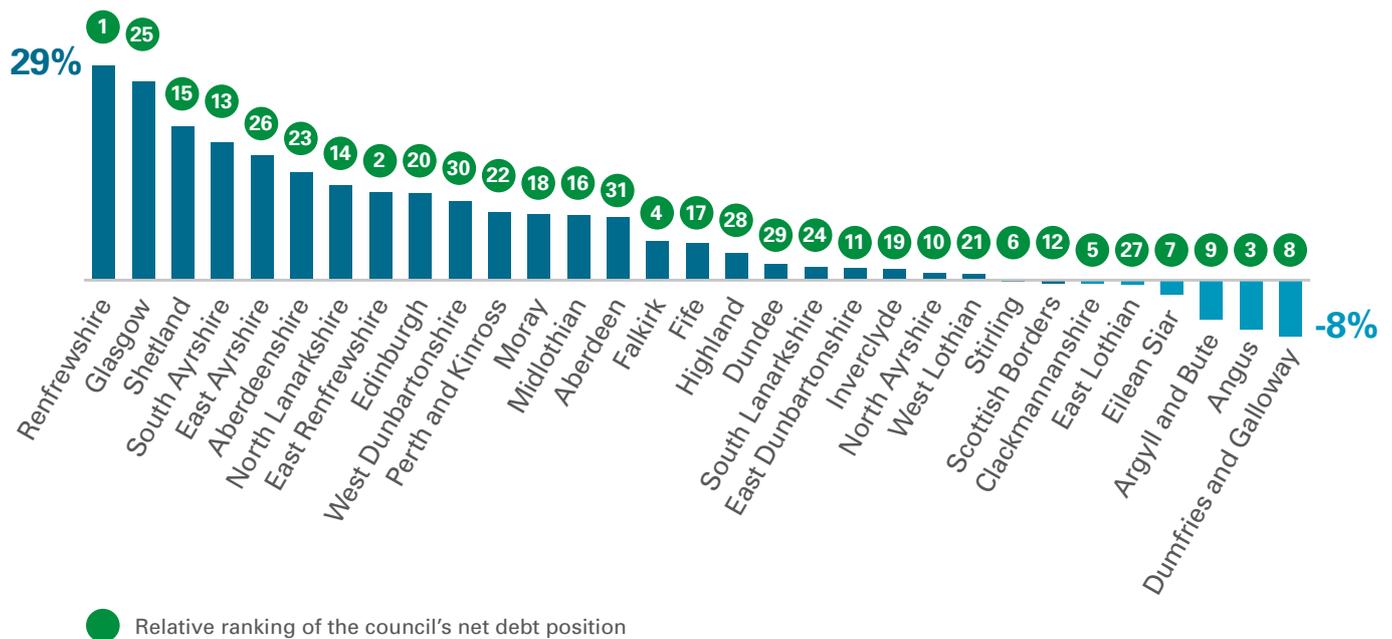
### Most councils increased their net debt, typically by 4 per cent or more in 2019/20

27. Total net debt (total debt<sup>2</sup> less cash and investments) across councils has increased by £1.4 billion, or nine per cent, to £17 billion. [Exhibit 7](#) shows the relative movement in net debt between 2018/19 and 2019/20 for each council. The median movement is 4.3 per cent. Renfrewshire Council incurred the most significant increase, but this is due to lower cash balances, rather than an increase in borrowing. Renfrewshire Council still has the lowest level of net debt relative to its annual revenue. As noted earlier in this report, the Glasgow City Council sale and leaseback of council properties ([paragraph 28](#)) also contributed to a significant increase in its net debt position.

### Exhibit 7

#### Percentage movement in net debt between 2018/19 and 2019/20 at council level with relative ranking of total net debt

Most councils increased their net debt by 4 per cent or more.



Note: Orkney has been excluded as it has net investments.

The rankings (1 to 31) indicate the net debt position of the council relative to others, with 1 being the lowest. Net debt is shown as a proportion of net annual revenue.

Source: Unaudited financial statements 2019/20.

### Equal pay settlements at Glasgow City Council were financed through sale and leaseback

28. Glasgow City Council included a provision for equal pay costs in 2018/19 and during 2019/20 settled the majority of outstanding equal pay claims. The £500 million cost of settlement was met by a funding strategy that raised £549 million. This included the refinancing of a City Property loan arrangement (the Council's Arm's Length Organisation or ALEO) and the sale and leaseback of 11 council properties to City Property. As the income from the funding strategy exceeded the cost of settlement, the council has earmarked £70 million to support any

future equal pay liability arising from the implementation of a new pay and grading system. This accounts for the majority of the net increase of £84 million in the general fund balance held by the council ([paragraph 17](#)).

**29.** The arrangement is represented in non-current assets and by a deferred liability. This contributed £453 million to the total Scottish debt. The total annual rent payable to City Property by the Council is now £20.4 million and is subject to annual inflation of 2.75 per cent.

## Audit of 2019/20 annual accounts

### Auditors drew attention to material uncertainty in property valuations relating to Covid-19

**30.** Most councils' auditors reported a material valuation uncertainty in council property valuations related to the potential impact of Covid-19. An 'emphasis of matter' paragraph was included in the independent auditor's reports to draw attention to this matter.

## Local Government Pension Funds

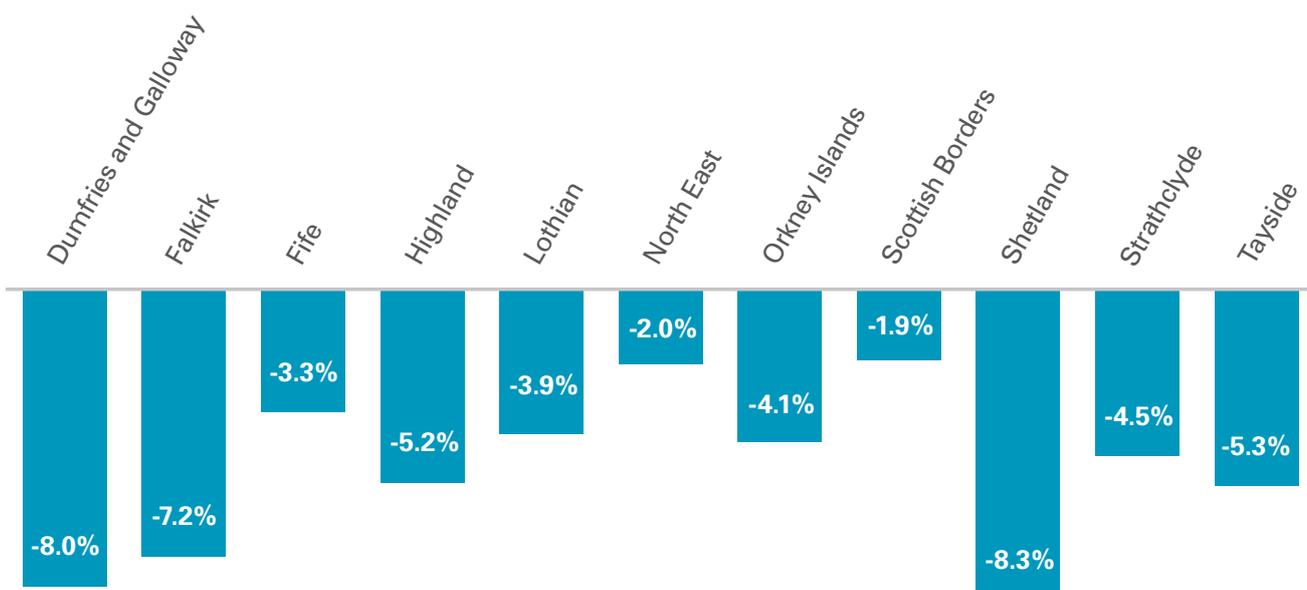
### Pension Fund investment returns were negative in 2019/20 as a result of Covid-19

**31.** The eleven main Scottish Local Government Pension Funds experienced negative investment returns as a result of the impacts of Covid-19 on global markets in the last quarter of 2019/20. The annual return was between -1.9 per cent and -8.3 per cent in individual funds, based on the average assets position ([Exhibit 8](#)).

## Exhibit 8

### Investment returns based on average assets in Scottish Pension Funds 2019/20

2019/20 investment returns were adversely affected by Covid-19.



Source: Audited accounts of the Pension Funds 2019/20

### **Funds still tended to outperform their benchmarks**

**32.** In the majority of funds, the overall investment returns still outperformed their individual annual benchmarks to 31 March 2020. Since then there has been a partial recovery in global markets. The auditors of Tayside Pension Fund report that net assets fell by 16 per cent due to Covid-19 in the last quarter of 2019/20 but had recovered over two-thirds of these losses by the end of June 2020.

### **Some elements of pension investments were more uncertain as result of Covid-19**

**33.** A number of pension fund auditors drew attention to the levels of greater uncertainty attached to 'level 3' investments, by including an 'emphasis of matter' paragraph in their auditors' reports. In Fife Pension Fund, level 3 investments include investments in property, infrastructure and private equity. These make up around £270 million or 11 per cent of the fund's total investments at 31 March 2020. As there is no market data to support the valuation these are based on judgements by investment funds. These valuations included material valuation uncertainty disclosures this year due to Covid-19.

### **The next triennial valuation of Scottish Local Government Pension Funds is due to be completed in March 2021**

**34.** Triennial valuations of Scottish Local Government Pension Funds are due to be completed in March 2021. This will identify the funding level in each scheme and inform future funding and investment strategies as well as determining the level of employer and employee contribution rates from 2021/22 onwards.

Pension Fund investment returns were negative in 2019/20 as a result of Covid-19, but most funds still tended to outperform their benchmarks.

# Councils' financial outlook

## Key messages

- 1** 2020/21 initial budgets identified savings targets as the main way to close a budget gap of £0.5 billion, with more councils setting multi-year indicative budgets
  - 2** Before the impact of Covid-19, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms, but this is to fund the expansion in Early Learning and Childcare
  - 3** The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income
  - 4** We estimate that funding announced by the Scottish Government by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils through COSLA's cost-gathering exercise, although total costs and funding are still uncertain
  - 5** Scottish Government capital funding to local government in 2020/21 is decreasing by 30 per cent in real terms
  - 6** Councils need to review and revise their medium-term financial plans due to Covid-19
-

## Budget gap 2020/21

### Initially councils identified a total budget gap of £0.5 billion in 2020/21 and again plan to address these through savings targets

**35.** Councils original 2020/21 budgets were set before the Covid-19 pandemic emerged in Scotland. Councils set net expenditure budgets after taking into account projections of local income from fees and charges. Councils approved net expenditure budgets of £13.5 billion for 2020/21 including a budget gap of £0.5 billion (or three per cent). The budget gap is shown before action such as savings, council tax rate increases and use of reserves. There is still some inconsistency in how councils present their own budget gaps. For example, whether it is stated before or after the council tax increase. The relative size of the budget gap was consistent with the two previous years. Savings plans were the main way councils planned to bridge the budget gap, contributing 55 per cent with council tax increases contributing a further 23 per cent.

**36.** Eighteen councils approved a council tax rate increase in line with the 4.84 per cent cap set by Scottish Government in 2020/21. Six councils increased their council tax rate by three per cent and the remaining eight councils approved an increase of between 3.95 per cent and 4.8 per cent.

### More councils presented multi-year indicative budgets in 2020/21

**37.** A new development was for more councils to set multi-year indicative budgets, as part of the 2020/21 budget setting process. Fifteen councils presented multi-year indicative budgets. In four councils (Aberdeen, Aberdeenshire, Scottish Borders and Stirling) budgets covered the next five years, with the others covering three years.

## 2020/21 funding settlement

### Prior to additional Covid-19 related funding, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms

**38.** The Local Government revenue settlement from the Scottish Government in 2020/21, before taking into account changes due to Covid-19, increased by 3.4 per cent (cash terms) from 2019/20 to £10.7 billion. This was a real terms increase of 1.4 per cent ([Exhibit 9](#)).

## Exhibit 9

### Changes in Scottish Government revenue funding in 2020/21 (excluding Covid-19 funding)

Scottish Government revenue funding increased by 1.4 per cent in real terms in 2020/21.

	2019/20	2020/21	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,811	9,958	1.5%	-0.5%
Specific Revenue Grants	508	710	39.8%	37.1%
<b>Total revenue funding</b>	<b>10,319</b>	<b>10,668</b>	<b>3.4%</b>	<b>1.4%</b>
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	<b>10,674</b>	<b>11,023</b>	<b>3.3%</b>	<b>1.3%</b>

Source: Finance Circulars 04/2020 and Scottish Government budget documents

### **Most of the increased funding in 2020/21 was to fund the expansion in Early Learning and Childcare**

**39.** Specific revenue grants increased in cash terms by £202 million in 2020/21, growing from 4.9 per cent of total revenue funding to 6.7 per cent. This represented 1.4 per cent of the increase in revenue funding in cash terms between 2019/20 and 2020/21. Most of this increase was due to an additional £201 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 hours by 2021.

### **Financial impact of Covid-19 in 2020/21**

#### **The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million<sup>3</sup>**

**40.** As noted above, initial budgets and funding settlements did not reflect the changed environment and financial effects of Covid-19. During the early phases of Covid-19, the Convention of Scottish Local Authorities (COSLA) worked with councils to summarise the expected financial effects of Covid-19 on local government. This was summarised by COSLA in their *Cost Collection Exercise: Analysis and Narrative – 3rd Iteration (Full Year Figures), (July 2020)* and the financial impact of Covid-19 in 2020/21 is estimated to total £767 million (excluding Education and Early Learning and Childcare costs). The projected amount covers the full financial year and includes gross additional costs of £855 million, offset by savings of £88 million (from lower property costs and school meal costs). £86 million of the gross additional cost figure relates to projected capital costs.

**41.** This estimate does not include additional social care costs which are covered in [paragraph 70](#) as part of Health and Social Care Partnership costs.

#### **Lost income accounts for over half of Covid-19 costs in councils**

**42.** Loss of income accounts for over half of the forecast additional costs. Loss of income from fees and charges was projected to result in a loss of £161 million. The most significant proportion of these losses related to the anticipated reduction in parking fee income ([Exhibit 10, page 25](#)). All councils projected a loss of income from sports and leisure facilities at July 2020, totalling £75 million. Mobilisation costs and the costs arising from reconfiguring services (recovery costs) made up the remaining Covid-19 costs.

**43.** Several larger urban councils have ALEOs that were set up to manage commercial activities and provide income back to councils. This includes conference facilities and transportation services. The projected loss of income for councils from these was £39 million. This included Lothian Buses, Edinburgh Trams, Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre.

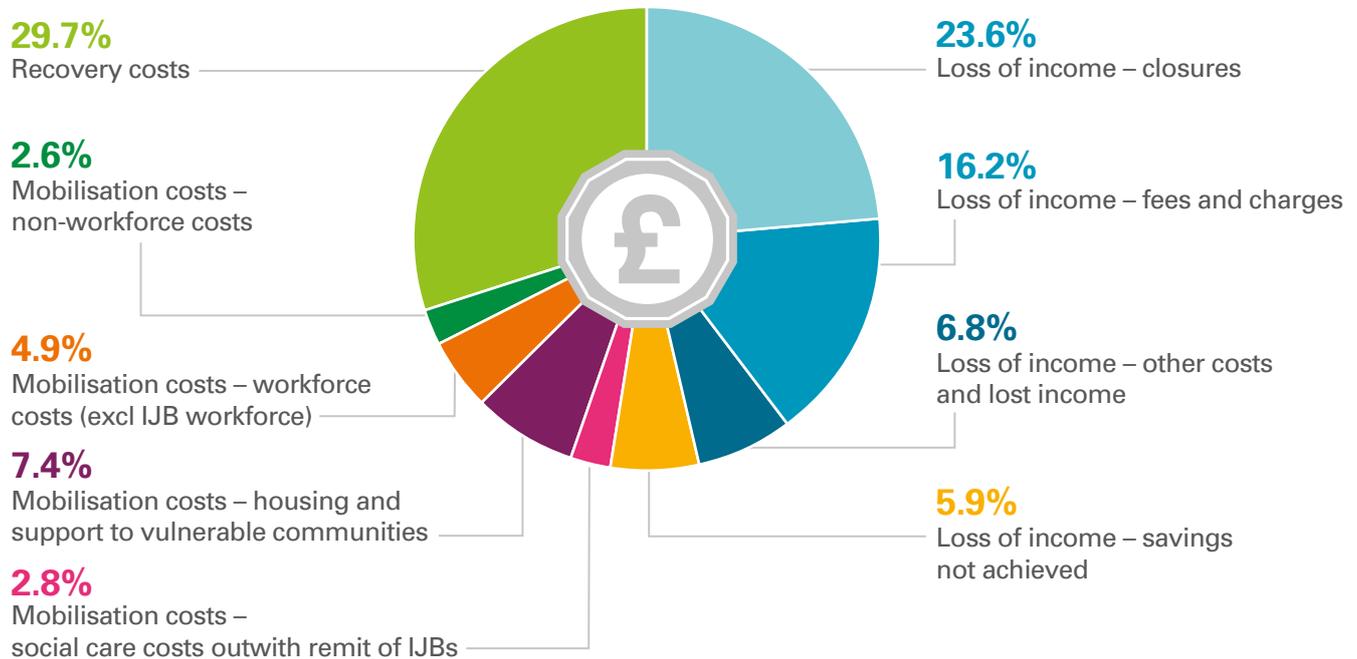
**44.** Loss of income from harbour and ferry activities is another area that has been projected to be significantly impacted. Four councils projected a loss of income totalling £11 million.

The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million. Over half of this relates to lost income.

## Exhibit 10

### 2020/21 Projected Covid-19 related expenditure/lost income

Loss of income accounts for over half of the forecast additional costs.



Source: COSLA summary (full year returns) (July 2020) and COSLA council returns. Proportions based on returns from 25 councils.

## Scottish Government support for Covid-19 pressures

### The proportion of NDR and General Revenue Grant funding was adjusted

**45.** In March 2020, the Scottish Government made a £972 million reduction to the distributable amount of Non-Domestic Rates (NDR) in 2020/21 together with a corresponding increase in the General Revenue Grant (GRG). This reflected measures arising from The Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2020 which included 1.6 per cent of Universal Relief, 100 per cent relief for Retail, Hospitality and Leisure and 100 per cent relief for Airports and Baggage Handlers.

**46.** The change reflected a recognition that NDR income collected by councils would be lower than anticipated due to Covid-19. As the Scottish Government guarantee each council's formula share of GRG plus NDR, the change resulted in no overall impact on council's total revenue funding.

### Councils have administered funding of over £1 billion as part of the Covid-19 Business Support Fund Grant Scheme

**47.** In March 2020, the Scottish Government announced that businesses could apply for grants to help them deal with the impact of Covid-19.<sup>4</sup> These grants would be administered by councils on behalf of the Scottish Government, with funding made available to councils to finance the costs incurred. Councils received a grant of £950 million in 2020/21 providing an initial advance of the estimated costs projected by the Scottish Government, based on the number of businesses eligible for relief within each council area. The remaining amount will be disbursed as necessary up to a maximum collective limit of £1.2 billion.

**48.** Councils reported that over 106,000 applications were received for the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme across Scotland. Of the applications received, over 90,000 were successful with grants of over £1 billion awarded by September 2020.

**Further funding of £936 million has been announced by November 2020**

**49.** As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced ([Exhibit 11, page 27](#)). This is made up of the following:

- £723 million of revenue support, including £90 million (estimated) from the loss of income compensation scheme
- £150 million of NHS funding to be passed on to Health and Social Care Partnerships
- £63 million of capital support for Regeneration Capital Grant Fund, Town Centres Capital Fund, school transport support and digital inclusion funding

**We estimate that funding announced by November 2020 meets 60 to 70 per cent of the revenue cost pressures identified by councils, with total costs and funding still uncertain**

**50.** In [paragraph 40](#), we noted estimated council cost pressures of £767 million, split between revenue cost projections of £681 million and capital cost projections of £86 million. Not all the announced additional funding can be matched to these costs. Of the total £936 million announced, £234 million has been provided to benefit third parties or did not form part of the council's original cost submission.

**51.** The funding for the Scottish Welfare Fund (£45 million), council tax reduction scheme (£50 million) and discretionary housing payments (£5 million) are administered by the councils but will benefit individuals and businesses within the community.

**52.** The additional educational recovery funding (£134 million) is a consequence of the decision to re-open schools and early years establishments full-time from 11 August 2020. The necessary social distancing and cleaning measures result in additional costs to councils to be met from this funding. These were not envisaged in the councils' initial cost collection exercise, which predated decisions to return to school on a full-time basis.

**53.** The funding of £150 million to be passed to Health and Social Care Partnerships did not form part of the councils' estimated costs as these form part of the IJB mobilisation costs. These are described at [paragraph 70](#).

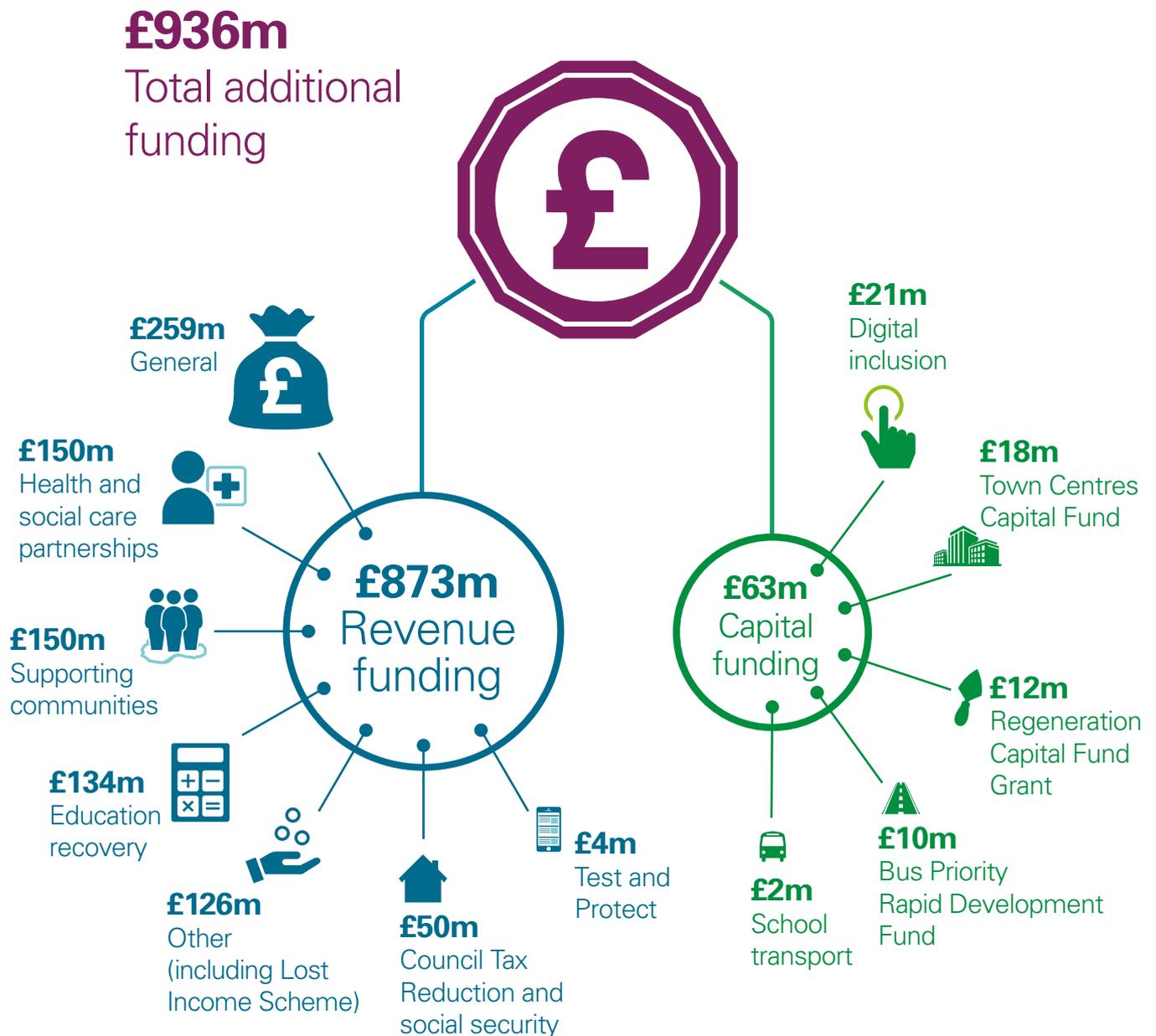
**54.** After taking into account the above issues, we estimate that the beneficial announcements of revenue funding to councils meet 60 to 70 per cent of the estimated revenue costs at July 2020. However, some of this funding is ringfenced, with £236 million being allocated for specific purposes. For example, £65 million for the food fund and for free school meals. Councils may have cost pressures in other separate areas, which may not be met by this specific funding.

**55.** The effects of the Covid-19 pandemic continue to develop, as do projections of associated costs and funding.

As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced.

**Exhibit 11****Scottish Government Covid-19 funding in 2020/21**

Councils were allocated £936 million of additional Covid-19 funding in 2020/21 (November 2020).



Source: Scottish Government funding announcements and COSLA report



**The Scottish Government has given councils additional financial flexibility to respond to the Covid-19 crisis**

**56.** Councils have been given an additional package of spending powers and financial flexibility that the Scottish Government claims could be worth up to £600 million.<sup>5</sup> This figure will apply if all councils are able to use all the new flexibilities, however COSLA does not consider this to be a likely scenario. Councils will need to consider the increased costs that may arise in future years and the effects of Covid-19 may impact on some areas, for example expected capital receipts. The new funding levers open to councils apply to Covid-19-related

pressures only and apply to this and the next financial year. Additional spending powers include the following:

- enabling the use of capital receipts to meet one-off revenue funding pressures, including Covid-19 related costs
- extending debt repayment periods over the life of the asset rather than the contract period
- allowing councils to take a repayment holiday in either 2020/21 or 2021/22 to defer internal loan fund repayments.

**57.** In addition to these measures, the Scottish Government has provided flexibility around the guidance for using the following specific funding:<sup>6</sup>

- Pupil Equity Funding
- Challenge Authority and Schools' Programme funding
- funding for Regional Improvement Collaboratives, allowing resource linked to this initiative to be repurposed to the Covid-19 response, and
- deploy early learning and childcare funding flexibly to deliver critical provision for children and families.

**58.** The extent of how these individual flexibilities may be used by each council, is yet unclear. Judgements will be required by each council and this may depend on the extent of unavoidable commitments already existing, for example in early learning contract commitments to parents.

## Medium and long-term financial planning

### The financial changes due to Covid-19 mean that councils need to review and revise their medium-term financial plans

**59.** Auditors have reported greater uncertainty in current financial planning arrangements at councils due to Covid-19. Medium term financial plans will now require revision at all councils to take into account additional financial pressures and updated funding arrangements, as well as consideration of updated savings requirements and financial assumptions.

## Capital funding

### Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms

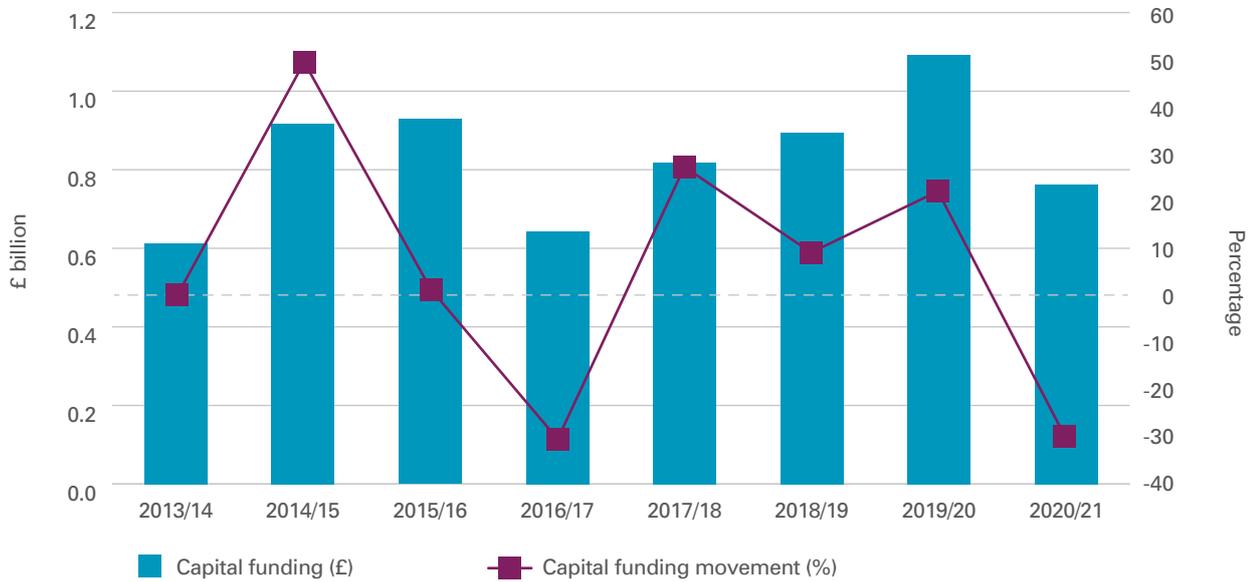
**60.** The Local Government capital settlement in 2020/21 decreased from £1.1 billion in 2019/20 to £0.8 billion. Capital funding had experienced significant increases in the past three years (33 per cent increase between 2017/18 to 2019/20). Total capital funding has now returned to levels more similar to those in 2017/18, in real terms ([Exhibit 12, page 29](#)). This could have a significant impact on councils' future investment plans.

Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms.

## Exhibit 12

### Real terms capital funding between 2013/14 and 2020/21 (excluding Covid-19 funding)

Scottish Government capital funding in 2020/21 (excluding Covid-19 funding) is decreasing by 30 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents

# Integration Joint Boards

## Key messages

- 1** A majority of IJBs (22 of 30) struggled to achieve break-even in 2019/20 or recorded deficits
  - 2** Total mobilisation costs for Health and Social Care Partnerships for 2020/21 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all these costs
  - 3** Revisions will be required to medium-term financial plans to reflect the impact of Covid-19
  - 4** There were changes in chief officer at 12 IJBs in 2019/20
-

## Funding and expenditure

### In 2019/20 overall funding to IJBs increased by six per cent

**61.** Overall funding to IJBs, in 2019/20, increased by £0.5 billion (or six per cent) to £9.1 billion. Most of this increase is in health board contributions to the IJB.

### Sixteen IJBs recorded deficits

**62.** Sixteen of the thirty IJBs reported a total deficit of £32 million in 2019/20, compared with only eight IJBs reporting a deficit of £11 million in 2018/19. Of the remaining IJBs, 13 reported a total surplus of £17 million and one reported a breakeven position.

### A further six IJBs needed additional funding to achieve surplus or breakeven

**63.** Six of the IJBs that reported a surplus or breakeven position would not have achieved this without additional funding from partners. A total of thirteen IJBs had extra financial support from partners of £50 million. Without this, 22 IJBs would have reported a total deficit of £77 million (19 IJBs with a deficit of £58 million in 2018/19).

### IJBs reported mixed performance against the achievement of savings targets in 2019/20

**64.** We reported last year that of the £208 million projected budget gap for 2019/20, 59 per cent of this was anticipated to be met by identified savings and 30 per cent by unidentified savings plans. Comparing this to actual performance and based on a sample of 22 IJBs, only four delivered 100 per cent of planned savings in 2019/20. Generally, there was significant variation in how IJBs performed against savings targets, with savings achieved ranging from 37 per cent at Aberdeen City IJB to 100 per cent at Inverclyde IJB.

### IJB reserves have decreased in 2019/20

**65.** The IJBs' total reserves decreased by £15 million (9 per cent), to £143 million. This contrasts with a £34 million increase in reserves in 2018/19. Last year we reported that some of the increase in reserves was a result of IJBs holding unspent earmarked funding from the NHS, including those associated with Primary Care Improvement Fund and the Mental Health Strategy. The Scottish Government has advised health boards and IJBs that it expects these earmarked balances to be used before further funds are drawn down. Part of the decrease in reserves this year relates to the use of these specific funds ([Exhibit 13, page 32](#)).

**66.** Some of the more significant reductions include:

- Edinburgh IJB used reserves of £7 million to address a budget gap, as outlined in the recent Edinburgh City Council [Best Value Assurance Report](#)  (November 2020).
- Dumfries and Galloway and South Lanarkshire IJBs used up a significant element of specific reserves, including Primary Care Transformation and Mental Health programmes of work.

A majority of IJBs struggled to achieve break-even in 2019/20 or recorded deficits.

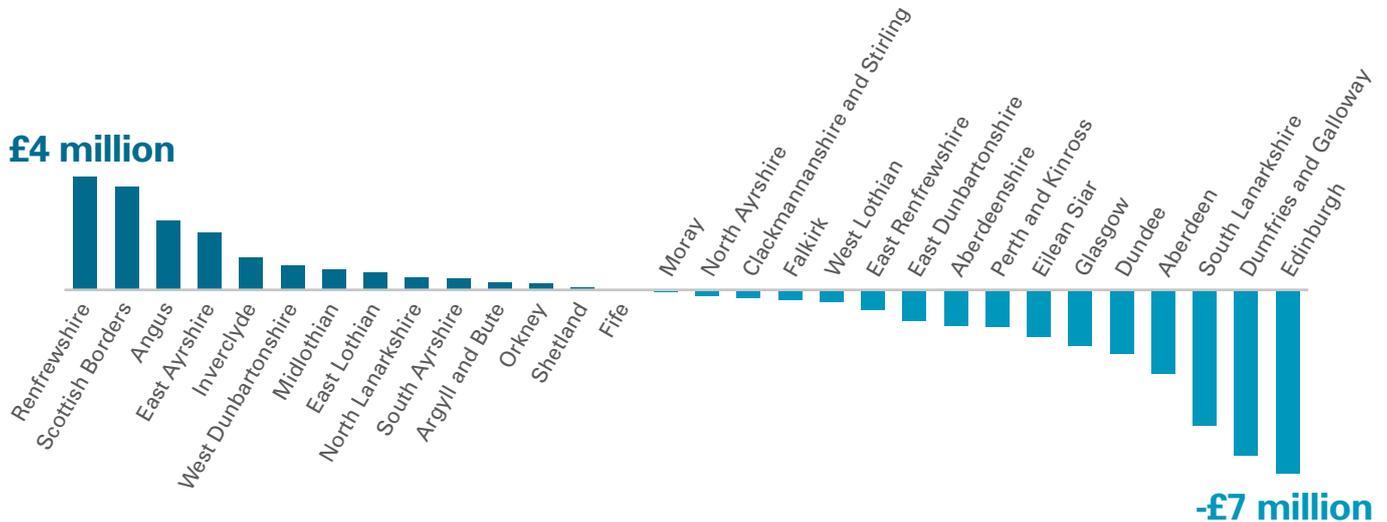


Best Value Assurance  
Report: City of Edinburgh  
Council  
November 2020 

## Exhibit 13

### Individual movements in general fund reserves between 2018/19 and 2019/20

Sixteen IJBs reported a decrease in the general fund balance.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified



## Financial planning

### More IJBs agreed budgets with partners before the start of the financial year

**67.** Previously we reported that eleven IJBs failed to agree a budget with their partners at the start of the 2019/20 financial year. This position improved for 2020/21, when only six IJBs had not agreed their budgets by 1 April. Auditors identified the main reasons for this as the impact of Covid-19 and the timing of partner bodies setting their budgets.

### Prior to Covid-19 costs, the projected budget gap was £185 million for 2020/21

**68.** Auditors identified a total estimated budget gap of £185 million for 2020/21, representing 2 per cent of total projected net expenditure. This is an improvement in comparison to 2019/20 (£208 million). The 2020/21 budget gap as a proportion of total projected net expenditure varied between 0.6 and 5.7 per cent.

**69.** Of the £185 million budget gap, 62 per cent (59 per cent in 2019/20) was anticipated to be met by identified savings and 25 per cent (30 per cent in 2019/20) by unidentified savings plans. Five IJBs planned to cover part of the estimated funding gap from reserves.

## Covid-19 related costs

### As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million

**70.** Financial data, provided to the Scottish Government by NHS Boards, shows estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships of £422 million for 2020/21. This projected total covers the full financial year and is based on returns submitted to NHS Boards by IJBs in the period June to September 2020. The main contributory factors to this are:

- additional costs for externally provided services, including PPE (£113 million)
- additional payments to Family Health Services contractors (£18 million) and prescribing (£15 million)
- additional temporary staff (£27 million)
- additional care home beds (£21 million)
- additional staff overtime and enhancements (£20 million)
- costs associated with Community Hubs (£27 million)
- homeless and criminal justice services (£10 million)
- mental health services (£10 million)
- expected underachievement of savings (£72 million), and
- loss of income (£24 million).

### It is not yet clear if the Scottish Government will provide financial support to IJBs for the full impact of the pandemic

**71.** Several IJBs have included an assumption within budget papers and monitoring reports that the Scottish Government will provide financial support to cover all 'reasonable' expenditure included in cost submissions. However, there remains uncertainty around the extent to which the Scottish Government will fund these costs. Uncertainty of funding in care elements of the IJB has a significant impact on councils too, as the impact of costs and funding has been assumed to be neutral or excluded from council estimates.

**72.** At September 2020, the Scottish Government confirmed that £2.6 billion received in consequentials will be passed on for health and social care. This amount should be sufficient to cover the projected Covid-19-related revenue costs of £1.62 billion for health (£1.2 billion) and social care (£0.42 billion) for 2020/21.

**73.** In late September 2020, the Scottish Government announced additional funding of £1.1 billion to support the health and social care sector in dealing with Covid-19 related pressures. The funding will be allocated to NHS Boards and Health and Social Care Partnerships across Scotland to meet the costs of additional staffing or sickness expenditure, enhanced infection prevention and control measures, and the purchase of PPE. However, the basis for allocation to individual partnerships is not yet clear.<sup>7</sup>

As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million.

### Revisions will be required to medium-term financial plans

**74.** More IJBs developed medium-term financial plans in 2019/20. Auditors reported that 26 had a medium-term financial plan in place. The impacts of Covid-19 could be significant for individual IJBs and medium-term financial plans will need to be revised to reflect this.

### Wider governance issues

#### There were changes in chief officer at 12 IJBs in 2019/20 and instability of leadership continues to be a challenge

**75.** Auditors continued to identify significant changes in senior officers of IJBs. In 2019/20 there were changes in the chief officer at 12 of the 30 IJBs. Two-thirds of the chief officers who resigned left for a new role, either at another IJB (three chief officers) or elsewhere (five chief officers). There were also changes in chief finance officer at two of the IJBs. At Western Isles IJB (Curam is Slainte nan Eilean Siar) the absence of a chief officer has contributed to delays in strategic planning and issues with workforce planning.

#### Some IJBs did not review their integration scheme due to Covid-19

**76.** The Public Bodies (Joint Working) (Scotland) Act 2014 sets out that IJBs have a statutory duty to review their integration scheme within a five-year period. Auditors reported that six IJBs had not reviewed their integration scheme within the required timeframe. In all cases, Covid-19 was noted as a reason for the delay.

Instability of leadership continues to be a challenge for IJBs.

# Endnotes

- 1 COSLA returns (3 month and full year returns) – based on 29 councils. Cost projection ranges were derived for the missing councils. Please note that this also includes the loss of the £6 million dividend from Lothian Buses.
- 2 Debt is total outstanding borrowing and other liabilities, including assets acquired through Private Finance Initiative (PFI), Public Private Partnership (PPP) and Non-Profit Distributing (NPD) models.
- 3 Excludes additional costs due to the decision to re-open schools and early years establishments full-time from 11 August 2020, as the cost collection exercise was conducted prior to this.
- 4 Scottish Government announcement (<https://www.gov.scot/news/gbp-1-billion-business-support-fund-opens/>)
- 5 Scottish Government announcement (<https://www.gov.scot/news/supporting-local-government-recovery>)
- 6 Scottish Government announcement (<https://www.gov.scot/publications/coronavirus-covid-19-letter-to-local-authorities-regarding-education-and-early-learning-and-childcare-funding-flexibility>)
- 7 The IJB is a separate legal entity, responsible for the strategic planning and commissioning of the wide range of health and social care services across a partnership area. Health and Social Care Partnerships are the partnerships that deliver services based on decisions made by the IJB.

# Local government in Scotland

# Financial overview

## 2019/20

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Covid-19

# Tracking the implications of Covid-19 on Scotland's public finances

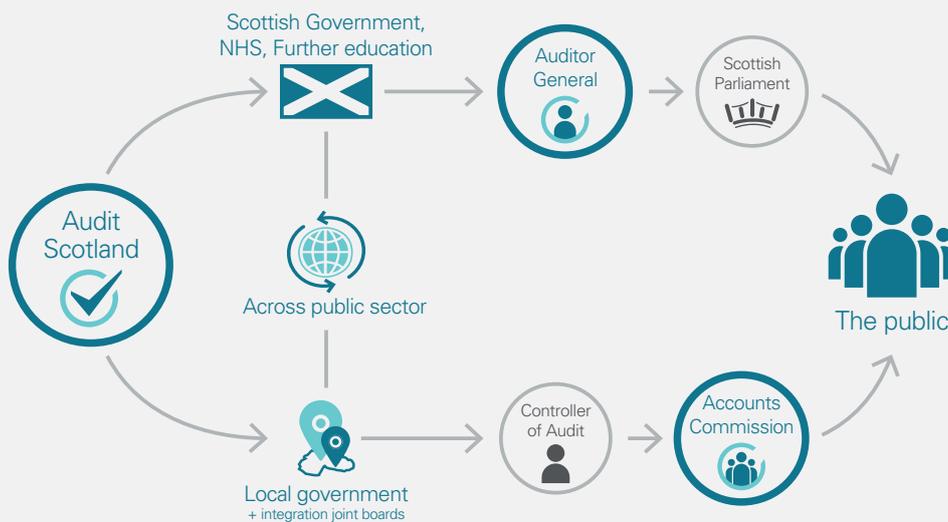


Prepared by Audit Scotland  
February 2021

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Contents

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Introduction	4
Part 1 Tracking the continuing fiscal response	5
Part 2 Financial and performance risks	16
Part 3 The public audit response	22
Appendix Scottish Government spending announcements as at end 2020	23

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# Introduction

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- 1.** Since our last publication, [Covid-19: Implications for public finances in Scotland](#), the devastating impact of the pandemic has continued to affect people across Scotland. Alongside further tragic loss of life, lockdown measures have increased financial uncertainty for many, with mental health alongside physical health concerns becoming more prevalent.
- 2.** Pressures on the public sector are felt throughout, including the difficulties policing lockdown restrictions, managing the consequences of school closures for children's education and addressing the backlogs in Scotland's courts. Dealing with the direct consequences of the public health crisis in hospitals has led to delays to non-Covid-19 related treatments, such as cancer referrals.
- 3.** A programme of vaccination is now ongoing throughout Scotland, giving hope that this will allow future relaxation of measures and allow economic and social recovery to take place. For now, spending to support people, the economy and public services through the pandemic continues. These interventions will continue into future years as Scotland recovers, and additional funding to this end is reflected in the 2020/21 and 2021/22 budget.
- 4.** Over 170 Covid-19 related spending announcements have been made to tackle the effect of the pandemic and the uncertainty it brings. These announcements are in addition to UK Government spending commitments that apply to Scotland, such as ongoing furlough support. The Scottish Government has received £9.7 billion of additional funding to the Scottish budget in 2020/21 through the Barnett formula.
- 5.** The complexity and scale of announcements makes following the public pound difficult. Barnett consequentials in 2020/21 are guaranteed, meaning that funding has been confirmed as available to the Scottish Government before any potential UK Government spending decision that would normally generate them. This gives the Scottish Government some certainty over funding, but also provides challenges in following how Scottish Government and UK Government spending decisions relate.
- 6.** Several different public bodies are distributing the funds across Scotland, including NHS boards, local authorities and enterprise agencies. Some Scottish Government announcements, such as elements of business support, are demand-led, with underspends being used to fund future announcements.
- 7.** This briefing is part of a series of work Audit Scotland is undertaking relating to Covid-19 spending and its impact in Scotland. It provides a snapshot of the current position in advance of the Spring Budget Revision to be published by the Scottish Government shortly. We will continue to provide updates on the Scottish Government's response to Covid-19. Our 2020/21 financial audits of Scotland's public organisations will consider Covid-19 funding and spending in more detail.
- 8.** It has three sections:

  - Part 1 sets out the Covid-19 related funding and spending commitments made by the Scottish Government, as well as summarising the UK Government policies that apply in Scotland.
  - Part 2 sets out the continuing financial and performance risks that the Scottish Government is facing as a result of Covid-19 and its economic consequences.
  - Part 3 considers what this means for Audit Scotland's work in providing assurance and aiding scrutiny of the Scottish Government's response during the current crisis.

# Part 1

## Tracking the continuing fiscal response

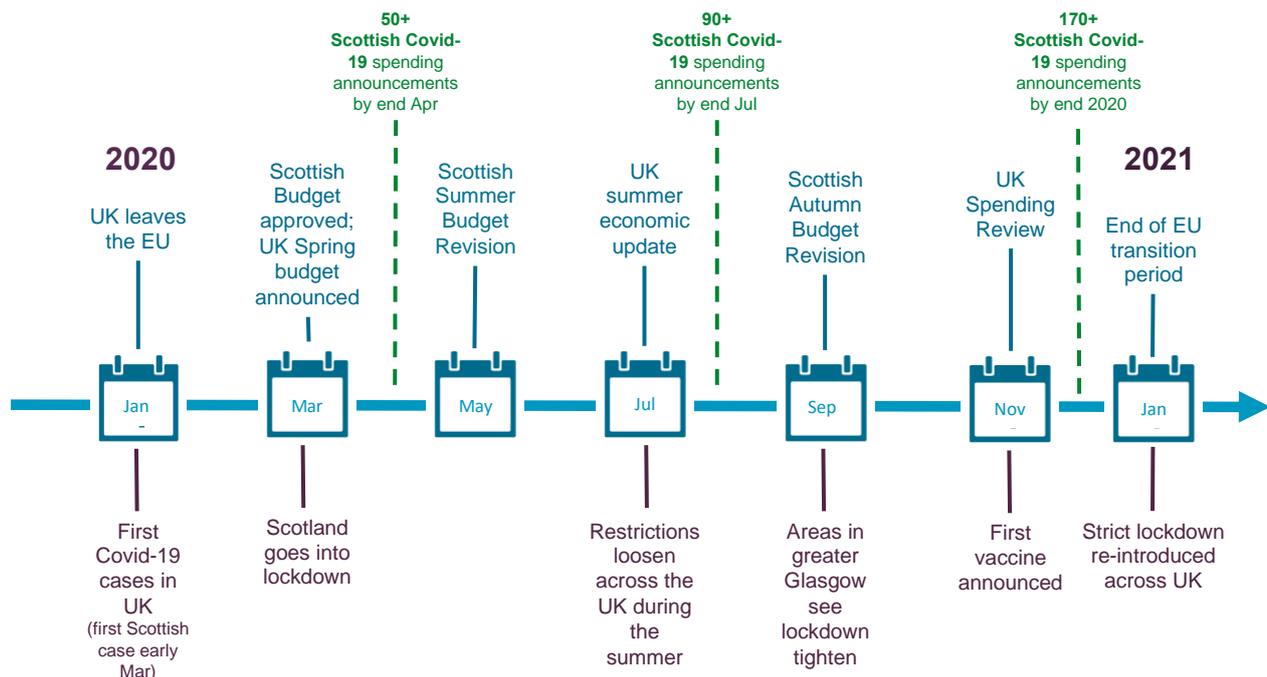
### The pandemic is placing huge demands on the Scottish public finances

9. In our August briefing paper, [Covid-19: Implications for public finances in Scotland](#), we noted: “The Covid-19 pandemic has been the biggest fiscal and policy challenge facing the Scottish Government over the past two decades of devolution.” The scale of this challenge has continued since then. Uncertainty over the path of the public health crisis and volatility in the economy has required further Scottish and UK Government interventions, and has placed further pressure on citizens and the public services they need.

10. During the autumn, a second wave of Covid-19 hit the UK, with a more transmissible variant spreading across the country in November and December ([Exhibit 1](#)). By the end of January, over 109,000 people across the UK, including over 6,300 people in Scotland, had tragically lost their lives as a result of the virus.<sup>1</sup>

### Exhibit 1

#### Fiscal events and Covid-19 timeline: 2020 and 2021



Source: Audit Scotland

<sup>1</sup> 109,390 deaths (UK) and 6,331 (Scotland) within 28 days of positive test by date of death, 31 January taken from <https://coronavirus.data.gov.uk/details/deaths> on 10 February

## Funding for Covid-19 has built up during the year as the UK Government has taken its own spending decisions

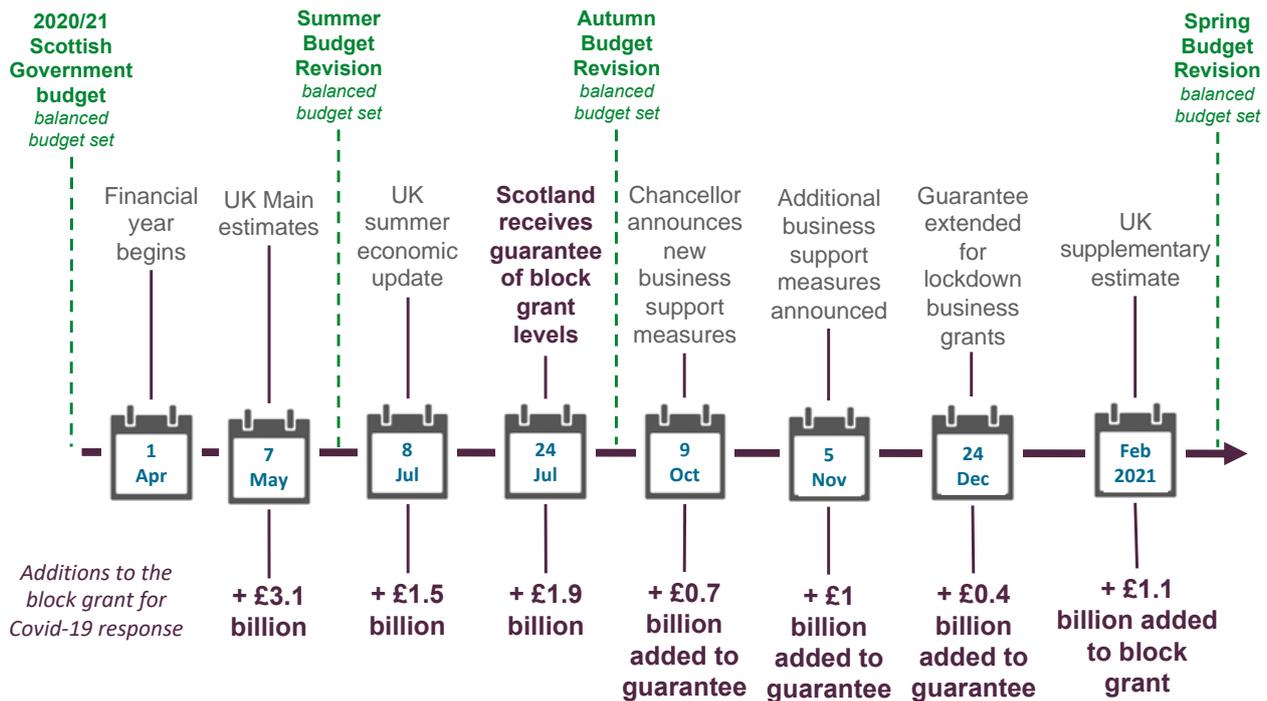
11. Most of the funding of Covid-19 spending in the Scottish budget has come through the operation of the Barnett formula. In July 2020 the UK Government began to provide some guarantees of total Barnett funding in advance of specific spending commitments being made. To date Covid-19 related Barnett consequentials have increased the funding the Scottish Government received from the UK Government by 42 per cent<sup>2</sup> (Exhibit 2). The Scottish Government is now guaranteed to receive an additional £9.7 billion in resource Barnett consequentials.

12. This accumulation of Barnett consequentials and overlapping UK and Scottish Government spending announcements has increased the complexity and volatility affecting the Scottish public finances during the year. The increases in block grant were spread unevenly throughout the year. Nearly seventy percent of the guaranteed funding was confirmed prior to the Autumn Budget Revision, mostly as a result of increased UK Government spending on business support and health and social care in the rest of the UK.

### Exhibit 2

#### Timeline for additions to the Scottish block grant in response to Covid-19

The Scottish Government resource budget for 2020/21 has increased by £9.7 billion as a result of additional Barnett consequentials



Source: Audit Scotland

### Barnett guarantees reduce funding uncertainty, but raise financial management challenges for the Scottish Government

13. The Scottish Government decides how it spends Barnett consequentials. There are no specific requirements for any block grant funding to be spent on initiatives similar to the UK spending decisions from which it derives. Nonetheless, the

<sup>2</sup> £9.7bn as share of the original net block grant – £36.2bn total budget limit from HM Treasury minus the BGA of £12.99bn

Scottish Government has committed to spend all Covid-19 consequentials on its pandemic response.

**14.** The Barnett guarantees mean that the UK Government has committed to levels of funding to the Scottish budget during the year, in advance of potential UK spending announcements that generate specific consequentials. This provides some earlier certainty to the Scottish Government over aggregate funding levels against which to make its own Covid-19 spending announcements, but also provides challenges and complexities in other respects.

**15.** There is the potential for confusion over whether subsequent specific UK Government announcements will result in further Barnett funding, or whether they are included within the previously guaranteed amounts. For example, in early January, the Scottish Government initially understood that the UK Chancellor's further funding package for business would generate new consequentials for Scotland.<sup>3</sup> It was later confirmed the consequentials had already been included in the Scottish Government's funding guarantee, which had been increased by £400 million in December.<sup>4</sup>

**16.** In a letter<sup>5</sup> in January 2021, the Cabinet Secretary confirmed the additional consequentials of £400 million received, and set out how these, and £330 million of unallocated Covid funding, would be spent. Of this, £180 million was held as a contingency to support any remaining demand-led spending in 2020/21 and into 2021/22.

**17.** If the Scottish Government commits guaranteed Barnett consequentials to its own spending initiatives, those funds will not be available to match any UK spending announcements made later. For example, the Scottish Government could commit guaranteed funding to business support measures, and the UK Government could subsequently announce further health spending. The Scottish Government would then need to consider how to manage its overall budget accordingly, given its policy to pass any health-related consequentials on to the National Health Service.

**18.** At the time of the Autumn Budget Revision in September, £537 million of Barnett consequentials were formally unallocated, but would be used for the Covid response. The Cabinet Secretary set out that while more funding was expected to flow to Scotland, without certainty, the remaining consequentials had to be kept for costs that the Scottish Government knew were coming later in the year.<sup>6</sup> The Cabinet Secretary provided more detail on how these additional consequentials were spent in December 2020.<sup>7</sup>

**19.** Looking to 2021/22, there remains significant uncertainty over the extent of in-year Barnett consequentials to support the ongoing cost of the pandemic. The November 2020 spending review for 2021/22 sets out £1.3 billion in Covid-19 resource. While this is a substantial amount, it is less than a fifth of the amount of the amount currently committed for 2020/21. The Scottish Government has decided to carry forward the most recent announcement of Barnett consequentials of £1.1 billion for 2020/21 to be spent in 2021/22.

**20.** The Barnett consequentials for 2021/22 may increase when the UK budget is announced in early March. The Barnett consequentials for 2021/22 are not guaranteed. In light of this, the Finance and Constitution Committee has

<sup>3</sup> 'No "new money" for firms in lockdown', BBC, 6 January 2021

<sup>4</sup> [Extra £800 million to support Scotland, Wales and Northern Ireland through Covid-19 this year](#), HM Treasury, 24 December 2020

<sup>5</sup> [www.parliament.scot/S5\\_Finance/General\\_Documents/Letter\\_from\\_Cabinet\\_Secretary\\_for\\_Finance\(2\).pdf](#)

<sup>6</sup> [Official Report](#), Finance and Constitution Committee, 7 October 2020

<sup>7</sup> [www.parliament.scot/S5\\_Finance/General%20Documents/Letter\\_from\\_Cabinet\\_Secretary\\_for\\_Finance\(1\).pdf](#)

recommended that HM Treasury provides a similar guarantee for 2021/22 if the fiscal position continues to rapidly evolve.<sup>8</sup>

### There is less protection of capital funding

**21.** The guarantee provided by the UK Government relates only to resource spending, that is, money that is to be spent on day-to-day costs such as salaries. For capital spending (to cover the costs of investments in new buildings and infrastructure) there has been no similar guarantee. The total capital spending in the Scottish budget has remained broadly flat, with £10 million in capital consequentials added to the Scottish Budget at the ABR.<sup>9</sup> The Scottish Government has deferred this capital consequential to the 2021/22 Scottish budget. The UK Government spending review set the capital grant for Scotland of £5.2 billion for 2021/22 – less than the £5.5 billion received in 2020/21.<sup>10</sup>

**22.** It is possible that there will be negative Barnett consequentials for 2020/21, resulting in deductions, from the Scottish Government's capital budget. This would happen where UK Government's own capital spending is reduced during the year. The final level of capital for 2020/21 will only become clear when the UK Government Supplementary Estimate – which includes the final level of Scottish funding for the financial year – is published in February 2021.

### Since we last reported, the Scottish Government's Covid-19 spending programmes have remained broadly in line with the UK

**23.** The Scottish Government has spent Barnett consequentials broadly in line with the UK, though it has targeted some aspects to specific needs in Scotland, or to be in line with Scottish Government policies. For example:

- One policy specific to Scotland was the announcement of a £500 payment to all health and social care staff in Scotland in the 2020/21 financial year, which is forecast to cost £180 million.<sup>11</sup> The Scottish Government has the powers to set income tax rates and bands, but not tax exemptions. As such, the First Minister called on the UK Government to make these bonuses tax free.<sup>12</sup> The Chief Secretary to the Treasury rejected this request, highlighting that the Scottish Government could increase the value of payments if it wished NHS and care workers to receive £500 net of tax.<sup>13</sup> The Scottish Fiscal Commission reported in their January 2021 Economic and Fiscal Forecasts that this will increase forecasted income tax revenues by £48 million in 2020-21.<sup>14</sup>
- The Scottish criteria for the Self-isolation support grant, are different than the UK equivalent,<sup>15</sup> including parents on low incomes whose children are asked to self-isolate, and people who are earning real living wage or less.<sup>16</sup>
- The UK Government announced in October 2020 that it was investing £10 million to set up specialist centres for long Covid-19 sufferers. In Scotland, primary and secondary care teams and community-based rehabilitation services provide long Covid treatments, and no specialist centres have been set up to date – though this has not been ruled out in the future.<sup>17</sup>

<sup>8</sup> [Pre-budget Scrutiny Report 2021/22](#), Finance and Constitution Committee, 7 December 2020

<sup>9</sup> [A Brief Guide To The 2020-21 Autumn Budget Revision](#), SPICe, October 2020

<sup>10</sup> [Comprehensive Spending Review](#), UK Government, 25 November 2020

<sup>11</sup> [£500 bonus for health and social care staff, Scottish Government, 30 November 2020](#)

<sup>12</sup> [SNP Conference: £500 'thank you' payment for healthcare staff, BBC News, 20 November 2020](#)

<sup>13</sup> [Hansard, 1 December 2020](#)

<sup>14</sup> [Scotland's Economic and Fiscal Forecasts, Scottish Fiscal Commission, January 2021](#)

<sup>15</sup> [Claiming financial support under the Test and Trace Support Payment scheme](#), Department of Health and Social Care, 25 January 2021

<sup>16</sup> [Self-Isolation Support Grants](#), mygov.scot, 5 February 2021

<sup>17</sup> Nicola Sturgeon: Long Covid an issue of 'significant concern', Press and Journal, 8 February 2021

### The Scottish Government has funded six per cent of Covid-19 spending through reprioritisation of its budget

**24.** Across the Summer and Autumn Budget Revisions, the Scottish Government identified £395 million of spending included in its 2020/21 budget approved in March 2020 that could be redeployed for Covid-19 related spending. This is a relatively small share of the overall Covid-19 spend at that point, approximately six per cent. These reprioritisations come from a wide range of portfolios and programmes, and fall into three main themes:

- Repurposing funding: £124 million of passenger subsidies for bus, rail and ferry operators repurposed to cover operators' revenue losses due to reduced passenger numbers.
- Transferring funding: £137 million of underspends are released across the Summer and Autumn Budget Revisions. For example, due to anticipated reduced demand for energy efficiency projects, £105 million of Financial Transactions funding for domestic energy efficiency loans was transferred to fund emergency loans for housebuilders (£100 million) and private sector landlords (£5 million).
- Delayed spending: Following a re-planning exercise (resulting in a delay to the introduction of planned changes to some disability assistance benefits), £26 million for the Social Security Programme (mainly for staffing costs) was redeployed to provide additional funding for the Unpaid Carers Allowance supplement and the Scottish Welfare Fund.

**25.** The final level of planned reprioritisation for 2020/21 will be set out in the Spring Budget Revision, due to be published 25 February.

### The announcement of a Scotland-specific economic shock unlocks more fiscal management tools for the Scottish Government

**26.** The Scottish Government can use the Scotland Reserve or borrow to help manage the budget. The Reserve and Borrowing use for 2020/21 and the planned use for 2021/22 is set out below. The Scottish Government intends to spend all its Reserve balance in 2021/22 with the latest position expected in the Spring Budget Revision. The Scottish Government intends to apply the latest announced 2020/21 Barnett consequentials of £1.1 billion to its 2021/22 budget. This will not affect the Scotland Reserve, as the funds will be deferred until 2021/22. The Scottish Government agreed with HM Treasury that it was not required to carry this funding forward through the Scotland Reserve, rather this will be held within UK reserves and re-allocated to the Scottish Government in 2021/22.

## Exhibit 3

### The Scottish Government plans to spend all of its Reserve balance in 2021/22

	Resource	Capital	Financial Transactions	Total
<b>The Scotland Reserve</b>				
Reserves closing balance 2019/20	217	80	136	433
Total drawdown 2020/21	-149	-70	-4	-223
Additions to the Reserve 2020/21	162	0	70	232
Planned closing balance 2020/21	231	10	202	443
Planned use of the Reserve in 2021/22	-231	0	-200	-441
Planned closing balance 2021/22	0	10	2	12
<b>Borrowing powers</b> (for use only to cover forecast error for devolved taxes and social security)				
Planned borrowing in 2020/21	207	300		507
Borrowing – set out 2021/22 budget	319	450		769

Source: Scottish Fiscal Commission; Audit Scotland. Additions to the Reserve for 2020/21 are still uncertain and will be finalised as underspends emerge towards the end of the year. In this table we show the minimum addition required in 2020/21 to permit the drawdown in 2021/22. Some figures may not add due to rounding.

**27.** In the Scottish Budget 2021/22, the Scottish Government announced that the Scotland specific shock powers have been triggered based on OBR and SFC economic forecasts. These powers were set out in the Fiscal Framework in 2016 and are now available because, on a four quarters on four quarters basis:

- annual GDP growth in Scotland is forecast to be below 1.0 per cent; and
- growth in Scotland is forecast to be 1.0 percentage point or more below the UK.

**28.** The difference in the forecasts of UK and Scottish growth means the resource borrowing limit increases from £300 million to £600 million and the drawdown limits from the Scotland Reserve are removed for the next three years. The capital borrowing limits are unchanged.

**29.** This difference in GDP growth forecasts is likely because of differences in timing. The latest SFC forecasts have been produced after the national lockdown announced in January, reducing short-term economic growth. The Office of Budget Responsibility (OBR) set their forecasts in November 2020, before the emergence of the new Covid-19 variant and the lockdown that followed.

**30.** In its medium-term financial strategy, the Scottish Government revised its approach to its use of the Scotland Reserve, and it no longer intends to build up substantial balances in the Reserve. While this new policy and the Scotland-specific shock powers do provide extra flexibility for the Scottish Government, Reserve balances can only be used once, and any borrowing must be repaid. The impact of decisions made now on the flexibility available in the future must be considered.

### The devolved taxes are forecast to generate additional revenues for the Scottish budget in 2021/22 – but the economy and receipts are still unpredictable

**31.** The information available for 2020/21 suggests that the Scottish and UK economic performance has been broadly similar.<sup>18</sup> As a result of this and the way the Fiscal Framework affects the Scottish budget, there has been no significant pressure on the Scottish budget so far this year from reduced tax revenues or increased demand-led spending for social security.

**32.** In the 2021/22 budget, Scottish devolved taxes increase the Scottish budget by £532 million.<sup>19</sup> Scottish income tax accounts for £475 million of this. When tax outturns are available after the year end, the Scottish Government adjusts the next financial year's budget for the difference between what was forecast and budgeted for and what was actually collected. This can be a positive or negative reconciliation to the budget.

**33.** After two years of negative reconciliations from previous years that have applied to the 2020/21 and 2021/22 budgets, positive reconciliations are currently forecast to apply to the 2022/23 and 2023/24 budgets, adding funding in these years.

**34.** These figures are based on forecasts from the Scottish Fiscal Commission (SFC) and the Office for Budget Responsibility (OBR) and were produced at different points in the pandemic. The OBR forecasts were published in November 2020, prior to the approval of vaccines and the second national lockdown, whereas the SFC forecasts were published after these events occurred, in January 2021. Such factors affect how forecasters see tax revenues for Scotland and the rest of the UK.

**35.** Both sets of forecasts are likely to move significantly as more information is made available. The OBR will publish updated forecasts alongside the UK budget. This will in turn change the potential effect devolved taxes have on the budget, through Block Grant Adjustments (BGAs). For this reason, the SFC has proposed that the Scottish Government carefully consider updating its budget with revised BGAs after the UK budget is published on 3 March.<sup>20</sup>

### The Scottish Government has continued to spend significant amounts on tackling Covid-19 and its economic and social impact

**36.** The Scottish budget remains subject to significant uncertainty, complexity, and volatility. Changes to the budget are approved by the Scottish Parliament through budget revisions. These are normally in the autumn and spring, but in 2020/21 an additional Summer Budget Revision was introduced to gain approval for the significant increase in funding and spending announcements in the early part of the pandemic.

**37.** The Scottish Government's 2020/21 approved budget has increased by £5.2 billion since the beginning of the year, primarily as a result of the additional spending required to cover the costs of the Covid-19 pandemic. This has developed as follows:

- Budget at beginning of financial year: £49.25 billion
- Net additions at the Summer Budget Revision: £2.79 billion
- Net additions at the Autumn Budget Revision: £2.46 billion
- Budget as at Autumn Budget Revision: **£54.5 billion**

<sup>18</sup> [Scotland's Economic and Fiscal Forecasts](#), Scottish Fiscal Commission, January 2021; [Economic and Fiscal Outlook](#), Office for Budget Responsibility, November 2020

<sup>19</sup> This process, of reducing the block grant to account for lost revenues to HM Treasury because of taxes devolved to Scotland, is called Block Grant Adjustments. We explain how this process works in our 2018 paper, Operation of the Fiscal Framework 2017/18.

<sup>20</sup> [Scotland's Economic and Fiscal Forecasts](#), Scottish Fiscal Commission, January 2021

38. These figures will be updated again at the Spring Budget Revision in late February.

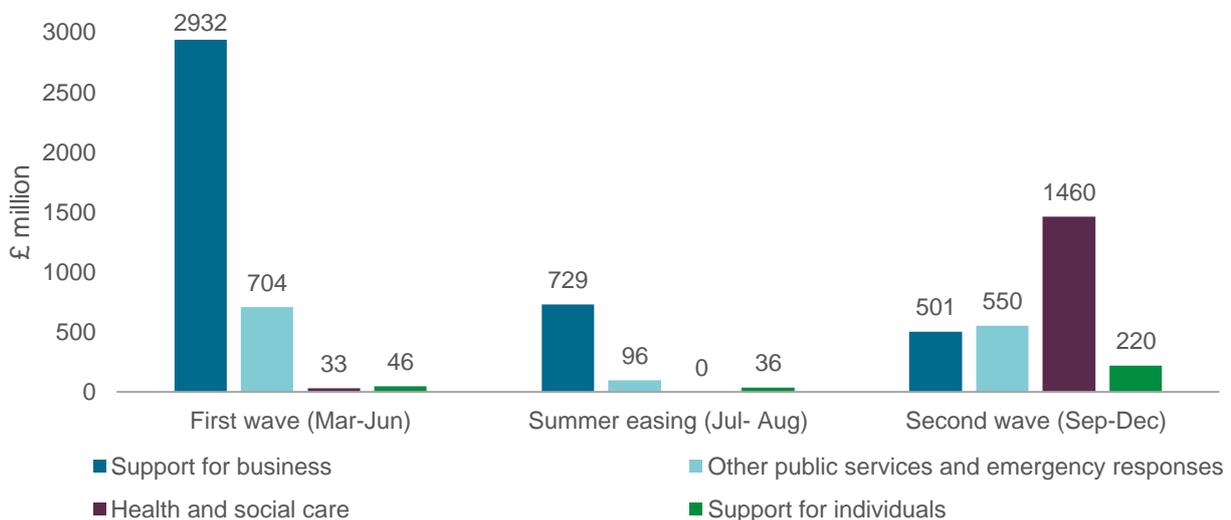
39. In November, the Cabinet Secretary committed that “every penny” of additional funding for Covid-19 “will be allocated on Covid spend”.<sup>21</sup> Over this time, it has become harder to identify what is, and what isn’t, Covid spending, as spending links more widely with economic development issues, and other government goals. This will likely get harder as the pandemic goes on, and the economic shock of the pandemic and longer-term impact on outcomes continues. This is an issue we will return to in later outputs.

### Our analysis shows there have been over 170 Scottish Government Covid-19 spending announcements, with more than 80 further announcements since our August briefing

40. Scottish Government and UK Government announcements of new public spending have varied in scale in response to the virus, from a peak in March, at the beginning of the first lockdown, reducing during the summer, and increasing again in the second wave and the national lockdown in early 2021 ([Exhibit 4](#)).

41. The type of announcements has also changed over the period, as the public response to the pandemic develops. In our August briefing, the big area of commitments made up until the end of July was business and economic support. From then until the end of December, the focus of spending was on the public sector, particularly within health and social care, local government and transport.

### Exhibit 4 Different phases of the pandemic have seen different responses and spending announcements, in 2020



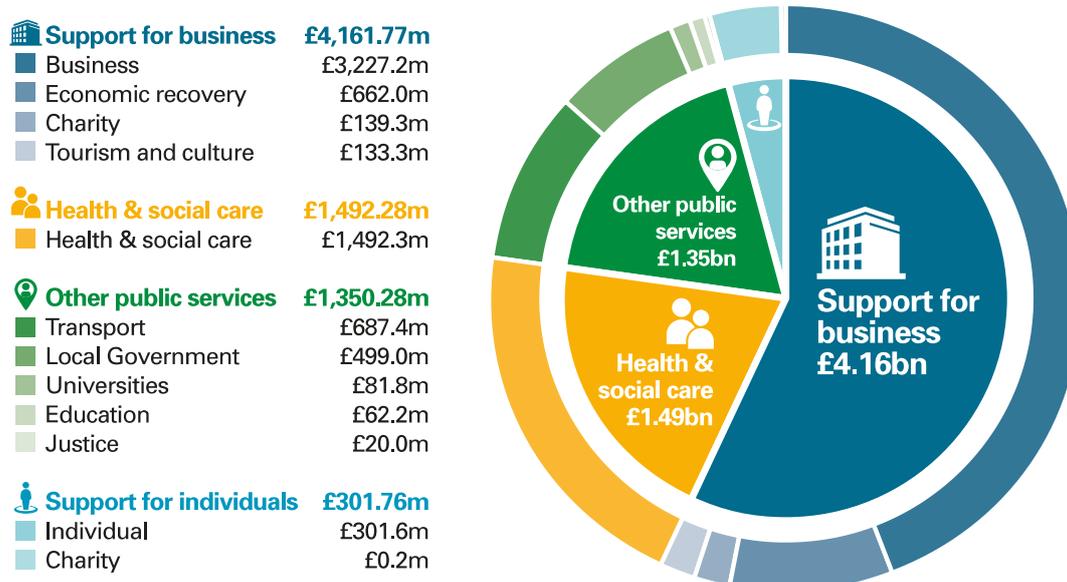
Source: Audit Scotland analysis, based on Scottish Government announcements up to the end of December 2020. Note: this exhibit does not include some of the business support announcements made in October 2020 and January 2021, which were demand led and therefore depend on the level of infections and level of restrictions, and had no level of spending attached when these were announced.

42. Each of the categories above incorporate a wide range of spending announcements and areas of support. This is summarised in the exhibit below. ([Exhibit 5, page 13](#)). Further detail about spending announcements is set out in Appendix 1.

<sup>21</sup> [Official Report, meeting of the Finance and Constitution Committee, 18 November 2020](#)

## Exhibit 5

### Breakdown of Scottish Government spending announcements by category



Source: Audit Scotland analysis, based on Scottish Government announcements up to the end of December 2020. Our analysis suggests that approximately a further £870 million of Covid-19 spending announcements have been made between the end of December and the middle of February 2021. £491 million was further funding for NHS Boards and integration authorities, £188 million was support for businesses, and £167 million for other public services. The latest position will be in the Spring Budget Revision.

### The value of spending programmes announced may be different from the amounts added to the 2020/21 Scottish budget

43. The expected spending in-year incorporated in the approved Scottish budget, to be updated in the Spring Budget Revision, may be different to the total cost of the individual announcements in [Exhibit 5](#) because:

- spending against some announcements depends on demand; any underspend can be used for other purposes. For example, lower than expected take-up for some business grants has meant that funding can be reallocated to other support funds.
- some demand-led announcements do not include assessments of what the announcement will cost. For example, in October, the Strategic Business Fund was announced, but no cost was given at the time. The Scottish Government has confirmed that between November and the end of January, this scheme cost £104 million, which is not reflected in our analysis of announcements.<sup>22</sup>
- some announcements will be spent over more than one year. For example, the energy transition fund is due to be spent over the next five years, with just over half of the £62 million fund committed for 2020/21.
- Some smaller spending may not be announced, but will be picked up in spending revisions.

44. The Scottish Government is required to manage spending against a balanced budget. The Spring Budget Revision will be the final balanced budget approved by the Scottish Parliament in 2020/21. It should reflect the Government's most recent assessment of the amounts it expects to spend during the year in each spending programme. We will know more about the overall performance against the 2020/21

<sup>22</sup> [£244 million paid to businesses in January, Scottish Government](#), 10 February 2021

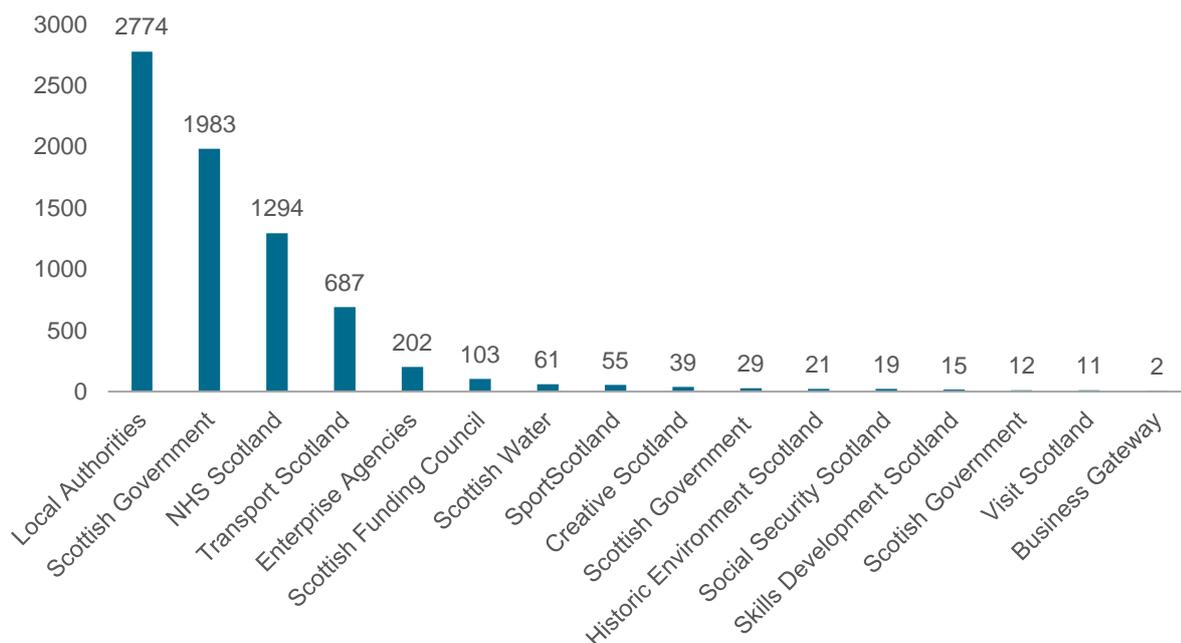
Scottish budget in June 2021, when the Cabinet Secretary will provide an update to Parliament on the provisional outturn.

### Many public bodies are involved in Covid-19 spending. At this stage overall information on actual spending is limited

**45.** Our analysis of announcements identifies that many different public bodies across Scotland are acting as the lead organisations for Covid-19 spending. The majority of this spending has been through Scotland's 32 local authorities and 22 NHS Boards, with a number of other public bodies involved, such as enterprise agencies and the Scottish Funding Council. While this is necessary, the number of public bodies involved in Covid-19 spending inevitably complicates the financial management processes during a pandemic.

**46.** Public bodies are using Covid-19 funding differently. Some is being applied to meet extra costs caused by the pandemic (such as NHS capacity and equipment costs). Some bodies are also disbursing financial support on behalf of the Scottish Government (for example, as Local Government has done with business grants) ([Exhibit 6](#)).

## Exhibit 6 Lead organisations for Covid-19 spending in 2020, from announcements



Source Audit Scotland analysis, based on Scottish Government announcements up to the end of December 2020

**47.** The Scottish Government has shared some information with us on actual spend to date for areas of spend where this information is available. Some examples of actual spend to date include:

- Of the £1.492 billion of Health and Social Care announcements included in our tracker until the end of December, a total of £1.304 billion has been allocated.
- The Scottish Government has been publishing information on spend against business support commitments. Our analysis suggests that by October 2020, £2.252 billion had been spent across twenty funds, with an original expected

cost £2.55 billion.<sup>23</sup> The Scottish Government has spent a further £276 million through the Strategic Support Business Fund between November 2020 and January 2021.<sup>24</sup>

- £444 million of £468 million of commitments for Transport Scotland included in the Summer and Autumn Budget Revisions has been spent.

The full extent of public spending on Covid-19 will not be known until after the financial year end, and this will be covered through Audit Scotland's continuing programme of work on Covid-19 spending.

## The UK Government has continued to support employment and to provide business loans in reserved areas

**48.** As outlined in our August briefing, in addition to the Scottish Government's Covid-19 response, there are also a range of UK Government funded schemes that apply to Scotland.

**49.** The Job Retention Scheme (JRS) had been scheduled to close on 31 October. Due to the increase in Covid-19 cases and subsequent restrictions, the Chancellor announced on [31 October 2020](#) that the JRS was to be extended. This will now run until at least [April 2021](#). The Self-Employment Income Support Scheme (SEISS), providing grants to those in self-employment, was also extended as part of the Government's Winter Economic Plan for an additional 6 months, from November 2020 to April 2021.

**50.** As at the 31 December 2020, there were a total of 282,800<sup>25</sup> Scottish residents being supported by the JRS in Scotland. In addition, 411,000 claims were made for SEISS totalling £1,133 million.

**51.** The UK Government has also provided loans over this period, which are available to Scottish businesses. These include:

- **The Coronavirus Business Interruption Loan Scheme (CBILS)** – loans to businesses impacted by the pandemic receive a Government guarantee for 80 per cent of the value. As at 10 January 2021, 4,144 loans totalling £982 million had been offered to Scottish businesses.<sup>26</sup>
- **The Bounce Back Loan Scheme for small businesses (BBLs)** – loans to small businesses under this scheme are 100 per cent guaranteed by the Government. As at 10 January 2021, 86,062 loans totalling £2,496 million had been offered to Scottish businesses.<sup>27</sup>
- **The Future Fund** – a loan scheme aimed at high-growth companies who are facing financing difficulties due to the pandemic. As at 24 January 2021, 19 loans totalling £7 million had been offered to Scottish businesses.<sup>28</sup>

**52.** A number of new schemes were launched in the UK Summer Statement to support jobs. The UK Summer Statement also introduced the Eat Out to Help Out scheme for August 2020 and the temporary VAT cut for hospitality and tourism for the period from 15 July to 12 January 2021. The VAT cut was extended further in the Winter Economic Plan to 31 March 2021.<sup>29</sup>

<sup>23</sup> This includes the funds presented by the Scottish Government in [their analysis published 15 January](#), with the exception of the Museums and Galleries Scotland Digital Resilience Fund, Museums and Galleries Scotland Urgent Response COVID-19 Fund, where the original commitment level was unclear.

<sup>24</sup> [£244 million paid to businesses in January, Scottish Government](#), 10 February 2021

<sup>25</sup> Provisional figures. Taken from Self-Employment Income Support Scheme statistics from [www.gov.uk](#)

<sup>26</sup> [Coronavirus loan schemes continue to support businesses](#), British Business Bank, January 2021

<sup>27</sup> Ibid

<sup>28</sup> [Future Fund publishes diversity data](#), British Business Bank, January 2021

<sup>29</sup> For the full list of UK-wide economic support funds that apply in Scotland, please see Appendix 1, Coronavirus and Scotland, House of Commons Scottish Affairs Committee, October 2020

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# Part 2

## Financial and performance risks

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### **The risks to Scottish public finances and public services remain significant**

**53.** In August, we highlighted that in responding to the crisis caused by the pandemic, the Scottish Government had to make decisions quickly as the situation developed. We emphasised that these decisions impacted on the whole country and would continue to affect government in Scotland for years to come. Since that date, the crisis has proven to be more enduring and complex than many had previously foreseen.

**54.** Covid-19 will have significant consequences for public spending programmes and services well into the future. With increasing pressures on public revenues and spending, and the Scottish budget subject to ever more volatility, uncertainty and complexity, it will be challenging to match spending to the available funding in the coming years. This will need to be done in a way that minimises the disruption to individuals, public bodies and services, ensures value for money is maintained and avoids unintended consequences.

**55.** In this section we update our analysis of the risks to Scotland's public finances and public services that have arisen, in light of developments in the pandemic. The response to the pandemic is continuing, and it is likely that many of the risks highlighted in this briefing will extend into the medium and long term.

### **Measures to support people through the pandemic must be effective and provide value for money**

#### **The Scottish Government is responding to a public health crisis with complex and changing implications for people**

**56.** The Scottish Government is responding to a public health crisis that continues to have a devastating impact on many people's lives in Scotland. From a public health viewpoint, public spending continues to help the NHS to treat people affected, supplying frontline staff with the equipment they need, and supporting the rollout of the national vaccination programme. But decisions have needed to be made quickly, with much less time for the analysis and consultation that would normally occur.

**57.** Throughout 2020/21, Covid-19 tax and spending measures have also aimed to support the wider needs of people, public health and the economy. Alongside the direct health effects caused by the pandemic, the Scottish Government expects a broader impact on the wellbeing of people in Scotland, that is likely to be felt for several years. This includes the impact on young people caused by disruption to education, the impact on households and relationships from economic disruption, and the broad mental health impact on individuals during lockdown.

**58.** In December 2020, the Scottish Government published its initial overview of how Covid-19 has affected progress towards Scotland's National Performance Framework. The negative impact of Covid-19 is expected across a variety of aspects of people's wellbeing and aspirations; in some cases, progress against national performance outcomes will be deeply set back.

**59.** Directing public funds to tackle these setbacks will be complex and will need a whole-system approach. The Scottish Government explains how the many effects on people in Scotland are connected. For example, people's changing economic circumstances may affect their physical and mental health, and educational disruption may affect disadvantaged students' future attainment. Considering the range of outcomes together will remain important to Scotland's recovery from the pandemic.

### Some groups are being disproportionately affected

**60.** The direct and indirect effects of the pandemic impact on the people of Scotland in different ways. Research shows there are a number of factors in determining an individual's level of risk to Covid-19, including age, deprivation, ethnicity, location, disability, and pre-existing health conditions. For example, in Scotland, deaths among the South Asian ethnic group were almost twice as likely to involve Covid-19 as deaths in the White ethnic group, after accounting for key factors such as age, sex, deprivation, and urban rural classification.<sup>30</sup>

**61.** Young people are more likely to have suffered unemployment during the pandemic and women are around a third more likely to work in shut down sectors or restricted parts of the economy. In addition, people with pre-existing mental health conditions, young adults, women, and individuals in lower socio-economic groups appear to be reporting higher levels of psychological distress.<sup>31</sup>

**62.** Collecting the data and evidence needed to understand how different groups have been affected will help the Scottish Government to direct funds towards those who need support, and in turn to help improve people's wellbeing and outcomes.

### Difficult decisions lie ahead to keep Scottish public finances on a sustainable footing

**63.** The pressures on Scotland's public finances as a direct consequence of the public health crisis are likely to continue into future years. We have previously reported that the pandemic poses significant risks to the sustainability of public finances.<sup>32</sup> Increasingly, these risks include the financial consequences of delays or disruption to other services, such as addressing the courts backlog in Scotland.

**64.** These demands on public finances, unexpected in scale even a year ago, must be managed in addition to existing pre-Covid-19 sustainability concerns. These include pre-existing financial sustainability pressures in areas such as the NHS and local government.<sup>33,34</sup>

**65.** These competing challenges exist within a period of ongoing uncertainty, both in terms of the economy and its impact on revenues, and the demand for services and government support. The Scottish Government's financial and contingency planning will need to be clear on its priorities, and which services are essential to maintain to minimise disruption to people's lives.

### The significant economic impact of Covid-19 continues and will have long-term consequences for public finances

**66.** For many people and businesses in Scotland, the economic consequences of Covid-19 have been huge. While Scottish Government and UK Government responses have included significant economic support, this can only mitigate the overall impact. The ongoing economic impact is a continuing and significant concern for many, and the extent of it remains uncertain.

**67.** Economic uncertainty will also affect public finances directly, both in terms of ongoing spending required to support individuals and businesses, and its impact on devolved tax and social security powers, in particular Scottish Income Tax and devolved social security benefits.

**68.** Through devolved taxes and social security powers, Scottish budgets are directly affected by Scotland's relative economic performance compared to the rest of the UK. As we have outlined in our [2019/20 audit of Social Security Scotland](#),

<sup>30</sup> [Analysis of deaths involving coronavirus \(COVID-19\) in Scotland, by ethnic group](#), National Records of Scotland, July 2020

<sup>31</sup> [Scotland's Wellbeing: The impact of Covid-19](#), Scottish Government & COSLA, December 2020

<sup>32</sup> The 2019/20 audit of the Scottish Government Accounts, Audit Scotland, December 2020

<sup>33</sup> NHS in Scotland 2019, Audit Scotland, October 2019

<sup>34</sup> Local government in Scotland: financial overview, Audit Scotland, January 2021

changes in eligibility and benefit uptake rates due to the pandemic are complex and will affect expenditure differently across the benefit streams. The overall decline of Scottish GDP during the pandemic has been significant and so far, is broadly in line with the UK as a whole. The Scottish and UK economies are both expected to have contracted by around 11 per cent in 2020, according to the SFC and OBR.<sup>35</sup> In contrast, Scotland's GDP fell around four per cent over six quarters during the global financial crisis.<sup>36</sup>

**69.** There is still a great deal of uncertainty in predictions about how and over what period the economy might recover. The most recent forecasts from the SFC alongside the Scottish budget suggest that Scotland's GDP could recover to pre-pandemic levels in 2024.<sup>37</sup>

**70.** For devolved tax and social security powers, the impact of the economy on taxes and social security are not yet known. Under the Fiscal Framework, the Scottish budget increases or decreases based on how devolved tax and social security powers have fared compared to the performance in the rest of the UK. Scotland is still in its first substantive financial year of the pandemic, and so outturn tax and social security figures for this period are not yet known.

**71.** The 2021/22 Scottish budget includes £319m of resource borrowing to cover a negative forecast error in relation to the 2018/19 pre-pandemic period. Scottish Income Tax forecasts for 2019/20 and 2020/21 however, currently show positive reconciliations (increases to budgets) of £74m and £127m, which will apply to the 2022/23 and 2023/24 budgets respectively. These forecasts will change over time as more data is known and reflect both economic and tax policy factors.<sup>38</sup>

**72.** For people in Scotland, unemployment is forecast to rise, peaking at 7.6 per cent in 2021 Q2 once the furlough schemes end.<sup>39</sup> Continued emphasis on economic measures over the medium term will be needed to address the economic impact of Covid-19 on individuals, as well as to manage any potential impact on devolved taxes.

### The size of future budgets will depend upon the UK Government's spending and its fiscal policy decisions

**73.** Barnett consequentials flow to the Scottish budget if additional UK spending is funded through increased taxes or borrowing. This remains the largest component in determining the size of the Scottish budget. So far, the UK Government has funded most of the extra Covid-19 spending by borrowing.

**74.** To date, the overall effect of the UK Government's policy decisions has been to increase the Scottish budget. The delay to the UK budget means that there is uncertainty around the levels and timings of Covid-19 funding the Scottish Government will receive. Currently, the expected Barnett consequentials for 2021/22 are £2.5 billion, of which £1.3 billion is Covid-19 related funding.<sup>40</sup>

**75.** The UK budget in March could include further additional funding, and beyond this, similar to in 2020/21, in-year spending decisions could add further Barnett consequentials for the Scottish budget. This is currently unknown, and it is unclear whether any such consequentials would be guaranteed in the way that they were in 2020/21.

<sup>35</sup> [Scotland's Economic and Fiscal Forecasts](#), Scottish Fiscal Commission, January 2021; [Economic and Fiscal Outlook](#), Office for Budget Responsibility, November 2020

<sup>36</sup> State of the Economy, Scottish Government, September 2020

<sup>37</sup> [Scotland's Economic and Fiscal Forecasts](#), Scottish Fiscal Commission, January 2021

<sup>38</sup> Ibid

<sup>39</sup> Ibid

<sup>40</sup> [Spending Review 2020](#), UK Government, December 2020

**76.** The UK Government's Spending Review 2020 includes £21.3 billion of reserves, as an allowance for further Covid-19 costs.<sup>41</sup> The Cabinet Secretary has written to the UK Government Chancellor of the Exchequer requesting release of £1.7 billion of the reserve to support the Scottish budget.<sup>42</sup> The Chief Secretary to the Treasury has written to reject this, on the basis that the UK Government will decide how to spend the reserve in 2021/22. This UK Government spending may lead to Barnett consequential for Scotland if it is spent in devolved areas. If the reserve is used for UK-wide initiatives, such as vaccine procurement, no consequential would flow from this, although Scotland would benefit from UK-wide measures.<sup>43</sup>

**77.** It is likely that continued in-year budget changes will be required, perhaps in response to changes in Barnett consequential funding. In-year budget management will continue to be critical to manage and balance the Scottish budget. Alongside this, having a clear picture of how Scottish Government and UK Government initiatives are working together to help people in Scotland is needed to properly understand the effectiveness of Covid-19 spending over time.

### Good medium-term planning is essential

**78.** Planning for the medium term in periods of significant uncertainty and volatility is difficult, but necessary. It is important for the Scottish Government to consider what the impact on public services and spending commitments will be and how it can choose to address them. The Auditor General has previously identified the need for improvements to medium term financial planning to aid Parliament's understanding of the financial risks and opportunities arising from the pandemic.

**79.** The Scottish Government has some borrowing and reserve powers, but ultimately, especially in less favourable funding scenarios, the Scottish Government will have difficult decisions to make. Decisions to increase or maintain spending in priority areas of the budget will necessitate either decreasing spend in another budget area, raising the difference via tax revenues, or a combination of both.

**80.** These decisions and trade-offs between areas of spending must be considered alongside how they will affect the desired outcomes for people in Scotland as set out in the National Performance Framework. This includes showing clear links between fiscal risks, potential budgetary decisions that could follow and the impact of this could have on people's wellbeing.

**81.** The Scottish Government published its latest medium-term financial strategy alongside the 2021/22 Scottish budget.<sup>44</sup> This sets out its assessment of Scotland's economic and fiscal outlook, as well as a broad spending outlook considering the effect of changing funding levels for government spending. The strategy includes broad funding and spending scenarios and sets out the Scottish Government's overall priorities. There is no information about planned spending options and how these could affect outcomes.

### Looking after public money properly is as important as ever

#### Protecting people and public money from error and fraud is critical

**82.** The Covid-19 pandemic has brought significant challenges across the Scottish public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time.

**83.** Since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched, and controls and governance are changing. The National Audit Office highlighted that for the UK-wide Bounce Back Loan Scheme, the decision to provide funds quickly leaves public money exposed to the risk of fraud, and that there is a "very high" level of fraud risk.<sup>45</sup>

<sup>41</sup> [UK Government Spending Review 2020](#), HM Treasury, December 2020

<sup>42</sup> [Call for release of £21bn UK COVID-19 reserves](#), Scot.gov news, 13 January 2021

<sup>43</sup> [CST response to Scottish Government](#), gov.uk, 15 January 2021

<sup>44</sup> Scotland's Fiscal Outlook: The Scottish Government's Medium Term Financial Strategy, Scottish Government, January 2021

<sup>45</sup> [Investigation into the Bounce Back Loan Scheme](#), NAO, 7 October 2020

**84.** Our briefing [Covid-19: Emerging fraud risks](#) published in July 2020, sets out more detailed information on a range of fraud risks emerging from the Covid-19 crisis, and what public bodies might do to help reduce these risks.

**85.** Additional risks will continue to emerge as criminals identify new ways to target public money and services. Public bodies and auditors should stay alert to new scams and approaches by fraudsters, and regularly review their controls and governance arrangements to ensure they remain fit for purpose.

### Managing in-year changes to funding and spending is critical in the coming years

**86.** In the Auditor General's report on [The 2019/20 audit of the Scottish Government Consolidated Accounts](#), the Auditor General reported that the Scottish Government's resource budget was overspent by £899 million (two per cent). This is because in March 2020, the Scottish Government announced two large Business Support Schemes to respond quickly to the impact of Covid-19 on businesses. Although funding for these schemes was not included within the Scottish budget until 2020/21, the Scottish Government's actions before the year end created a constructive obligation under accounting standards in 2019/20.

**87.** As the Auditor General reported, the overspend against the Consolidated Accounts budget does not represent unlawful expenditure. This does however highlight the pressure that unexpected events may place on public finances. As a result of the large and significant changes in funding, uncertainty about future demand, and the path of the pandemic, budget management in-year is more difficult than before. This means that financial management must be agile and responsive to both known and unforeseen events.

### Fiscal flexibilities can help short-term budget management but can't insulate the Scottish public finances from the pandemic's effects

**88.** As we noted in our August paper, the Scottish Government had requested additional flexibilities from the UK Government to help manage the pandemic. These flexibilities related to using capital underspends for resource spending, and relaxing the rules relating to resource borrowing and the Scotland Reserve.<sup>46</sup> The Chief Secretary to the Treasury has highlighted his reluctance to move away from the agreed arrangements set out in the Fiscal Framework, and no change has been agreed.<sup>47</sup>

**89.** Using flexibilities to meet immediate spending pressures may help to balance the budget, but it does not tackle the underlying challenges to financial sustainability, and may also bring fiscal risks to manage over the medium term. For example, the Scottish Government normally uses some of its Scotland Reserve balance to support the annual budget; if more of the reserve is used in-year this might not be possible.

### Good budget management requires a thorough understanding of existing budgets and commitments

**90.** As the Scottish budget is increasingly uncertain and volatile, it is more challenging to match spending to the available funding. A key aspect of the Scottish Government's ability to do this will be the nature of its spending programmes and how easily it is able to control these in the short term. This requires understanding the costs of policy decisions over the longer term. It must also have a good understanding of which spending relates to its priority areas, and its priority outcomes, as set out in the National Performance Framework.

**91.** Any changes to spending will need to be done in a way that minimises the disruption to individual public bodies and services and ensures value for money is maintained. The greater the variation in budgets that need to be accommodated,

<sup>46</sup> For more information on the detail of these flexibilities, please see [Pre-budget Scrutiny Report 2021/22](#), Finance and Constitution Committee, 7 December 2020

<sup>47</sup> [Letter to Convener of the Finance and Constitution Committee](#), Chief Secretary to the Treasury, 2 September 2020

the more difficult it will be to achieve this. Much of the public spending incorporated in the Scottish budget is for areas such as staff costs that are very difficult to change quickly. The Scottish Government needs to understand where it is most able to quickly alter spending, and understand what options are available to it in responding to budget fluctuations.

**92.** A more complete understanding of how much money has been committed across all devolved public services is important for managing risks. The Scottish Government has committed to producing a consolidated account to cover the whole public sector in Scotland, including total assets, investments and liabilities such as local government borrowing and public-sector pension liabilities. The Auditor General has recently highlighted that there is a need, more than ever, for a public consolidated account.<sup>48</sup>

### **Decision-making is happening in a fast-moving environment, and transparency is essential**

#### **Transparency must be maintained as the budget and the response to Covid-19 becomes more complex**

**93.** As more spending and funding announcements are made, and as Scottish Government move into post-vaccine recovery phase, tracking the budget will become more complex. As we highlighted in Paragraph 39 above, it will likely become increasingly hard to identify what is, and what isn't, Covid spending, as spending links more widely with economic development issues, and other government goals. This means that transparency over spending pressures, progress, risks to delivery must be maintained.

**94.** Scottish Government responses need to work alongside UK Government and local government measures. The frequency of spending decisions by the UK and Scottish governments and individual public bodies, such as NHS boards and local authorities, has made tracking how interventions are working together more complex. In such a fast-moving environment, it is more difficult to demonstrate how each measure has been chosen and how overall spending is being managed.

#### **Governance of public funds and accountability must be robust**

**95.** In March 2020, in response to the significant emerging risks posed by the Covid-19 pandemic, the Scottish Government reassessed and revised its corporate governance arrangements. In the recent Section 22 report, the Auditor General judged that the changes to arrangements were timely and appropriate.<sup>49</sup>

**96.** This is positive, and must continue throughout 2020/21 and 2021/22 as the Scottish Government continues to respond to the pandemic. Good governance must also extend throughout all public bodies, including non-departmental public bodies and others who are lead agencies in spending funds. Being clear about which bodies are responsible for spending decisions will help deliver accountability.

**97.** Good scrutiny is an essential part of governance arrangements – at the level of the Scottish Parliament, but also from audit and risk committees within public bodies. Audit committees help public bodies focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements.

**98.** Audit and risk committees must assure themselves that they are engaged and well-informed about the changes that are occurring and affecting their organisation due to Covid-19. For example, they should be informed of changes to internal reporting arrangements, and policy and legislative changes and the impact they are likely to have on the organisation. They should also be apprised of any fraud and error risks arising from the response to Covid-19. Audit Scotland published a [Guide for audit and risk committees](#) on responding to Covid-19, which provides more information on this issue.

<sup>48</sup> [The 2019/20 audit of the Scottish Government Consolidated Accounts](#), Auditor General, December 2020

<sup>49</sup> Ibid

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# Part 3

## The public audit response

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### Audit and the pandemic in 2020

**99.** During 2020, public bodies came under exceptional pressure as they managed the impact of the Covid-19 pandemic. It will also be some time before we fully understand the longer-term impact on public services and finances. Further challenges are likely to emerge as we move from the acute phase of pandemic to the recovery phase. Our audit approach is adapting to reflect that.

### How our planned audit approach will support the Scottish public sector

**100.** Audit Scotland is committed to helping the Parliament, the public sector and the people of Scotland understand how public money has been used during this crisis and ensure lessons are learned for the future. While we will keep a dynamic approach as the pandemic progresses and the impacts become clearer over time, key focuses of our work will include issues such as:

- Economic recovery and growth: how public money is being used to support the economy and its response to, and recovery from, Covid-19
- Policy priorities: progress on key policy commitments and public services' ability to deliver on long-term strategic priorities and outcomes
- Inequalities: the impact of Covid-19 on different groups in society, with a focus on the risk of exacerbation of existing inequalities
- Innovation and transformation: how public bodies are learning lessons and innovating and transforming public services
- Governance and accountability: how public bodies are ensuring the proper and effective use of public money across the public sector and within individual bodies. This includes assessing fraud and error, scrutiny, and collaborative leadership.

**101.** Covid-19 will be a key aspect of all **financial audit work** for the foreseeable future. A key focus of our financial audit is the governance and outcomes of the additional Covid-19 funding, as far as these are becoming apparent, or 'following the pandemic pound'.

**102.** For our **performance audit work**, we will address the pandemic through specific Covid-19 audits and in audits on other areas of public service provision and planning.

**103.** We will be publishing a refreshed work programme during the spring. For more information on our work to date during the pandemic, and our areas of focus, please see our update paper, [Covid-19: What it means for public audit in Scotland](#).

# Appendix

## Scottish Government spending announcements as at end 2020

Category	Summary of spend	£m
<b>Business and economic support</b>		
To 31 July 2020 <sup>1</sup>	<ul style="list-style-type: none"> <li>£1.202 billion for the £10,000 Small Business Support Grant and the £25,000 Retail Hospitality and Leisure Support Grants</li> <li>£875 million to cover the cost of business rates relief</li> <li>£794 million for 13 other grant and loan schemes for a range of businesses</li> <li>£230 million 'Return to work' package to support construction, low carbon projects, digitisation and business support</li> <li>£200 million to stimulate the housing market</li> <li>£100 million for employment support and training</li> <li>£61 million for the tourism and cultural sectors</li> <li>£110 million for the third sector</li> </ul>	3,572
August to December 2020	<ul style="list-style-type: none"> <li>£357 million for support for businesses and sectors' resilience during the pandemic, although the total cost of supporting businesses through the second lockdown is unclear</li> <li>£72 million support for tourism and culture organisations, such as £21 million for Historic Environment Scotland in reopening its historic properties</li> <li>£132 million for initiatives to support economic recovery</li> <li>£30 million for the third sector</li> </ul>	590
<b>Total business support</b>		<b>4,162</b>
<b>Public services</b>		
To 31 July 2020 <sup>1</sup>	<ul style="list-style-type: none"> <li><b>Health and social care:</b> £32.7 million of spending announcements were made relating to health</li> <li><b>Local authorities:</b> £338 million of announcements were made relating to Local Government.</li> <li><b>Other support for public services</b> includes £390 million of funding for transport operators, university research and employment support</li> </ul>	761
August to December 2020	<ul style="list-style-type: none"> <li>£1.459 billion for health and social care, including £1.1 billion for health and social care, £180 million for the bonus for health and social care staff, and £112 million for social care winter preparedness.</li> <li>£216 million for Local Government including funding to replace lost income and support for individuals facing financial hardship</li> <li>£377 million for transport, including support for bus and rail operators as well as the Glasgow subway and Edinburgh trams</li> <li>£30 million for educational establishments, universities and legal aid solicitors</li> </ul>	2,082

Category	Summary of spend	£m
<b>Total public services</b>		<b>2,842</b>
<b>Other support for individuals</b>		
To 31 July 2020	In addition to the support for vulnerable individuals provided through local government and third sector grants, specific Scottish Government support packages for individuals include the Unpaid Carers Allowance supplement, hardship payments for students and discretionary housing payments for tenants.	46
August to December 2020	<ul style="list-style-type: none"> <li>• £100m for the Winter Plan for social protection, including support for low-income families</li> <li>• £118m to various funds helping individuals experiencing hardship</li> <li>• £38m additional funding to support digital connectivity</li> </ul>	256
<b>Total individuals</b>		<b>302</b>
<b>TOTAL</b>		<b>7,306</b>

Note: 1. Figures do not match those we published in August 2020 because some announcements were superseded by later announcements. We have since reclassified the £200 million to stimulate the housing market and £100 million for employment support and training.

# Covid-19: Tracking the implications of Covid-19 on Scotland's public finances

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

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