The Accounts Commission for Scotland

Agenda

Meeting on Thursday 13 February 2014
in the offices of Audit Scotland, 18 George Street, Edinburgh

The meeting will begin at 11.00am*

(*NB Change from regular time)

1. **Apologies for absence.**

2. **Declarations of interest.**

3. **Decisions on taking business in private:** The Commission will consider whether to take items 9 to 13 in private.

4. **Minutes of meeting of 16 January 2014.**

5. **Update report by the Secretary and Business Manager:** The Commission will consider a report by the Secretary and Business Manager on significant recent activity in relation to local government.

6. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.

7. **External employment of local authority officers:** The Commission will consider a report by the Director of Performance Audit and Best Value.

8. **Targeted Best Value audit work: South Ayrshire Council:** The Commission will consider a report by the Controller of Audit.

The following items are proposed to be considered in private:

9. **Targeted Best Value audit work: South Ayrshire Council:** The Commission will consider the action it wishes to take..

10. **An overview of local government in Scotland 2014 – draft report:** The Commission will consider a report by the Director of Performance Audit and Best Value.

11. **How councils work: options appraisal:** The Commission will consider a report by the Director of Performance Audit and Best Value.

12. **Audit Scotland Corporate Plan 2012-15: Priorities for 2014:** The Commission will consider a report by the Director of Corporate Programmes and Performance

13. **Commission business matters:** The Chair will report on matters of interest.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of meeting of the Commission of 16 January 2014	AC.2014.2.1
Agenda Item 5: Report by Secretary and Business Manager	AC.2014.2.2
Agenda Item 7: Report by Director of Performance Audit and Best Value	AC.2014.2.3
Agenda Item 8: Report by Controller of Audit	AC.2014.2.4
Agenda Item 10: Report by Director of Performance Audit and Best Value	AC.2014.2.5
Agenda Item 11: Report by Director of Performance Audit and Best Value	AC.2014.2.6
Agenda Item 12: Report by Director of Corporate Programmes and Performance	AC.2014.2.7

ACCOUNTS COMMISSION

MEETING 13 FEBRUARY 2014

MINUTES OF PREVIOUS MEETING

Minutes of the meeting of the Accounts Commission
held in the offices of Audit Scotland at
18 George Street, Edinburgh, on
Thursday, 16 January 2014, at 10.00am

PRESENT: Douglas Sinclair (Chair)
                     Michael Ash
                     Alan Campbell
                     Sandy Cumming
                     Colin Duncan
                     Christine May
                     Bill McQueen
                     Linda Pollock
                     Colin Peebles
                     Graham Sharp
                     Pauline Weetman

IN ATTENDANCE: Fraser McKinlay, Controller of Audit and Director of Performance Audit
                     and Best Value
                     Paul Reilly, Secretary and Business Manager
                     Antony Clark, Assistant Director, Performance Audit and Best Value
                     (PABV) [Items 8 and 9]
                     Claire Sweeney, Senior Manager, PABV [Item 7]
                     Gillian Woolman, Assistant Director, Audit Services [Item 6].

Item No   Subject

1.   Apologies for absence
2.   Declarations of interest
3.   Decisions on taking business in private
4.   Minutes of meeting of 12 December 2013
5.   Update report by the Controller of Audit
6.   Parliamentary Commission on Banking Standards
7.   Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry (Francis
             Report)
8.   Developing a place and partnership-based joint scrutiny planning process:
             future developments
9.   Community Empowerment and Renewal Bill: draft response
10.   Commission business matters

1.   Apologies for absence

There were no apologies.

2.   Declarations of interest

The following declarations of interest were made:
- Michael Ash, in items 8 and 9, as a member of the board of NHS Lothian
- Bill McQueen, in items 8 and 9, as a member of the board of the Scottish Fire and Rescue Service.

3.   Decisions on taking business in private

It was agreed that items 7 to 10 should be taken in private as they contained draft reports and confidential issues.

4.   Minutes of meeting of 12 December 2013

The minutes of the meeting of 12 December 2013 were submitted and approved.

Arising therefrom, in relation to item 13, the Commission agreed that the Controller of Audit report to the Financial Audit and Assurance Committee on local press reports in relation to East Dunbartonshire Council advising that it was dealing with a substantial deficit in its revenue budget.

Action: Controller of Audit

5.   Update report by the Controller of Audit

The Commission considered a report by the Controller of Audit providing an update on significant recent activity in relation to the audit of local government.

During discussion the Commission:
- Noted advice from the Controller of Audit that the Chair had requested that from the next meeting of the Commission, he and the Secretary and Business Manager provide separate update reports, the former on his activities and the latter on wider issues affecting local government.
- In relation to paragraph 14, agreed that the Controller of Audit report on how the audit process considers optimism bias in local government project planning.

Action: Controller of Audit

Thereafter the Commission agreed to note the report.

6.   Parliamentary Commission on Banking Standards

The Commission considered a report by the Director of Audit Services providing a summary of key messages from the Parliamentary Commission on Banking Standards' final report, '*An accident waiting to happen': the failure of HBOS*', published in April 2013, and setting out Audit Scotland's response thereto.

During discussion, the Commission:
- In relation to the issue of the cultural implications of two organisations coming together, noted advice from the Chair that a paper from the Controller of Audit

on the progress of the Highland lead agency model for the integration of health and social care services would be forthcoming at a future meeting.

- Agreed that it consider further how to engage with councils and other stakeholders at the time of publication of legislation on health and social care integration on the implications of the legislation.

  Action: Director of Performance Audit and Best Value

- Agreed that it consider further – at its annual Strategy Seminar - how to communicate to local government the lessons arising from the report.

  Action: Secretary and Business Manager

- Noted advice from the Controller of Audit that lessons arising from the report will be considered at audit planning events involving Audit Scotland and private firms.

- Agreed that when considering the future of the *How councils work* series, which will be done at its annual Strategy Seminar – that risk management be considered as a possible subject to be featured.

- Agreed that it consider further –at its annual Strategy Seminar –the desirability of a Commission report or other product that sets out the characteristics of the 'culture of a good council'.

  Actions: Secretary and Business Manager

Thereafter the Commission agreed to note the report.

7.   Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry (Francis Report) [in private]

The Commission agreed that this item be held in private to allow it to consider issues of a confidential nature.

The Commission considered a report from the Controller of Audit setting out Audit Scotland's response to the Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry, which was published in February 2013.

Following discussion, the Commission agreed

- That an update on the progress of the Public Bodies (Joint Working) (Scotland) Bill be provided at a future meeting.

  Action: Director of Performance Audit and Best Value

- To note advice from the Director of Performance Audit and Best Value that his current work in developing an approach to auditing Best Value included considering Best Value in the health and central government sectors.

- That it consider issues around its engagement with citizens and communities at its annual strategy seminar

- That the Commission receive further updates as appropriate in relation to the progress of Audit Scotland against actions as set out in the report..

  Action: Director of Performance Audit and Best Value

Thereafter the Commission agreed to note the report.

8. <u>Developing a place and partnership-based joint scrutiny planning process: future developments [in private]</u>

The Commission agreed that this item be held in private to allow it to consider issues of a confidential nature.

The Commission considered reports from (a) the Controller of Audit, updating the Commission on recent discussions with strategic scrutiny partners on issues associated with the potential impact of an increased emphasis on place, partnership and prevention within Scotland's public service reform agenda on the audit, inspection and regulation of public services; and (b) the Secretary and Business Manager, setting out some issues for the Commission to consider in this regard.

Following discussion, the Commission agreed:

- To note the work undertaken with scrutiny partners through the Strategic Scrutiny Group.

- To note the collaborative scrutiny activity being undertaken with scrutiny partners in its existing audit activity, notably the shared risk assessment process and the audit of community planning partnerships.

- Notwithstanding this activity and the Commission's desire to ensure that it reflects the public service reform agenda in its work (as set out in its Strategy), to prioritise its activities around holding local government to account.

- Accordingly, to continue to focus the shared risk assessment process on the scrutiny of local government.

- To give further consideration – at its annual Strategy Seminar – to being clear about its role in the improvement agenda.

Actions: Director of Performance Audit and Best Value

9. <u>Community Empowerment and Renewal Bill: draft response [in private]</u>

The Commission agreed that this item be held in private to allow it to consider a draft paper.

The Commission considered a report by the Controller of Audit providing an overview of the Community Empowerment (Scotland) Bill and proposing an approach to responding to the Scottish Government's consultation on the Bill.

Following discussion the Commission agreed to delegate authority to the Chair to approve the content of the response to the consultation document in conjunction with the Auditor General, to be prepared based on the Commission's discussion.

Action: Director of Performance Audit and Best Value
and Secretary and Business Manager

10. <u>Commission business matters [in private]</u>

The Chair briefed the Commission on forthcoming business for future meetings and on various issues of note in local government.

ACCOUNTS COMMISSION

MEETING 13 FEBRUARY 2014

REPORT BY SECRETARY AND BUSINESS MANAGER

UPDATE REPORT

Introduction

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.

2. It complements the intelligence reports to the Financial Audit and Assurance Committee, which provide a more detailed update on issues relating to local government.

3. The information featured is also available on the Accounts Commission member portal and is highlighted in the weekly email bulletins for members' interest. Hyperlinks are also provided in the electronic version of the report for ease of reference.

Issues affecting local government

Scottish Parliament/ Scottish Government:

4. The Scottish Government has published on 3 February the Model Code of Conduct for Members of Devolved Public Bodies, which covers the Accounts Commission. The Code was first introduced in 2002 and has now been revised following approval of the Scottish Parliament in December 2013. The changes in the revised Code are not significant, and relate mainly to registration of interests and gifts. It brings the Code in line with the Code of Conduct for Councillors, which was published in December 2010. The Commission is now required to develop an individual Code based on the Model Code of Conduct by the end of May 2014. I will therefore report further to the Commission in this regard.

5. The Director of Performance Audit and Best Value will provide a briefing on the progress of Public Bodies (Joint Working) (Scotland) Bill the Bill at the Commission's next meeting. Meantime, the Commission may wish to note that Bill has now passed Stage 2 consideration by the Parliament. As part of this, the Scottish Government laid amendments to the Bill.

6. One such amendment makes provision in the Bill for the stewardship and accounting and audit of the money received and paid by integration joint boards, and for a duty to achieve value for money. The purpose of the amendment is therefore to require that:

    (a) the Chief Officer of the integration joint board be responsible for its financial affairs;

    (b) the joint boards keep accounts, and

    (c) the joint boards have their accounts audited and to provide for the audit to be carried out by the Accounts Commission for Scotland.

    (a) will be achieved by amending the Bill and (b) and (c) will be achieved by amending S106 of the Local Government (Scotland) Act 1973 to extend the scope of the Act to include integration joint boards.

7. In addition, the existing power for Ministers to make orders under Section 12 of the Bill will be used to:

- Place the chief officer under a duty to seek and consider advice from the Directors of Finance of the local authority and the Health Board. This duty will apply only until such time as a Ministerial Order may be made enabling the direct delivery of services by the integration joint board itself; and

- Require that the Directors of Finance of the local authority and the Health Board are members of the integration joint board.

8. On 22 January, the Parliament agreed the general principles of the [Budget (Scotland) (No.3) Bill](#) (For 90, Against 13, Abstentions 2) at Stage 1. The Official Report of the debate is available [here](#). The Finance Committee also agreed the Bill at Stage 2 on 29 January 2014 – the Minute of the meeting can be read [here](#). The Parliament will debate the Bill at Stage 3 on 5 February.

9. The [Regulatory Reform (Scotland) Bill: Stage 3](#) was passed by Parliament at its meeting of 16 January. Audit Scotland's role in monitoring planning authorities' performance was mentioned in the debate. The Official Report of the meeting can be read [here](#).

10. At the Cowdenbeath by-election on 23 January 2013, Labour's Alex Rowley was elected to the Scottish Parliament after securing 11,192 votes, with a majority of 5,488. Mr. Rowley resigned his former post as leader of Fife Council. The SNP placed second in the count, and the Conservative Party third. UKIP and the Liberal Democrats finished fourth and fifth respectively. The turnout was 34.81%.

Parliamentary Committee News:

Local Government and Regeneration Committee:

11. At its meeting of 29 January, the Committee considered the Scottish Government's draft [Community Empowerment (Scotland) Bill](#). The Committee agreed its approach to its scrutiny of the Bill, which will include taking evidence from the Accounts Commission.

12. At the same meeting, the Committee also:

- took evidence on the [Draft Third National Planning Framework (NPF3) and Review Scottish Planning Policy (SPP)](#) from various parties including Derek Mackay, Minister for Local Government and Planning, and officials from the Scottish Government. (The Scottish Government published on 24 January responses to the [Draft Scottish Planning Policy: Sustainability & Planning Consultation](#)).

- considered a draft report on the Delivery of Regeneration in Scotland in private session. It agreed to consider a revised draft report, in private, at a future meeting.

Public Audit Committee:

13. At its meeting of 29 January, the Committee considered the Scotland Act 2012. It took evidence on its approach to reporting on the framework for auditing the Scottish rate of income tax from Alistair Brown, Deputy Director, and Jonathan Sewell, Principal Policy Analyst, Finance Directorate, Scottish Government; Caroline Gardner, Auditor General

for Scotland; Russell Frith, Assistant Auditor General, and Mark Taylor, Assistant Director, Audit Scotland. The official report of the meeting is available here.

14. On 15 January, the Committee took evidence on the Audit Scotland Performance Audit programme 2014 from Caroline Gardner, Auditor General for Scotland; Fraser McKinlay, Director, and Angela Cullen, Assistant Director, Audit Scotland. The official report of the meeting is available here.

15. The Committee has published correspondence from Audit Scotland to the Committee and from the Committee Convener to the Scottish Government relating to the joint report (with the Commission), Managing early departures from the Scottish public sector.

Infrastructure and Capital Investment Committee:

16. At its meeting of 29 January, the Committee considered the Procurement Reform (Scotland) Bill. The Bill makes provision about the procedures relating to the award of certain public contracts; to require certain authorities to produce procurement strategies and annual reports; and for connected purposes. The committee agreed a revised draft Stage 1 report on the Bill. The report concluded the Bill should continue to progress through the Scottish Parliament.

17. At this meeting, the Committee also considered the Draft Third National Planning Framework and the Housing (Scotland) Bill at Stage 1. The committee has published the first of the submissions on the Housing (Scotland) Bill.

Welfare Reform Committee:

18. On 28 January, the Committee agreed to submit a bid to commission research from the Centre for Regional Economic and Social Research at Sheffield Hallam University to access the impact of welfare reform on Scotland by local authority ward area.

19. The committee also agreed its interim report on the 'Bedroom Tax'. The report repeats its call for the UK Government to abolish the bedroom tax, or give the Scottish Parliament the powers to do so. The minute of meeting is available here.

Finance Committee:

20. The Finance Committee has published a briefing on the Revenue Scotland and Tax Powers Bill from its adviser, Professor Gavin McEwen.

COSLA / Improvement Service etc.:

21. The Commission on Strengthening Local Democracy in Scotland is carrying out a series of "web-streamed" evidence gathering sessions which as part of Stage 2 its work. The 11 sessions are interactive and are streamed live here. They will also be available to view on demand for period of time following each session. More details of sessions, including topics can be found on the News page of the Commission's website.

22. The COSLA and Improvement Service Annual Conference 2014 will take place over 13 and 14th March. This year's event is designed to complement the ongoing work of the Commission for Strengthening Local Democracy in Scotland. More details of the programme are available on COSLA's website.

23. The CIPFA Scotland Public Finance Conference 2014 will take place on 6 and 7 March. Key speakers include John Swinney, Cabinet Secretary for Finance, Employment and

Sustainable Growth and Vic Emery, Chair of Scottish Police Authority. More details of the programme are available on CIPFA's website.

24. In December 2013, the Association for Public Service Excellence (APSE) announced details of the winners and finalists of the APSE Performance Networks Awards 2013. The performance awards aim to encourage benchmarking and sharing of best practice throughout local government frontline services. Scottish councils won Best Performer in three of the 23 award categories, namely: Falkirk Council; Moray Council; and East Renfrewshire Council. Scottish councils also achieved Most Improved Performer in three award categories, namely: Inverclyde Council; Fife Council; and Aberdeen City Council. There were 43 entries from Scottish councils for the 23 award categories.

Current activity and news in local government:

25. Media reports (BBC Online, 23 January) indicate that councillors in Dumfries and Galloway are to consider plans to leave COSLA. The council has agreed to give notice of intention to its £110,000-a-year membership. However, it has reserved the right to change its mind in the next 12 months. The report also notes that Scottish Borders Council has called for a review of the COSLA constitution, and standing orders.

26. Local media (Edinburgh Evening News, 24 January) report that contractors and former City of Edinburgh Council staff have appeared in court to face charges including fraud and corruption in relation to the Council's property repair service.

27. Media reports (Sunday Herald, 26 January, Daily Record, 29th January) indicate that officials at East Ayrshire Council may face an investigation over a £132 million gap in the council's budget for cleaning up old opencast coal mines.

28. Local media (Helensburgh Advertiser, 30 January). reports that the deputy leader of Argyll and Bute Council has claimed proposals for new committees, are in line with recommendations outlined in a recent audit report by Audit Scotland and Accounts Commission

29. The current depute leader of Fife Council, Labour councillor, David Ross, has been appointed as the new leader of the local authority's administration, replacing the former leader, Alex Rowley following his recent election to the Scottish Parliament as MSP for Cowdenbeath.

Police, Fire and Justice:

30. On 30th January, the Scottish Police Authority agreed proposals from Police Scotland to close control rooms in Aberdeen, Stirling, Dumfries and Glenrothes. Other proposals include the closure of the Pitt Street control room in Glasgow and remodelling of the Inverness control room as a National Command Base. The Scottish Fire & Rescue Service's proposals for the closure of fire control rooms across Scotland have also been approved. Aberdeen City Council has called for a judicial review of the decisions.

31. Former Assistant Chief Constable Derek Penman has been appointed Her Majesty's Inspector of Constabulary for Scotland (HMICS). Mr. Penman took up his official duties on Friday 31st January.

32. The Parliament's Public Audit Committee has published correspondence sent to Audit Scotland and the Scottish Government regarding the Section 23 report Police reform: Progress update 2013.

33. The Parliament's [Justice Committee](link) has published a call for evidence to investigate the impact of the formation of a single Scottish fire and rescue service (the Police and Fire Reform (Scotland) Act 2012) on local communities. Since the move to a single service, the Scottish Fire and Rescue Service has published 32 local plans. The committee is seeking views from local communities on how well they feel they have been consulted on local plans and how significant proposals will impact their area.

Scrutiny and Inspection Bodies

The Care Inspectorate:

34. The Care Inspectorate has published [Improving care in Scotland: What the Care Inspectorate did in 2012/13](link). It is the first time this information has been published. It provides an overview of information about the care sector in Scotland and provides a snapshot of the Inspectorate's activities throughout the year. This publication aims to "tell the human story behind the statistical figures".

Healthcare Improvement Scotland:

35. HIS has published its annual report for 2012-2013, [Healthcare Improvement Scotland - Annual Report 2013](link). The report provides an overview of the Inspectorate's activities during its third year of its activities.

Other UK Audit Bodies

Wales Audit Office:

36. A [report](link) by the Williams Commission (January 2014) has suggested councils in Wales should merge leaving 10, 11 or 12 local authorities rather than the current 22. The Commission recommends discussions about the merger should begin by Easter.

37. The annual [2012-13 Local Government Accounts report](link) summarises the results of auditors' work for 2012-13 in Wales: Unqualified opinions were issued before the 30th September deadline for all but one authority. There were six bodies where audit opinions included emphasis of matter paragraphs where the auditor draws the reader's attention to specific issues reported upon during the year or other aspects of the accounts.

Audit Commission and National Audit Office:

38. On 30th January, the Audit Commission issued a [press statement](link) following the news that the [Local Audit and Accountability Act](link) had received Royal Assent. The Act makes it possible for the Audit Commission to close, in line with Government expectations, on 31 March 2015. The statement explains the main aims of the organisation in its final 14 months. It notes that plans are already in place for many of the residual responsibilities which will transfer to new organisations and highlights those which still need to be re-allocated. In the place of the Audit Commission, there will be a new framework for local public audit, coming into effect once the Commission's current contracts with audit suppliers end in 2016/17, or potentially, in 2019/20 if all the contracts are extended. A transitional body will oversee the contracts in the intervening period.

39. The Act has conferred a new role on the National Audit Office to support the new arrangements for the audit of local public bodies. The Act introduces a new responsibility for the Comptroller and Auditor General, the head of the NAO: to prepare and maintain the Code of Audit Practice setting out the framework within which auditors of local bodies

carry out their work. The NAO has been working closely with the Commission to develop a plan for taking on the Code of Audit Practice, and to facilitate the transfer of staff where required. The provisions of the Act clarify the Comptroller and Auditor General's power to undertake examinations regarding the economy, efficiency and effectiveness with which local public bodies have used their resources.

40. The Audit Commission has published a report on the administration of benefits, which it finds has cost English councils £829m.

41. The National Audit Office has published a report entitled Forecasting in government to achieve value for money. A key finding is that inadequate forecasting is an entrenched problem for government departments, leading to poor value for money and increased costs for the taxpayer.

Other bodies

Scottish Environment Protection Agency:

42. The Scottish Environment Protection Agency has published a report which acknowledges the challenge of maintaining a sustainable approach to all aspects of its work. The report notes the body has yet to meet a third of its targets to achieve national and international climate change objectives.

Westminster

Public Accounts Committee:

43. In December 2013, the Committee published its report on Improving access to finance for small and medium-sized enterprises (SMEs) following evidence from the Department of Business, Innovation & Skills, HM Treasury, the British Chambers of Commerce, the FSB and Barclays Bank.

Conclusion

44. The Commission is invited to consider and note this report.

Paul Reilly
Secretary and Business Manager
5th February 2014

ACCOUNTS COMMISSION

MEETING 13 FEBRUARY 2014

REPORT BY DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

SENIOR OFFICER SECONDARY ROLES

Purpose

1. This report provides the Commission with information on existing arrangements and guidance in place in public bodies for senior officers assuming roles outwith the body. It also invites the Commission, in conjunction with the Auditor General for Scotland, to consider whether the variety of practices identified would merit the issue of further guidance in this area.

Background

2. During 2013, the public profile of senior officers taking on additional roles increased. At its meeting on 22 August, the Commission requested a report from the Controller of Audit on the desirability of guidance in relation to senior council officers assuming roles with bodies outwith a council.

3. Details of current council arrangements were requested from local government audit teams where the appointed auditor is Audit Scotland. Details were also sought for larger NHS and central government bodies where Audit Scotland is the appointed auditor, to identify the range of approaches across sectors. It should be noted that this exercise was not intended to be a comprehensive study/questionnaire for all public bodies. Rather it was an exercise designed to identify the broad range of approaches currently in use. This approach was taken in order to balance the resources taken by the exercise with the requirement for a good range of identified practices.

4. Information was received on a total of fifteen councils, along with four health boards and two central government bodies. The returns were made based on information publically available from bodies' websites, their core policy and procedure documentation, and local auditors' general knowledge of the bodies. In some instances the local auditor had more detailed discussions with bodies to seek further information.

Findings

Information availability and disclosure

5. The availability of information on bodies' arrangements, as well as any identified relationships, varies across sectors and bodies.

6. Core guidance and policies on secondary employment for employees are not usually published as corporate documents on bodies' websites, although in the local government sector they are available through public committee papers when the policies are reviewed and updated.

7. In contrast, these staff policies are usually less accessible in the NHS and central government, as publicly available board and committee papers are in a number of cases limited to minutes, or papers of the full board only. However, the Codes of Conduct for board members, which include some senior staff within these organisations, are published on websites.

8. In terms of identified relationships that exist, organisations are required to make a number of disclosures on related party transactions in their financial statements in line with International Accounting Standard (IAS) 24 and International Public Sector Accounting Standards (IPSAS) 20. Whilst there is also sector specific guidance within the Accounting Code of Practice (local

government) and the Financial Reporting Manual (NHS and central government), the general requirement across all sectors is the same, including the disclosure of material related party relationships involving key management personnel.

9. Registers of interest are another source of public information within bodies. In local government, registers of councillor interests are maintained and publicly available, in line with the Standards Commission for Scotland requirements. Similarly, registers of board members' interests (including senior officers who are board members) are maintained and publicly available in the NHS and central government sectors. Although some examples were noted of senior council officer declared interests being disclosed as part of their profile on council websites, there is no regulatory requirement to make this information publicly available.

Policies and procedures

10. All bodies sampled in the review have some form of guidance or policy in place covering arrangements for paid secondary employment, however the scope and level of detail in these varies.

11. Most bodies, including the 15 councils, have a staff Code of Conduct. These Codes are based around the Nolan Committee recommendations on standards of conduct in public life, and reflect the principles of the National Code of Conduct for Local Government Employees as endorsed by COSLA. Typically, the documents include a section on paid employment with another organisation, setting out any considerations or restrictions that will apply, the declarations required by the employee, and any approval process that may be in place. A separate section is often included on specific arrangements for remuneration arising from lecturing or publication fees linked to the employee's role in the organisation.

12. In many of the bodies, these documented arrangements for paid employment also extend explicitly to unpaid work such as volunteering for the emergency services and charities. For the remaining bodies, the Codes of Conduct sections on personal interests and conflicts of interest would apply to unpaid work. These sections differ from paid employment sections in that declarations of unpaid work would only be required where there was a perceived interest, and would not usually require formal approval by line management.

13. A small number of the bodies reviewed have other expanded or more specific guidance and policies in place alongside their Code of Conduct e.g. Falkirk Council has an extra-mural employment policy which provides more detail on guidance in place, and Highland Council has a special leave policy which outlines circumstances or roles where reasonable time off with pay would be permitted. East Renfrewshire Council has a "conflict of interest FAQ" section on their intranet, which provides some guidance and examples of what may constitute a conflict of interest.

14. In NHS bodies, in addition to the Codes of Conduct, an employee's contract of employment should have clauses placing certain restrictions on secondary employment. These standard clauses result from the NHS's overall review of national terms and conditions under the Agenda for Change initiative.

15. Only one council return identified that specific secondary employment contract clauses were used for chief officer posts. It may be that these clauses are more widely utilised within local authorities, however this information was not specifically identified across bodies.

Restrictions on secondary roles

16. The restrictions on secondary employment applied across bodies are broadly similar, although some councils include more specific role or grade restrictions.

17. The policies and procedures in place at most of the sampled bodies across all sectors set out the following key areas to be assessed in relation to the potential impact of the secondary employment, including:

- whether there is potential for a conflict of interest to arise between the primary and secondary roles

- whether the secondary role is likely to impact on the work of the organisation by impairing an employee's ability to perform their duties

- whether there is potential for the employee to exceed the average weekly working limit set out in the Working Time Regulations

18. Most policies also prohibit or place restrictions on the use of the bodies' assets, materials and resources when undertaking the secondary role.

19. In the local government sector, several councils make specific reference prohibiting employees from undertaking work for a private client that will be submitted to the council e.g. planning applications.

20. Two of the councils in the sample specifically prohibit secondary employment for chief officers, although acceptance of lecture fees is permissible in certain circumstances. Within their Codes of Conduct, a further two councils note restrictions or state a presumption against secondary employment for chief officers.

21. In the health and central government bodies sampled, there was no distinction made between chief officers and other employees in terms of restrictions on employment.

Approval process

22. The procedures for considering and approving secondary employment vary quite substantially across bodies, sectors and grades of staff.

23. In four of the councils sampled, formal approval is required for any member of staff taking on a secondary role, and in a further five councils this formal approval is required for chief officers only. One council requires a self assessment form to be completed by the employee and returned to HR, who then highlight any potential issues. The remaining five councils do not require any form of written submission or approval, although the policies in place for some do note that a discussion should be held with the line manager.

24. Written approval of secondary employment is required in all four of the health bodies sampled. For chief officers, this approval is often required from the board. One central government body requires written approval for chief officers only, and the remaining body requires individuals to update a register of interests to record the secondary employment.

Instances of chief officers with secondary roles

25. Auditors were asked to identify any instances of secondary employment, either paid or unpaid, in relation to chief officers in the bodies sampled. As noted at paragraph 9, in many instances this information is not easily accessible to the public. Whilst some auditors have made further enquiries to supplement this public information and their knowledge of the body, it should be noted that the following list is not comprehensive.

26. For seven of the councils sampled, there were either no secondary roles undertaken, or the information was not readily available. In the other eight councils, a total of thirty staff were identified as having secondary roles across forty-two organisations. The roles identified mainly relate to board member/director roles on other public sector bodies or private sector organisations with aims pursuant to the council's objectives. Only one private sector role was identified where the chief officer was remunerated for work undertaken in their own time. For the non-remunerated roles there is no clear information on whether the roles are undertaken in the chief officer's time, however given the nature of many of these roles it is likely some of it will be performed in work time.

27. In the health and central government sector bodies, nineteen chief officers were identified with a total of thirty-two different roles across a range of public and private sector organisations. The majority of these roles are either not remunerated, or information on remuneration is unavailable. A total of five remunerated roles were identified, four relating to private sector director roles, and one as a board member of an NHS organisation.

Conclusion

28. All bodies surveyed have core policies and procedures on secondary employment which are based around the Nolan Committee recommendations on standards of conduct in public life. However, the application of these to paid or unpaid roles varies across bodies, as does the extent of detail and additional guidance to support the principles.

29. Whilst the general restrictions applied on secondary employment are broadly similar across bodies, some councils include additional restrictions on the type of work, or place specific restrictions on senior officers undertaking secondary roles.

30. There is substantial variation in the procedures for approving secondary employment across bodies, ranging from formal line manager approval being required for all employees, through to no notification necessary, or limited to a discussion with a line manager. Some councils make a distinction between grades of staff, with enhanced approval requirements for senior officers.

31. Information on secondary employment of senior officers is not readily in the public domain for most bodies, with the exception health and central government senior officers who are board members of the bodies.

32. Senior officers in over half of the councils sampled do have secondary roles, predominantly as board members or directors of other public or private sector bodies with aligned corporate objectives. The majority of these roles are non-remunerated, although it is likely that some of the roles are performed in work time. In the health and central government sectors, a number of senior officer secondary roles were also identified, although there was less information on whether these were remunerated.

Recommendation

33. The Commission is invited to consider, in conjunction with the Auditor General for Scotland, whether the existing variation in arrangements would merit the issue of further guidance or the highlighting of good practice in relation to senior officers assuming secondary roles with other bodies. Such guidance could, for example, cover:

- minimum expectations of the approvals process, including any distinction around the type of role, grade of staff, and impact on working hours

- good practice in the maintenance and publication of senior officers' declared interests, beyond existing regulatory requirements

- the merits of including in organisations' policies good practice examples of secondary employment restrictions.

Fraser McKinlay
Director of Performance Audit and Best Value
13 February 2014

ACCOUNTS COMMISSION

MEETING 13 FEBRUARY 2014

COVER NOTE BY SECRETARY AND BUSINESS MANAGER

BEST VALUE AUDIT: TARGETED WORK: SOUTH AYRSHIRE COUNCIL

Purpose

1.   The purpose of this report is to introduce a report on targeted Best Value audit work in South Ayrshire Council. The Commission is invited to consider the report and decide how it wishes to proceed.

Background

2.   At its meeting on 20 June 2013, the Commission considered a report by the Controller of Audit providing an update on proposed Best Value audit activity flowing from the shared risk assessment process. The Commission endorsed the proposed Best Value audit activity in the report, which included targeted Best Value audit work in South Ayrshire Council.

The report

3.   The attached report to the Commission is made by the Controller of Audit under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).

4.   The legislation enables the Controller of Audit to make reports to the Commission with respect to:

   a)   the accounts of local authorities audited under the Act;

   b)   any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public.

   c)   the performance by a local authority of their statutory duties in relation to best value and community planning.

5.   A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

Procedure

6.   The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:

   (a)   direct the Controller of Audit to carry out further investigations;

   (b)   hold a hearing;

   (c)   state its findings.

7.   Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence presented in the report.

Conclusion

8.	The Commission is invited to:

- consider the report by the Controller of Audit on targeted Best Value audit work in South Ayrshire Council; and

- decide how it wishes to proceed.

Paul Reilly
Secretary and Business Manager
5 February 2014

South Ayrshire Council

Targeted Best Value audit work 2013

Contents

Commission findings

Introduction

Best Value

1. The Local Government in Scotland Act 2003 created a statutory duty of Best Value for all councils, and the Accounts Commission for Scotland is responsible for reporting to the public on the extent to which individual local authorities meet this duty. Staff from Audit Scotland carry out the audit work on Best Value and the Controller of Audit provides audit reports to the Commission.

2. We base the scope of each audit of Best Value on a shared risk assessment that we carry out annually, working with colleagues from the other scrutiny bodies that cover local government. There is a Local Area Network (LAN) for each council, which produces an Assurance and Improvement Plan (AIP) that sets out planned scrutiny activity for the council covering a three-year period. This means that audits of Best Value focus on the particular risks and key issues that individual councils face, and are co-ordinated with other inspections and scrutiny activity.

3. The Accounts Commission published its findings on the first audit report about Best Value in South Ayrshire Council in April 2009, and a second progress report in June 2010. The South Ayrshire LAN produced its first AIP in 2010, and issues an updated plan for the council on an annual basis.

Background

4. The 2009 audit of Best Value audit in South Ayrshire Council concluded that it had made limited progress in delivering Best Value. The findings noted that elected members and senior management had not provided sufficient leadership to create a culture of improvement, or systems to manage performance and key resources effectively. These are essential elements of Best Value under the 2003 Act.

5. The 2010 Best Value progress report found that the council had made good progress in addressing some important aspects of the improvement agenda set out in the 2009 audit report. It had improved its financial position and begun to establish a culture of continuous improvement throughout the organisation. The report also said that other areas required further work, including the implementation of a comprehensive performance management system, the development of a more strategic approach to service review and the strengthening of community engagement. It concluded that the council should consolidate all its improvement activity into a single plan that was prioritised and resourced properly, and supported by effective project management arrangements.

6. The local government elections in May 2012 resulted in a change to the administration of South Ayrshire Council. It is now a partnership between Conservative and Labour members having previously been a Conservative and Scottish National Party administration. The council has continued with an executive and scrutiny panel decision-making structure.

7. The South Ayrshire LAN published its AIP for 2013-2016 in April 2013. The LAN noted that the performance of council services continued to raise no significant concerns, but it identified a number of areas relating to the corporate management of the council where scrutiny was required to ensure the performance of services is supported and sustained for the future. The LAN also raised concerns over the pace of improvement in these areas. It recommended that targeted Best Value audit work take place during 2013 to consider:

    • Vision and strategic direction

    • Leadership and culture

    • Performance management

    • Challenge and improvement (specifically what management and internal scrutiny there had been of the council's improvement programme and its progress in completing the programme).

8. In March 2013, it was agreed at a South Ayrshire Council meeting that the Chief Executive would retire. In May 2013, the council appointed a new Chief Executive.

9. During April and May 2013, we carried out some initial desk-based work to review the council's improvement programme and assess how well improvement activity was reported and monitored. We presented our findings on this initial work to the council in June 2013, concluding that:

    • Since November 2011, councillors had not been provided with comprehensive and regular information to allow effective management and scrutiny of the council's improvement programme.

    • A number of improvement areas included in the programme did not have specific, measurable actions against which progress could be monitored.

    • Reports had been made to various scrutiny panels on a range of individual activities but the disparate nature of reporting made it very difficult for the council to demonstrate progress against its overall improvement programme.

10. We made two recommendations which the council agreed to action by October 2013:

    • That the council should ensure it clearly identifies its improvement objectives in its forthcoming new Council Plan. The actions required to achieve these should be clear and measurable, with the responsible officers and timescales for delivery identified.

    • That the council should ensure the progress of improvement work agreed in its new Council Plan is regularly reported to all members. Reports should provide members with clear and measurable oversight of progress against the entire improvement programme.

11. The main audit work on vision and strategic direction, leadership and culture, performance management, and challenge and improvement was carried out during November and December 2013. This work involved reviewing council documents, observing council meetings and interviewing councillors and senior council officers. Our audit judgements and conclusions are summarised in this report.

12. We gratefully acknowledge the cooperation and assistance that the audit team received from the Leader of the council, Councillor Bill McIntosh, the Chief Executive, Eileen Howat, and all councillors and officers we contacted during the audit.

Summary

13.   Our overall conclusion is that despite some recent signs of progress over the past year, South Ayrshire Council cannot yet demonstrate that it is achieving Best Value. This is due to significant weaknesses in its strategic direction, leadership, performance management, and scrutiny.

14.   The council lacks strategic direction. It has not had a corporate plan since September 2012 and this is not expected to be resolved until March 2014, a gap of 18 months. It is not able to show how it is strategically directing its resources towards corporate or community planning priorities. The council has, for example, agreed plans on national developments such as welfare reform and health and social care integration. However, in the absence of a corporate plan, it cannot show how these critical issues will be addressed in the context of other priorities.

15.   There has also been a significant lack of corporate working within the council. Attendance by senior managers at Corporate Management Team (CMT) meetings has been inconsistent and individual services have not always taken forward decisions made by the CMT. Key features of the council's management arrangements, such as the implementation of staff appraisals and use of the self-assessment tool "How Good Is Our Council", have not been applied consistently or effectively across the organisation.

16.   The council does not have an effective performance improvement culture across the organisation. A performance monitoring system ("Covalent") is used, but each directorate has its own approach to performance management with the frequency and detail of performance information and reporting varying from service to service. In addition, with no corporate plan in place, there are no clear links between the council's priorities and the performance targets monitored in its services. There is little evidence to show that services use the performance monitoring system to help drive improvements to service delivery, or to meet the expectations of users better. Performance management varies between services and, in some cases, is essentially limited to reporting information about performance rather than managing it.

17.   The council has an active audit committee, but two of its three scrutiny panels meet infrequently and lack a clear remit to monitor and challenge service performance. As a result, there are significant weaknesses in the scrutiny of council and service performance by elected members.

18.   There is some recent evidence that the council is beginning to address these issues. Since the appointment of the new Chief Executive, there has been considerable investment in the preparation of a new corporate plan. This has placed a greater emphasis on engagement with councillors at an early stage to establish strategic objectives and develop clear targets. There is evidence that this has been successful in giving councillors a greater sense of ownership in corporate planning. There is also some evidence that senior officers are now working in a more corporate manner, with regular CMT meetings and greater unity in implementing decisions. In our discussions with councillors and officers, there has been acknowledgement

that the council needs to improve its approach to performance management and its internal scrutiny arrangements.

19. While we welcome signs that the leadership is aware of the action needed, the evidence over several years is of a council that struggles to implement improvement systematically. It has not fulfilled recommendations agreed from the 2009 and 2010 Best Value reports, and between September 2012 and May 2013, it missed a series of its own deadlines for completing its new corporate plan.

20. The council needs to urgently close the gaps in areas fundamental to a well run organisation. It needs to ensure that it has a new corporate plan in place for the start of the 2014/15 financial year, and use this to drive its budgets and resource decisions in the future. Its performance management system must generate relevant and timely information to report regularly on progress made in delivering the plan. Elected members and senior management need to work together to improve the corporate management of the council to ensure support for the delivery of quality services during the period of significant challenge that local government faces. We have made a number of recommendations for improvement (see page 18).

Our audit conclusions

Vision and strategic direction

South Ayrshire Council lacks strategic direction and cannot demonstrate that it is directing its resources towards its priorities and to achieving Best Value.

22. When business planning arrangements are effective, they clearly link vision and high-level strategic objectives with more specific objectives for services, teams and individuals. For councils this means that the strategic priorities set out in SOAs (Single Outcome Agreements) and corporate plans flow down through service and team plans to individual performance and development plans (as shown in exhibit 1 below). South Ayrshire Council does not have these processes effectively in place, which means it cannot demonstrate that it is directing its resources towards its priorities and towards achieving Best Value in service provision.

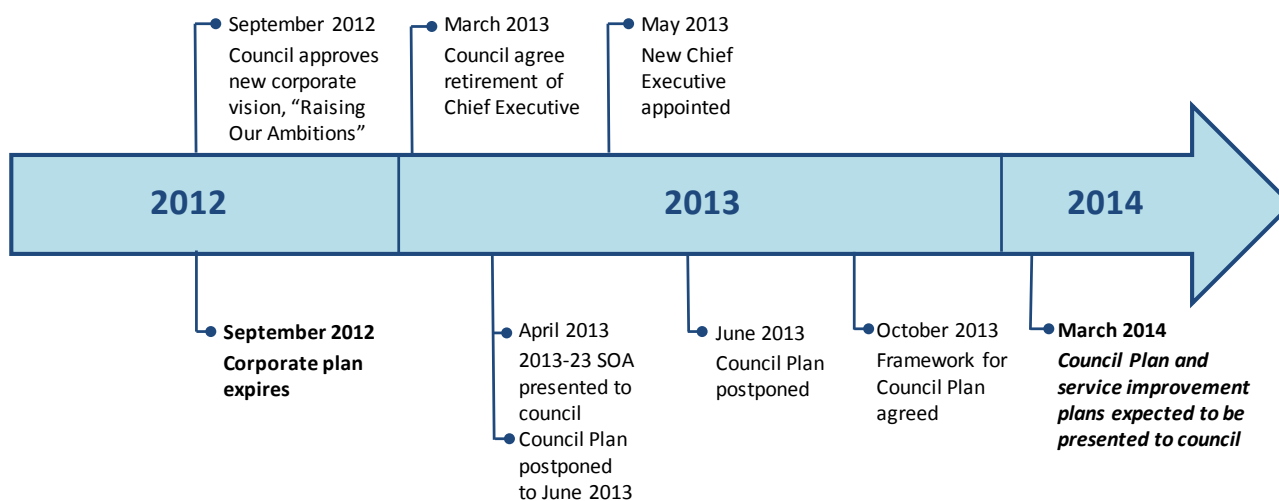**Exhibit 1: Effective business planning arrangements**
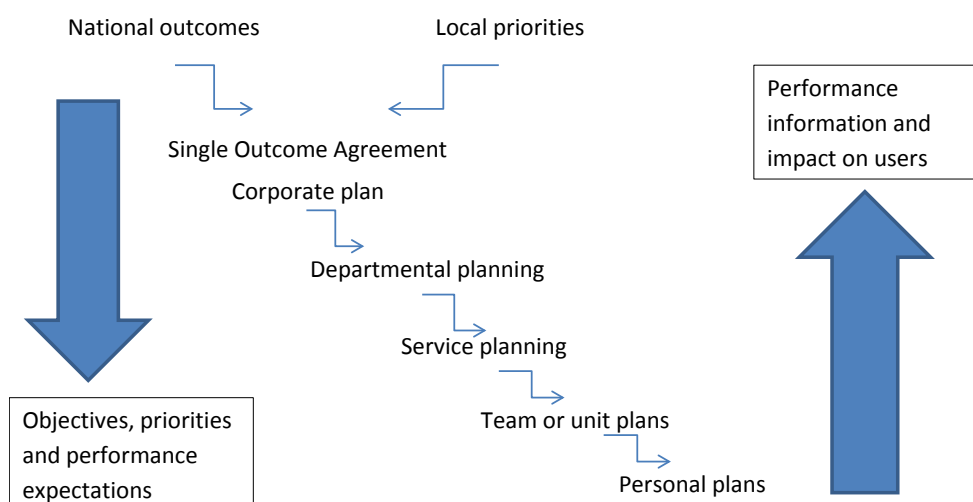
Source: Audit Scotland

23. A council's corporate plan is its key tool for providing strategic direction across the organisation and outlining how it will achieve its objectives. South Ayrshire's last corporate plan expired in March 2012 and, while this was extended until September 2012, by the time the new plan is expected to be in place in March 2014 the council will have been without such a key document for over 18 months.

24. In the absence of a corporate plan, the council cannot demonstrate how it will, with partners, achieve the community planning priorities set out in the SOA for 2013-23. The council has plans in place to show how it will respond to the implications of major challenges such as welfare reform and health and social care integration, which will have a significant impact on people and communities in South Ayrshire. However, without a corporate plan, it does not have a wider strategic approach to addressing these issues in the context of other priorities.

25. While the council has service plans for 2013/14, these are simply the 2012/13 plans extended for another year and they do not reflect SOA priorities. This is also the case for the Performance Development and Review (PDR) arrangements for individual staff. The objectives set in staff PDRs should be based on up to date service plans to ensure staff are working to achieve the council's corporate and strategic objectives.

26. The council agreed its 2014/15 budget in December 2013. Without strategic direction and clear corporate objectives there is a risk that budget choices were made which were not consistent with agreed policy priorities and did not represent Best Value. The council have reduced this risk by using impact assessments to measure the implications of savings proposals on service users, staff, property and assets, and other parts of the council. It has also started to use its recently agreed strategic objectives to help inform discussions on budgets. Despite this, there is no clear evidence at this stage to show that this has shifted resources towards policy priorities.

27. The last two years have not been a settled or stable period for corporate management in the council:

    - The decision to extend the corporate plan to September 2012 was made in February 2012 by the council's leadership panel, made up of the Leader of the council and the administration's six portfolio holders. In September 2012, the council approved a high-level vision document called "Raising Our Ambitions". This set out strategic priorities for the council to engage on and changes to the remits of the council's chief officers.

    - In March 2013, it was agreed at a South Ayrshire Council meeting that the Chief Executive would retire from the council in May 2013.

    - In April 2013, a new SOA was agreed by councillors. The council had intended to submit a new corporate plan, known as the Council Plan, alongside the SOA. However, this was postponed to June 2013 to allow time to develop clear priorities and performance measures.

    - In May 2013, the council appointed a new Chief Executive. The new Chief Executive recommended to elected members that they further postpone the Council Plan. This was to allow councillors to be fully involved in setting the council's strategic objectives and to give them greater ownership of the plan. Elected members agreed a revised deadline of March 2014 for completion of the Council Plan.

28. In October 2013, elected members agreed a framework for the Council Plan. The new plan will detail how the council intends to deliver the priorities of the 2013-23 SOA. It will set out the council's strategic objectives for the next three years, the strategic outcomes the council will focus on and a framework of performance measures and targets to evidence and manage delivery. Service and improvement plans will outline how individual services will support the delivery of the council's strategic objectives. Service objectives will be incorporated in individual PDRs. The new three year Council Plan will be refreshed to take account of changing circumstances.

29. Exhibit 2 below outlines the key events and decisions that have taken place since 2012.

Exhibit 2: Timeline

September 2012
Council approves
new corporate
vision, "Raising
Our Ambitions"

March 2013
Council agree
retirement of
Chief Executive

May 2013
New Chief
Executive
appointed

2012

2013

2014

**September 2012
Corporate plan
expires**

April 2013
2013-23 SOA
presented to
council
Council Plan
postponed
to June 2013

June 2013
Council Plan
postponed

October 2013
Framework for
Council Plan
agreed

March 2014
*Council Plan and
service improvement
plans expected to be
presented to council*

Source: Audit Scotland

30. The new Chief Executive has placed a greater emphasis on engaging councillors and officers in the development of the Council Plan to ensure their ownership of the plan. In October 2013, elected members agreed new strategic objectives for the council:

- the economy
- communities
- children and families
- adults and older people
- the environment
- improvement.

31. During November and December 2013, a series of workshops with councillors was held to allow discussion on the key actions and performance measures underpinning these objectives. These workshops have been reasonably well attended, with around three quarters of all councillors taking part. Elected members are positive about the workshops and the opportunity they provide to contribute actively to the development of the Council Plan.

Leadership and culture

There has been a lack of corporate working across the council but action is underway to address this.

32. While the council has committed to finalising the Council Plan and its service and improvement plans by March 2014, the overall process has taken longer than expected and between September 2012 and May 2013 a number of internal deadlines were missed. The council has a poor track record in implementing other corporate strategies, such as its communications strategy, which has been delayed on a number of occasions and is still to be completed. This points to weaknesses in recent years in leadership and culture. In response

to these issues, the council has recently introduced a tracking mechanism to record and monitor officers' progress in implementing actions agreed by elected members.

33. Prior to the appointment of the new Chief Executive, senior officers were not working well as a team or taking ownership of corporate objectives. Evidence of this includes:

- Individual senior managers frequently did not attend CMT[1] meetings or if they did they did not engage effectively in its procedures.

- The council has adopted a self-evaluation process "How Good Is Our Council?" (HGIOC). This was used to carry out a corporate evaluation of the council, the results of which were reported to the CMT in February 2012. The council agreed to roll out this approach to all services to help form service and improvement plans. However, the council's three directorates have taken different approaches, and determined their own timetable, for implementing HGIOC.

- The use of PDRs for performance appraisal is inconsistent across services. Only around 70% of staff have an up to date PDR and for some services, particularly roads and waste management, the rate is much lower. The council has committed to ensuring that all staff receive a PDR by the end of 2014.

34. It is important that there is clarity about the respective responsibilities of the Chief Executive, senior officers and elected members. Many of the principles are set out in the Accounts Commission's report "How councils work: Roles and working relationships: are you getting it right?" published in August 2010. A councillor's role is to represent constituents and communities, to provide leadership and direction for the council and to scrutinise service performance. Council officers are responsible for operational leadership and management and for providing professional advice to support councillors in their role. In simple terms, on an issue-by-issue basis, councillors determine policy, officers manage delivery of the policy objectives and councillors scrutinise progress and delivery through established processes.

35. In South Ayrshire, the council needs to clarify the roles and responsibilities of elected members and senior officers. For example, in recent years, the council Leader has felt the need to have a close involvement in operational matters, such as reviewing absence and overtime statistics, and holding regular meetings with groups of senior officers. This is not consistent with normal practice and established principles. To some extent, this has been the result of previous circumstances, where members were not confident that agreed actions would be fully carried out by officers. There is, however, a risk that, if continued, this approach could interfere with corporate working and undermine the role of the Chief Executive.

36. The council is starting to address the lack of corporate working and the implications this has had. The CMT is demonstrating greater unity under the new Chief Executive with more opportunity for open discussion at meetings and greater consensus on decisions made. It meets on a four weekly basis, with the Executive Officer Group (EOG)[2] and Heads of Service

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[1] The Corporate Management Team is the Chief Executive, three executive directors and ten heads of service.

[2] The Executive Officer Group is the Chief Executive and three executive directors.

meetings taking place on alternative fortnights. The new Chief Executive introduced the Heads of Service meetings to support delegated responsibility for the senior managers directly involved in running council services. It is too early to assess the effectiveness of recent developments but there is some evidence that working relationships between senior officers have improved, trust between members and officers is growing, and corporate working is improving.

37. However, the council is still to fully complete significant restructuring of its services. In September 2012, the council approved "Raising Our Ambitions for South Ayrshire". The purpose of this paper was to provide a strategic overview of the next phase of the council's organisational transformation and set out strategic priorities for the council to engage on. The paper included changes in chief officer remits to support the proposed strategic priorities, reduce duplication and improve service delivery. These changes, which were implemented in February 2013, resulted in the current organisational structure shown in exhibit 3 below.

Exhibit 3: Organisational structure
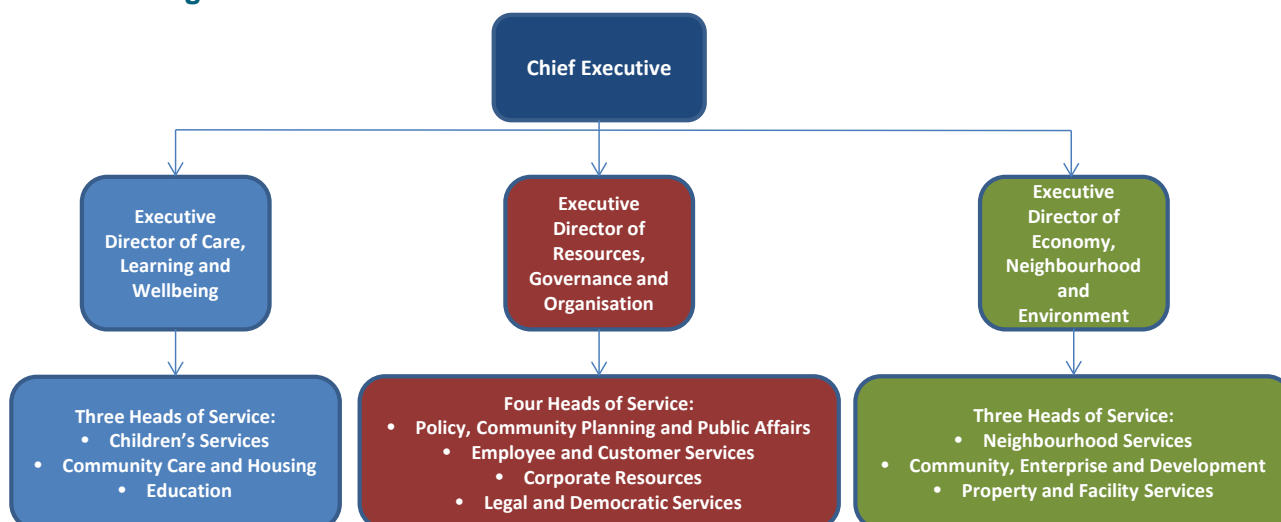
Source: Audit Scotland

38. The changes in chief officer remits were designed to encourage better corporate working. While there is some evidence this has happened, the changes have also created disruption and uncertainty. Officers and members are still developing their understanding of where responsibilities and accountabilities lie under the new structure.

Performance management

The council does not have an effective performance management culture across the organisation.

39. Having an effective performance management framework and culture helps councils to demonstrate that they are delivering efficient and effective services to communities and are making the best use of resources. An effective performance management culture will also help improve the delivery of services to the public.

40. Performance management involves gathering, analysing and acting on performance information to improve services and the quality of people's lives in the local community. For a performance management framework to be effective, it needs to reflect the council's priorities and be integrated into business planning arrangements.

41. The council has a performance information management system in place based on the "Covalent" platform. While all services use it, each uses it differently with no consistent corporate approach. Performance information is reported monthly, quarterly or six monthly depending on the service. The level of detail reported also varies considerably between services. Some services have numerous, very detailed performance measures, others have relatively few high level measures. Without consistent, regular performance information across all services, it is very difficult for senior officers to assess how well services are performing, to identify areas where improvement is required across the council, and evaluate progress on corporate objectives.

42. With the "Covalent" tool being the main feature of the council's overall performance management arrangements, it is in effect reporting performance rather than managing it. Performance measures in place tend to focus on inputs and processes, rather than outputs and impact. More needs to be done to monitor progress in implementing council and SOA objectives and, in particular, the impact performance is having on service users and outcomes for South Ayrshire's communities.

43. The council recognises that it needs to improve performance management and it plans to update performance information to reflect the new Council Plan, service and improvement plans and benchmarking information available from the SOLACE performance management initiative. It is intended that the Council Plan will include a series of key performance indicators with an emphasis on measuring outputs and impact. The council also plans to implement monthly performance reports for managers, which focus on the strategic priorities set out in the Council Plan. These new arrangements will take time to bed in. With the Council Plan due to be finalised in March 2014, clear evidence of major improvement in performance management is unlikely to be available for some time.
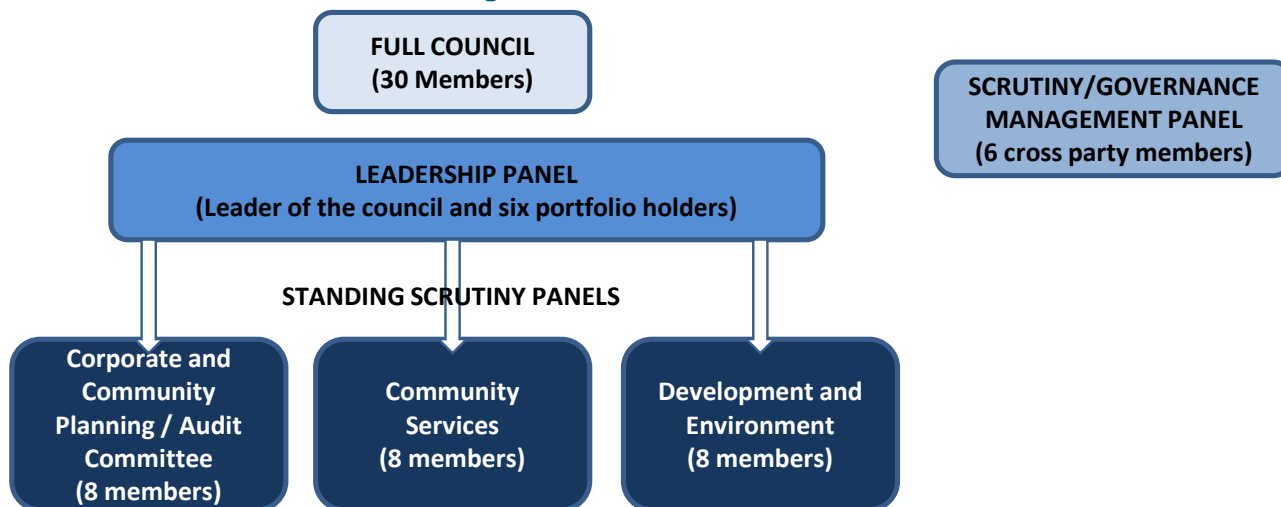
Challenge and improvement

The council has an active audit committee but its overall scrutiny arrangements are not effective.

44. Effective challenge that leads to improvement is a key area of Best Value and a core component of effective governance. A significant contribution to this should come from the internal decision-making and scrutiny arrangements in place at the council and how well they work.

45. Exhibit 4 outlines the council's main political decision-making structure. An executive and scrutiny panel structure sees executive decision-making powers being the responsibility of a Leadership Panel consisting of seven members (including the Leader and Deputy Leader) each of whom has responsibility for a specific portfolio. The Leadership Panel takes all key

strategic and service delivery decisions. The review and approval of annual revenue and capital budgets and the setting of council tax is reserved for the full council.

Exhibit 4: Political decision making structure

FULL COUNCIL
(30 Members)

SCRUTINY/GOVERNANCE
MANAGEMENT PANEL
(6 cross party members)

LEADERSHIP PANEL
(Leader of the council and six portfolio holders)

STANDING SCRUTINY PANELS

Corporate and Community Planning / Audit Committee
(8 members)

Community Services
(8 members)

Development and Environment
(8 members)

Source: Audit Scotland

46. The council has three standing scrutiny panels (SSPs), aligned to Leadership Panel portfolios, whose main function is to consider Leadership Panel decisions which have been 'called in' by SSP members.

47. The Corporate and Community Planning Standing Scrutiny Panel also acts as the council's audit committee. The panel's performance as an audit committee is effective and meetings are well supported by members. Attendance is good, members are engaged and meetings are chaired effectively by an opposition councillor. Most members provide a good level of scrutiny and constructive challenge to officers on the reports submitted. However, members regularly express frustration at the lack of progress in resolving issues reported to the panel, for example on asset management and the capital programme.

48. Overall the system of scrutiny panels is not effective. While regular meetings are scheduled, they often do not take place due to a lack of business. For example, the Community Services and the Development and Environment standing scrutiny panels were each cancelled three times in 2013. The remit of the panels is limited and this may be why sufficient business is not apparent. It is important that the council review the use of these panels and their scrutiny arrangements.

49. The council's scheme of delegation describes the role of scrutiny panels as helping to scrutinise the activities of the Leadership Panel and holding it to account for its performance. Panels can only do this by discussing and investigating Leadership Panel decisions that have been 'called in' by their members. All three standing scrutiny panels have carried out investigations and in some cases the issues have been referred back to the Leadership Panel or Council for further discussion. While this allows members to subject Leadership Panel decisions to further, more detailed discussion, it is not an effective means of reviewing the performance or impact that the council is making.

50. With the current limitations in their remit, scrutiny panels do not effectively drive performance improvement. The council formally reports performance to elected members only on an annual basis. The latest performance report, for 2012-13, was presented to the Leadership Panel in September 2013. Standing scrutiny panels received an abridged version of the report detailing performance in the services each covers. However, in the absence of an up to date Council Plan, performance was reported against the aims of the council's Corporate Plan for 2009-2012. This meant that the information did not reflect current council priorities or the challenges it faces in the future. The report contained a large volume of information making it difficult for members to access the key messages properly. Much of the data in the report was also out-of-date, with members unable to assess how well services were currently performing. Additionally, the fact that standing scrutiny panels are no longer aligned with the council's organisational structure makes it difficult for members to identify which officers to hold to account for particular performance issues.

51. The council is attempting to strengthen the performance management role of standing scrutiny panels by giving them additional responsibilities for conducting specific performance studies, such as a review of absence management. This work, which was initiated in autumn 2013, is at an early stage and it is too early to comment on its effectiveness. In addition to these studies, the council needs to introduce regular and timely performance reporting that places a greater emphasis on outcomes and leads to improvement action being taken where required.

52. Standing scrutiny panels already have the power to undertake in-depth scrutiny reviews of particular issues of concern, but where these have taken place they have not focussed on priorities. The scheme of delegation says reviews can be undertaken where there are clear linkages to the council's Best Value improvement programme. Standing scrutiny panel members suggest ideas for scrutiny reviews and these are then referred to the Leadership Panel and Council for final agreement. Review areas in 2013 included the instrumental music service, grounds maintenance and library services. These are not areas where performance is poor or there are serious issues and it is difficult to see a link between these topics and the council's Best Value improvement programme.

53. Officers and members recognise that the council needs to improve its scrutiny arrangements. The council operates a Scrutiny and Governance Management Panel, with a remit that centres on the maintenance of good governance and adherence to agreed standards. Over the course of 2012/13, the panel reviewed how the council undertakes scrutiny. This included looking at how scrutiny processes could be improved and reviewing the scheme of delegation. So far, this has resulted in minor administrative changes, for example to the process of recording minutes. However, as part of the next phase of this work, members plan to visit other councils to investigate their scrutiny arrangements and identify good practice. The panel plans to report back to the council, but it is unlikely that any significant changes will be made before the next council elections. The council needs to ensure that improvements are made to its scrutiny arrangements with greater urgency.

Recommendations for improvement

54. As a result of this audit work, targeted at four key areas of Best Value, we recommend that the council makes improvements as follows:

55. The council needs to:

- Fully implement the previously agreed recommendations[3] to set improvement objectives as part of the Council Plan and introduce regular reporting against these.

- Ensure that the Council Plan and service and improvement plans are in place for the start of the 2014/15 financial year, and effectively communicated to all staff.

- Ensure that all staff have Performance and Development Reviews, including clear forward objectives reflecting the new corporate and service plans.

- Ensure corporate approaches agreed at CMT, such as the roll out of "How Good Is Our Council?", are consistently implemented across the council.

- Introduce regular and timely performance reporting that has a greater focus on outcomes and leads to improvement action being taken where required.

- Ensure the review of scrutiny arrangements addresses the weaknesses in the current arrangements and that improvements are made with greater urgency.

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[3] Reported in letter to Chief Executive on 18 June 2013.