

422nd meeting of the Accounts Commission for Scotland

**Thursday 10 December 2015, 10.15am
in the offices of Audit Scotland, 102 West Port, Edinburgh**

Agenda

1. **Apologies for absence.**
2. **Declarations of interest.**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 14 to 16 in private (* see note).
4. **Minutes of meeting of 12 November 2015.**
5. **Minutes of meeting of Financial Audit and Assurance Committee of 26 November 2015.**
6. **Minutes of meeting of Performance Audit Committee of 26 November 2015.**
7. **Minutes of meeting of Audit Scotland Board of 29 October 2015.**
8. **Update report by the Secretary to the Accounts Commission:** The Commission will consider a report by the Secretary to the Commission on significant recent activity in relation to local government.
9. **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.
10. **Statutory performance information: 2015 Direction:** The Commission will consider a report by the Director of Performance Audit and Best Value.
11. **The new approach to auditing Best Value: progress report:** The Commission will consider a report by the Director of Performance Audit and Best Value.
12. **Draft work programme:** The Commission will consider a report by the Director of Performance Audit and Best Value.
13. **Audit of Best Value: progress - Argyll and Bute Council:** The Commission will consider a report by the Controller of Audit.

The following items are proposed to be considered in private:

14. **Argyll and Bute Council:** The Commission will consider the action it wishes to take.
15. **Performance audit: draft report - Major capital investment in councils:** The Commission will consider a report by the Director of Performance Audit and Best Value.
16. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 14 to 16 be considered in private because:

- Item 14 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 15 proposes a draft performance audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 16 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of meeting of the Commission of 12 November 2015	AC.2015.11.1
Agenda Item 5: Minutes of meeting of the Financial Audit and Assurance Committee of 26 November 2015	AC.2015.11.2
Agenda Item 6: Minutes of meeting of the Performance Audit Committee of 26 November 2015	AC.2015.11.3
Agenda Item 7: Minutes of meeting of the Audit Scotland Board of 29 October 2015	AC.2015.11.4
Agenda Item 8: Report by Secretary to the Commission	AC.2015.11.5
Agenda Item 10: Report by Director of Performance Audit and Best Value	AC.2015.11.6
Agenda Item 11: Report by Director of Performance Audit and Best Value	AC.2015.11.7
Agenda Item 12: Report by Director of Performance Audit and Best Value	AC.2015.11.8
Agenda Item 13: Cover report by Secretary to the Commission	AC.2015.11.9
Agenda Item 15: Report by Director of Performance Audit and Best Value	AC.2015.11.10

MEETING: 10 DECEMBER 2015

MINUTES OF PREVIOUS MEETING

Minutes of the 421st meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 12 November 2015, at 10.15am

PRESENT: Douglas Sinclair (Chair)
 Ronnie Hinds (Deputy Chair)
 Alan Campbell
 Sandy Cumming
 Sophie Flemig
 Sheila Gunn
 Tim McKay
 Christine May
 Stephen Moore
 Graham Sharp
 Pauline Weetman
 Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
 Antony Clark, Assistant Director, PABV [Items 8 to 10]
 John Lincoln, Audit Manager, PABV [Item 12]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 8 October 2015
5.	Minutes of meeting of Audit Scotland Board of 17 September 2015
6.	Update report by the Secretary to the Commission
7.	Update report by the Controller of Audit
8.	Shared risk assessment process 2016/17
9.	Strategic Scrutiny Group: update
10.	Statutory performance information
11.	40 years of the Accounts Commission
12.	Scottish Tribunals and Administrative Justice Advisory Committee report
13.	Commission business matters

1. Apologies for absence

It was noted that that there were no apologies for absence.

2. Declarations of interest

The following declarations of interest were made:

- Ronnie Hinds, in item 12, as a former member of the Scottish Tribunals and Administrative Justice Advisory Committee Steering Group
- Christine May, in items 8, 9 and 10, as Vice-Chair of Fife Cultural Trust
- Douglas Sinclair, in item 12, as a member of the Scottish Tribunals and Administrative Justice Advisory Committee Steering Group
- Geraldine Wooley, in item 12, as a member of the Fife Valuation Appeal Committee.

3. Decisions on taking business in private

It was agreed that items 12 and 13 should be taken in private for the following reasons:

- Item 12 introduces for information a draft report that has yet to be published.
- Item 13 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair advised that the Commission would be considering correspondence received from Alex Neil, Cabinet Secretary for Social Justice, Communities and Pensioners' Rights, in relation to the Commission's review of auditing Best Value.

4. Minutes of meeting of 8 October 2015

The minutes of the meeting of 8 October 2015 were submitted and approved.

5. Minutes of meeting of Audit Scotland Board, 17 September 2015

The minutes of the meeting of Audit Scotland Board of 17 September 2015 were noted.

Arising therefrom, it was agreed that, in relation to item 5, that the report on how the Audit Services Group demonstrates Best Value be shared with Commission members and considered at a future meeting.

Action: Secretary

6. Update report by the Secretary to the Accounts Commission

The Commission considered a report by the Secretary to the Commission providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

During discussion, the Commission agreed:

- In relation to paragraph 8, to note advice from the Secretary that a briefing on business rates legislation would include reference to Non Domestic (Business) Rates Revaluation 2017.

- In relation to paragraph 9, to not respond to the Scottish Government's public consultation for a future Islands Bill, but rather to keep a watching brief in this regard.

Actions: Secretary

Thereafter, the Commission agreed to note the report.

7. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity including meetings and discussions with stakeholders.

8. Shared risk assessment process 2016/17

The Commission considered a report by the Director of PABV advising of the proposed approach to, and timetable for, the 2016/17 Shared Risk Assessment (SRA) process.

During discussion, the Commission:

- Agreed that the Director consider how to develop the role of elected members scrutinising outputs from the SRA process.

Action: Director of PABV

- Agreed that, related to this, in a wider sense, the Director and Secretary consider how to ensure appropriate awareness of elected members in the SRA process and how this fits with the role of the Commission.

Action: Director of PABV and Secretary

- Agreed that the following issues feature in further development of the SRA process:
 - A greater profile for performance of councils against outcomes
 - A clearer link with any revised approach to Best Value
 - Reference to service areas not subject to current coverage by scrutiny partners.
- Endorsed the approach to, and timetable for, the 2016/17 SRA process.
- Noted that a report on the outcomes of this year's SRA process will be brought to the Commission in spring or summer 2016.

Actions: Director of PABV

9. Strategic Scrutiny Group: update

The Commission considered a report by the Director of PABV providing an update on recent discussions and developments by the Strategic Scrutiny Group (SSG)

During discussion, the Commission:

- Noted that Commission members were encouraged to attend meetings of the SSG.
- Noted that the SSG will be considering its approach to taking forward its strategic and operational improvement agenda at its December meeting.
- Agreed to receive further updates on the work of the SSG at future meetings.

Actions: Secretary and Director of PABV

10. Statutory performance information

The Commission considered a report by the Director of PABV setting out options for the Commission to consider in relation to its 2015 statutory performance information (SPI) Direction.

During discussion, the Commission agreed:

- To revise the SPI Direction to introduce a single statutory performance indicator that reflects the Accounts Commission's expectations in relation to public performance reporting under the new Best Value audit approach, and another to ensure continued council reporting of the Local Government Benchmarking Framework.
- The proposed approach to consulting with COSLA, SOLACE, the Local Government Benchmarking Framework Board and the Scottish Local Government Partnership on the 2015 SPI Direction.
- To inform the Scottish Government to this end.
- The proposal that the 2015 SPI Direction be for a three-year period, with the Commission reviewing this annually.
- To note legal advice in relation to the Commission's power to direct integrated joint boards to provide information under Section 1 of the Local Government Act 1992.
- To note that a further report with a draft SPI Direction would be brought for approval to the Commission at its December meeting.

*Actions: Secretary and
Director of PABV*

11. 40 years of the Accounts Commission

The Commission considered a report by the Secretary advising of activities to mark 40 years of the Commission.

The Chair introduced Nick Crawford, Associate Architect, HAA Design, who gave a presentation on the new offices of Audit Scotland, the Commission and the Auditor General.

Following discussion, the Commission agreed to note the report.

The Chair thanked Nick Crawford for his presentation.

14. Scottish Tribunals and Administrative Justice Advisory Committee report

The Commission considered a report by the Director of PABV advising of work undertaken by Audit Scotland with the Scottish Tribunals and Administrative Justice Advisory Committee (STAJAC) to improve the understanding and delivery of administrative justice in Scottish councils, and attaching the report for information.

Following discussion, the Commission:

- noted the report
- agreed that wider issues of administrative justice be considered as part of work programme development activity and in reviewing Best Value.

16. Commission business matters

The Commission considered advice from the Chair that he had received a letter from Alex Neil, Cabinet Secretary for Social Justice, Communities and Pensioners' Rights, which noted and endorsed the Commission's ongoing review of auditing Best Value and agreed the Commission's view of the need to update statutory guidance in relation to Best Value.

The Commission agreed to note the terms of the letter.

There being no further business, the meeting was closed.

MEETING 10 DECEMBER 2015

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF
 26 NOVEMBER 2015**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Audit Scotland, 102 West Port, Edinburgh on Thursday, 26 November 2015, at 10am.

PRESENT: Graham Sharp (Chair)
 Sheila Gunn
 Tim McKay
 Douglas Sinclair
 Pauline Weetman
 Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fraser McKinlay, Controller of Audit and Director of Performance Audit
 and Best Value (PABV)
 Angela Canning, Assistant Director, PABV [Item 6]
 Angela Cullen, Assistant Director, PABV [Item 5]
 Russell Frith, Assistant Auditor General [Item 6]
 Fiona Kordiak, Director of Audit Services [Item 4]
 Mark McCabe, Senior Manager, PABV [Item 6]
 Cathy MacGregor, Audit Manager, PABV [Item 6]
 Gillian Woolman, Assistant Director, Audit Services Group [Item 4]

Item no. Subject

1. Apologies for absence
2. Declarations of interest
3. Minutes of meeting of 24 September 2015
4. Current audit issues and risks in councils
5. Risk monitoring and programme development
6. Local government overview: emerging messages
7. 'Telling the Story'
8. Any other business

Preamble

The Chair welcomed Sheila Gunn and Geraldine Wooley to their first meeting of the Committee.

1. Apologies

It was noted that apologies for absence had been received from Ronnie Hinds.

2. Declaration of interest

Geraldine Wooley declared an interest in item 4, as a member of the Fife Valuation Appeal Committee and as a previous consultant to Glasgow City Building.

3. Minutes of meeting of 24 September 2015

The minutes of the meeting of 24 September 2015 were noted and approved.

Arising therefrom:

- In relation to item 4, fourth bullet (Dunfermline Flood Prevention Scheme), advice was noted from the Controller of Audit that he would be reporting further to the Commission on progress in this regard.
- In relation to item 8, second bullet (social care payments – Local Government Overview), in response to a query from Pauline Weetman, advice from the Controller of Audit was noted that whilst the issue does not yet feature in the current draft of the Local Government Overview report, it would do so in the next draft.

Actions: Controller of Audit

4. Current audit issues and risks in councils

The Committee considered a report by the Controller of Audit outlining emerging issues, recurring themes and individual issues of interest in Scottish councils.

During discussion, the Committee agreed:

- To note advice from the Controller of Audit that:
 - a report by Audit Scotland on correspondence received in relation to the Lennoxton Initiative was published on 24 November.
 - in his ongoing review of annual audit reports, he was reviewing the reporting of liabilities in relation to equal pay, upon which he would keep the Committee informed.
 - the issue of a suspension of a senior employee in relation to taxi contracts was being monitored by the external auditor and would feature in the annual audit report.
 - he would consider the implications of the Non Domestic (Business) Rates Revaluation 2017.
- That future such reports provide assurance to the committee that such issues are actively taken into account by appointed auditors in the discharge of their responsibilities.

Action: Controller of Audit

5. Risk monitoring and programme development

The Committee considered a report by the Director of PABV providing an update of progress with programme development in advance of the Commission and Auditor General considering a proposed programme in December.

During discussion the Committee agreed:

- To note feedback from Commission members on a previous draft of the work programme and Audit Scotland's summary of public sector risks.
- Proposals for Audit Scotland engaging with the Committee and Commission around monitoring of public sector risks and the work programme.
- To recommend a number of proposals to the Commission for inclusion in the draft work programme to be considered at its December meeting.

Action: Director of PABV

6. Local government overview: project brief

The Committee considered a report by the Director of PABV proposing emerging messages for the 2016 local government overview report.

During discussion, the Committee agreed:

- A number of revisions to the emerging messages, to be considered by the audit team in conjunction with the report sponsors, Tim McKay and Pauline Weetman.
- That a draft report be considered by the Commission at its meeting on 11 February.
- To endorse the proposals in the report on how to increase the impact of the Local Government Overview report.

Actions: Director of PABV

7. 'Telling the Story'

The Commission considered a report by the Assistant Auditor General advising of the latest developments in a project led by Chartered Institute of Public Finance and Accountancy and the Local Authority (Scotland) Accounts Advisory Committee to streamline local authority financial statements and improve their accessibility to the user, described as *Telling the Story*.

During discussion, the Committee:

- Agreed to recommend to the Commission that, as part of the work programme, work be undertaken to assess the quality and effectiveness of councils' annual publishing of council tax and wider financial information.

Action: Director of PABV

- Noted the link between the project and the Commission's interest in public performance reporting as articulated in its annual performance information Direction and ongoing review of auditing Best Value.
- Noted the report.

8. Any other business

The Chair advised that there was no further business and closed the meeting.

MEETING 10 DECEMBER 2015

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF
26 NOVEMBER 2015

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of Audit Scotland, 102 West Port, Edinburgh on Thursday, 26 November 2015, at 2pm.

PRESENT: Ronnie Hinds (Chair)
Christine May
Stephen Moore
Douglas Sinclair

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Director of PABV
Douglas Black, Audit Manager, PABV [Item 7]
Anne Cairns, Manager, Benefits, Audit Strategy [Item 8]
Carol Calder, Senior Manager, PABV [Item 6]
Angela Cullen, Assistant Director, PABV [Items 4 and 5]
Gemma Diamond, Senior Manager, PABV [Item 9]
Mark Ferris, Senior Audit Manager, Audit Services Group [Item 7]
Russell Frith, Assistant Auditor General [Item 8]
Graeme Greenhill, Senior Manager, PABV [Item 9]
Jillian Matthew, Audit Manager, PABV [Item 6]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 24 September 2015
4.	Risk monitoring and programme development
5.	Performance audit programme and scrutiny work update
6.	Performance audit: emerging messages – Changing models of health and social care
7.	Performance audit: impact report – Procurement in councils
8.	Housing benefit audit: scope - Good management practice in housing benefit administration
9.	Policy briefing: public finances, investment, economic development
10.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Alan Campbell, Sandy Cumming and Sophie Flemig.

2. Declarations of interest

The following declarations of interest were made:

- Ronnie Hinds, in item 6, as a non-executive director of the Scottish Government.
- Christine May, in items 4 and 5, as Vice-Chair of Fife Cultural Trust.

3. Minutes of meeting of 24 September 2015

The minutes of the meeting of 24 September 2015 were approved.

Arising therefrom, in relation to item.11, fourth bullet (Performance audit: *School education* – follow-up work), it was agreed that the Director consider how to follow-up the audit in the context of the work programme.

Action: Director of PABV

4. Risk monitoring and programme development

The Committee considered a report by the Director of PABV providing an update of progress with programme development in advance of the Commission and Auditor General considering a proposed programme in December.

During discussion the Committee agreed:

- To note feedback from Commission members on a previous draft of the work programme and on Audit Scotland's summary of public sector risks.
- Proposals for Audit Scotland engaging with the Committee and Commission around monitoring of public sector risks and the work programme.
- To recommend a number of proposals to the Commission for inclusion in the draft work programme to be considered at its December meeting.
- Ensure reference in the Local Government Overview report to issues around risks associated with social care commissioning.

Actions: Director of PABV

5. Performance audit programme and scrutiny work update

The Committee considered a report by the Director of PABV providing an update on progress with the range of work carried out by the PABV Group on behalf of the Accounts Commission and Auditor General.

Following discussion, the Committee noted the report.

6. Performance audit: emerging messages – Changing models of health and social care

The Committee considered a report by the Director of PABV advising of the emerging messages from the performance audit *Changing models of health and social care*.

Following discussion, the Committee agreed to endorse the emerging messages, subject to a number of specific points to be addressed by the audit team in drafting

the report of the audit, in conjunction with the audit sponsors, Ronnie Hinds and Christine May.

Action: Director of PABV

7. Performance audit: impact report – Procurement in councils

The Committee considered a report by the Director of PABV proposing an impact report in relation to the performance audit *Procurement in councils*.

Following discussion, the Committee agreed:

- To endorse the draft report, subject to a number of issues raised in discussion being addressed by the audit team.
- To endorse the publication arrangements in relation to the report.
- To note advice from the Director that he would report further on:
 - the future of Scotland Excel.
 - progress with the extension of the powers of National Services Scotland to provide procurement, information technology, counter fraud services, property services, human resources and legal services to non-NHS bodies.
- That the Director consider how council compliance with Scotland Excel contracts be monitored.

Actions: Director of PABV

- That further to this advice, a letter on the Commission's observations in this regard be sent to the Scottish Government.

Action: Director of PABV and Secretary

- That, on publication, the report be sent to the Scottish Government.

Action: Secretary

- That annual audit work in relation to councils' progress against the report be considered as part of the work programme.

Action: Director of PABV

8. Housing benefit audit: scope - Good management practice in housing benefit administration

The Committee considered a report by the Assistant Auditor General seeking approval on the approach to the housing benefit performance audit *Good management practice in housing benefit administration*.

During discussion, the Committee:

- Approved the approach proposed in the report, subject to the audit team addressing the issues raised in discussion.

Action: Assistant Auditor General

- Agreed that the Chair appoint a sponsor for the audit.

Action: Secretary

9. Policy briefing: public finances, investment, economic development

The Committee considered a report by the Director of PABV providing a policy briefing on the public finances, investment and economic development policy cluster.

During discussion, the Committee:

- Noted advice from the Director that Audit Scotland's New Financial Powers Steering Group was considering issues around the capacity of Audit Scotland in relation to arrangements associated with the Scotland Act.
- Noted advice from the Secretary that he would in his regular report to the Commission make reference to the Scottish Government announcement on an independent review of Scotland's planning system.

Action: Secretary

10. Any other business

The Chair advised that there was no further business and closed the meeting.

Minutes of Meeting of **Audit Scotland** held on 29
October 2015 in the offices of Audit Scotland at
102 West Port, Edinburgh

PRESENT: I Leitch (Chair)
C Gardner
H Logan
R Griggs

APOLOGIES: D Sinclair

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
M Walker, Assistant Director, Corporate Performance and Risk
D Hanlon, Corporate Finance Manager
F Kordiak, Director of Audit Services

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Accountable Officer's Report
5.	Accounts Commission Chair's Report
6.	Minutes
7.	Review of the Actions Tracker
8.	Budget Proposal 2016/17
9.	Property Update – 102 West Port, Edinburgh
10.	Securing World Class Audit (a) Audit Procurement Update (b) Demonstrating Best Value (c) Improving the Quality of NHS Accounts – Follow Up Review
11.	Making a Difference (a) World Class Programme Development Update
12.	Board Openness and Transparency
13.	Audit Scotland Web Demonstration
14.	AOB
15.	Date of next meeting

1. Apologies

Apologies had been previously received from Douglas Sinclair for the meeting.

The members noted the Board was not quorate. The members present agreed to consider the agenda items and that a note be kept of any discussion. Where decisions were required, it was recommended approval would be sought via correspondence.

2. Declarations of Interest

Ian Leitch declared his membership of the Scottish Legal Complaints Commission. Heather Logan declared her membership of the Audit and Advisory Committee of the Scottish Public Services Ombudsman (SPSO).

3. Chair's Report

Ian Leitch welcomed Russel Griggs to the Board.

Ian advised of his forthcoming meeting with the Convener of the SCPA and of meetings held with Caroline Gardner and Diane McGiffen.

4. Accountable Officer's Report

Caroline Gardner provided an update on her activity since the previous board meeting, including attendance at the Scottish Parliament Public Audit Committee meetings on 23 September, 7 and 28 October 2015.

Caroline advised that the NOCLAR Taskforce Conference hosted in Edinburgh on 1 and 2 October had been an informative meeting.

Caroline noted that the last month had been an extremely busy time for Audit Scotland, almost all of the concurrent opinions and annual audit reports were now complete and the clarity and quality of reporting had continued to improve. Caroline also noted ongoing work around recent publications including the NHS overview report and statutory reports and highlighted some future scheduled reports.

Following discussion, members of the Board thanked Caroline for the update.

5. Accounts Commission Chair's Report

In Douglas Sinclair's absence there was no report.

6. Minutes of the meeting dated 17 September 2015

The minutes of the meeting dated 17 September 2015, which had been previously circulated, were agreed by those present as an accurate record.

7. Review of the Actions Tracker

The members noted the update provided by the Action Tracker, which had been previously circulated and agreed that completed actions should be removed from the tracker once these had been reported.

Action(s):

- **The Chief Operating Officer to revise content of action tracker. (From December 2015)**

8. Budget Proposal 2016/17

David Hanlon, Corporate Finance Manager, joined the meeting.

David Hanlon, Corporate Finance Manager, introduced the Budget Proposal 2016/17 report, which had been previously circulated. David provided a summary of the report and invited the members to consider the 2016/17 budget proposal for submission to the SCPA.

Members sought clarification on some aspects of the report and discussed a range of issues including audit fees, quality assurance and the application of regulations on the application of the EAFA audit process.

Following further detailed discussion members were supportive of the 2016/17 budget proposal subject to some minor amendments to the wording

Action(s):

- **The Corporate Finance Manager to refine budget proposal in advance of SCPA meeting scheduled for 03 December (November 2015)**

9. Property Update – 102 West Port, Edinburgh

David Hanlon, Corporate Finance Manager, introduced the Property Update – 102 West Port, Edinburgh report which had been previously circulated. David invited the Board to note the developments and continued work around planning and preparation for the impending move.

The members welcomed the report and expressed its thanks to the members of staff who had been working so hard to deliver the project.

The members also briefly discussed options around inviting key stakeholders to view the new office accommodation.

David Hanlon, Corporate Finance Manager, left the meeting.

10. Securing World Class Audit

(a) Audit Procurement Update

Russell Frith, Assistant Auditor General, introduced the Audit Procurement Update report, which had been previously circulated.

Russell invited the members present to discuss the paper, taking account of the further information provided, and welcomed any comments.

The members discussed the update report, noted the next steps in the process and, following discussion, welcomed the update.

(b) Demonstrating Best Value

Fiona Kordiak, Director of Audit Services, joined the meeting.

Fiona Kordiak, Director of Audit Services, introduced the report on Demonstrating Best Value, a copy of which had been previously circulated.

Fiona invited the members to note the detailed information relating to Audit Services Group's approach to demonstrating Best Value and welcomed any comments on the approach.

Board members welcomed the comprehensive nature and clarity of the report and went on to ask questions about and offer comments on some aspects of the paper.

Following discussion, the members welcomed the report.

Fiona Kordiak, Director of Audit Services, left the meeting.

(c) Improving the Quality of NHS Accounts – Follow Up Review

Russell Frith, Assistant Auditor General, introduced the report on Improving the Quality of NHS Accounts – Follow Up Review, a copy of which had been previously circulated.

Russell invited the Board members to note the improvements achieved to accounts submitted and the further work planned to assist in the continued development of financial reporting.

Following discussion, the members welcomed the report.

11. World Class Programme Development Update

Claire Sweeney, Assistant Director – Performance Audit and Best Value, joined the meeting.

Claire delivered a presentation which covered the context and reasons for taking a new approach to programme development and how the new approach will work in practice. She also set out the progress made so far, some practical examples of the new approach, the next steps and associated timescales.

Board members welcomed the overview of the new approach. The members also considered that an overview presentation on the risk assessment process, which informs the programme, would be helpful at a future meeting.

Action(s):

- **The Chief Operating Officer to arrange a presentation on risk assessment arrangements for a future meeting of the Board. (February 2016)**

Claire Sweeney, Assistant Director, Performance Audit and Best Value, left the meeting.

12. Board Openness and Transparency

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the report on Board Openness and Transparency, which had been previously circulated. Martin invited the members to consider the options set out in terms of the Board and its committees meeting in public and on the publication of papers.

Board members discussed the content of the report and relative merits of the various options. The members agreed that there was potential to increase openness and transparency and requested a further report on the practicalities of this to inform further discussion.

Action(s):

- **The Assistant Director, Corporate Performance and Risk, to bring a further paper to the next meeting of the Board. (December 2015)**

13. Audit Scotland Web Demonstration

James Gillies, Communications Manager, and Shirley James, Web Officer, joined the meeting.

James Gillies, the Communications Manager, introduced the report on the Audit Scotland Web Demonstration and Shirley James, Web Officer, presented the new website which was scheduled to be released the week commencing 9 November 2015.

Board members welcomed the opportunity to see the new website before its scheduled launch and recognised the team's hard work in developing and designing the new site.

14. AOB

There was no further business.

15. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday 3 December 2015** in the offices of Audit Scotland, 102 West Port, Edinburgh.

MEETING: 10 DECEMBER 2015

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

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. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report also complements the weekly briefing provided by Audit Scotland's Communication Team made available on the extranet site, which provides more detailed news coverage in certain areas.
3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

Audit Scotland

4. Audit Scotland published on 24 November 2015 its [review of issues around the Lennoxtown Initiative](#), a community-based regeneration company. The review found no evidence of corruption or fraud, but there was poor management and monitoring of the service agreement and wider lessons need to be learned.
5. Audit Scotland has been accredited as a Living Wage Employer. To ensure all staff employed directly by Audit Scotland are earning the Living Wage the salary band for grade A posts, which include student placements and Modern Apprentices, has been lifted. When tendering for new contracts, Audit Scotland will also expect contractors to pay employees at least this rate.

Issues affecting local government

Scottish Government:

6. The Scottish Government launched a campaign on 18 November to raise awareness of the benefits of human rights in their everyday lives. Although aimed at the general public, public bodies are being encouraged to promote the [initiative](#). The Audit Scotland Diversity Steering Group will consider the matter at its next meeting and I will advise of progress.
7. Following the Chancellors Comprehensive Spending Review on 25 November Deputy First Minister John Swinney announced that the Scottish Government will see a real terms reduction of almost 6 per cent in funding for day to day public services over the next four years. The IPPR has produced an [evaluation](#) of what the Spending Review will mean for Scotland.

8. John Swinney is due to make a statement on the Scottish Budget on 16 December and I will prepare a briefing for the Commission, including the implications of the Budget for Scottish local government, for the meeting in January.

Scottish Parliament

General:

9. On 18 November the [Scottish Election \(Dates\) Bill](#) was published which proposes a five-year term for the next Scottish Parliament to avoid the next UK General Election on 1 May 2020. The Bill proposes the deferral of the Scottish Parliament election to 5 May 2021 and the Scottish Local Government elections to 5 May 2022.

Parliamentary Committee News

Local Government and Regeneration Committee:

10. On 4 December the Local Government and Regeneration Committee took evidence on the [Burial and Cremation \(Scotland\) Bill](#) from representatives of the Scottish Government.
11. On 28 October the Committee took evidence on the Scottish Government's Draft Budget 2016-17 from John Swinney MSP and representatives of the Scottish Government.
12. At its meetings on 11 November and 18 November, the Committee took evidence as part of a roundtable discussion on fixed odds betting terminals and discussed this evidence in private.
13. At its meeting on 18 November, the Committee took evidence as part of its inquiry into arms length organisations from High Life Highland, Highland Council, EDI Group, City of Edinburgh Council, Culture NL, North Lanarkshire Council and Bon Accord Care.
14. The Committee will publish the report of its inquiry in the coming weeks. The Clerk has advised that the report will refer to the Commission's interest and ongoing work in this regard.
15. On 25 November, the Committee took evidence at stage 1 of the Footway Parking and Double Parking (Scotland) Bill from voluntary sector, local authority and user group representatives.
16. The Committee has also published its report on [Pension Fund Investment in Infrastructure and City Deal Spend](#) and have stated that it will "seek clarification from the Accounts Commission what its role will be in relation to city deals as the public spending watchdog for local government". I have yet to receive any correspondence from the Committee, and I will keep the Commission up to date with progress in this regard.
17. In summary, the position of the Commission is that it has an interest, particularly through its obligations in relation to auditing Best Value, in how councils are contributing to improving outcomes for their communities. City deals have varying governance structures, and this will shape the Commission's specific interest in each individual deal. In the case of the city deal for Glasgow, the Glasgow and Clyde Valley Cabinet Joint Committee has been constituted to act as the steering group for the initiative (with Glasgow City Council the lead authority among eight constituent councils). This has been constituted as a joint committee under Section 57 of the Local Government (Scotland) Act 1973, and thus the Accounts Commission has the

responsibility under section 97 of the Act to secure the audit of its accounts. Accordingly, at its meeting in June, the Commission approved the appointment of Audit Scotland for 2014/15 and 2015/16 financial years. As other city deals are constituted, the Commission will confirm its interest in each accordingly.

Public Audit Committee:

18. At its meeting on 4 November the Committee took evidence on the Section 22 report¹ [the 2013/14 audit of Coatbridge College: Governance of severance arrangements](#) from representatives of the Remuneration Committee at Coatbridge College, Allister Gray, former Internal Auditor at Coatbridge College, Cathie Wyllie, Partner, Henderson Loggie; and Caroline Gardner, Auditor General for Scotland. The Committee then considered the evidence and decided to write to Thomas Keenan, Cathie Wyllie, Allister Gray and Audit Scotland on issues raised in discussion.
19. On 18 November the Committee took further evidence on Coatbridge College from the former Directors of Finance and Human Resources at Coatbridge College, representatives of DWF LLP and representatives of the Office of Scottish Charity Regulator. They also took evidence from Caroline Gardner, Auditor General for Scotland and agreed to write to DWF LLP, Office of the Scottish Charity Regulator, Audit Scotland and the Scottish Funding Council on issues raised in discussion.
20. Further evidence on Coatbridge College was taken at the Committee meeting on 25 November from John Doyle, Former Principal and Chief Executive, and John Gray, Former Board Chair, Coatbridge College; Angela Constance, Cabinet Secretary for Education and Lifelong Learning, and Aileen McKechnie, Director of Advanced Learning and Science, Scottish Government. They also took evidence from Caroline Garner, Auditor General for Scotland and agreed to consider a draft report.
21. At its meeting on 25 November, the Committee also took evidence on [the 2014/15 audit of the Scottish Government Consolidated Accounts](#) from Caroline Gardner, Auditor General for Scotland; Mark Taylor, Assistant Director, and Gordon Smail, Senior Manager, Audit Scotland. The Committee agreed its approach to its oral evidence session with the Permanent Secretary on 9 December 2015.
22. Also at its meeting on 25 November, the Committee took evidence from the Scottish Government on the Auditor General for Scotland report entitled [Managing ICT contracts in central government: An update](#). The Committee agreed to follow up with the Permanent Secretary on 9 December 2015 on issues raised in discussion and to consider a paper from the Clerk at a future meeting.
23. At its meeting on 2 December, the Committee took evidence [NHS in Scotland 2015](#). Caroline Gardner, Fraser McKinlay, Tricia Meldrum and Michael Oliphant gave evidence to members. Caroline, Fraser and Stephen Boyle, Assistant Director, Audit Services Group, also gave evidence on the recent Section 22 reports on NHS 24, NHS Tayside and NHS Highland.

¹ The Auditor General for Scotland (AGS) reports to the Public Audit Committee under Section 22 of the Public Finance and Accountability Act on the accounts of Scotland's public bodies (excluding local government).

Infrastructure and Capital Investment Committee

24. On 18 November the Committee considered a petition by Anne Booth on Housing Associations to come under the Freedom of Information (Scotland) Act 2002. The Committee agreed to write to the petitioner asking for their views on whether they are content to close the petition, in the light of the Scottish Government's intention to carry out a consultation on the issues raised.
25. On 25 November the Committee took evidence on the Scottish Government's Draft Budget 2016-17.

Finance Committee

26. On 4 November the Committee took evidence on the Scottish Fiscal Commission Bill at stage 1 from the Office for Budget Responsibility, Professor Ronald MacDonald, Professor of Macroeconomics and International Finance, University of Glasgow and Mark Taylor, Audit Scotland.
27. On 4 November the Committee also took evidence on the Scottish Rate of Income Tax from Professor David Bell at the University of Stirling.
28. At its meeting on 11 November members reported back on a recent fact-finding visit to the Basque Country regarding Scotland's Fiscal Framework.
29. On 18 November the Committee members reported back on their fact finding visit to Dublin for the Scottish Fiscal Commission Bill. The Committee also took evidence at stage 1 of the Bill from representatives of the Institute of Chartered Accountants of Scotland, the Royal Society of Edinburgh and the National Institute of Economic and Social Research.
30. At its meeting on 18 November the Committee also took evidence on Revenue Scotland from the Chairman, Chief Executive and Senior Principal Tax Specialist at Revenue Scotland.

Bills – Progress Updates:

31. Amendments at Stage 2 of the [Education \(Scotland\) Bill](#) have been lodged.
32. The following Bills have not progressed further since my last report:
 - The [Footpath Parking and Double Parking \(Scotland\) Bill](#) is being considered at Stage 1.
 - Stage 2 of the [Harbours Bill](#) has been completed.
 - Consideration of the [Criminal Justice \(Scotland\) Bill](#) at Stage 2 is continuing.
 - The [Community Justice \(Scotland\) Bill](#) is being considered at Stage 1 by the Justice and Finance Committees.
 - The [Scottish Fiscal Commission Bill](#) is being considered at Stage 1 by the Finance Committee.
 - The [Private Housing \(Tenancies\) \(Scotland\) Bill](#) is being considered at Stage 1.

Scotland Bill - Updates:

33. The Smith Commission's proposals were considered within the Scottish and UK Parliaments, principally through the [Referendum \(Scotland\) Bill Committee](#) (previously Devolution (Further Powers) Committee) and [Scottish Affairs Committee](#) respectively. [The Scotland Bill 2015-16](#) has now been approved by the House of Commons and passed to the House of Lords for further consideration. A series of amendments tabled by the UK government, which it stated were to clarify and strengthen sections of the bill, were approved. These included enhanced powers for the Scottish Government over welfare, including the ability to top-up any cuts to tax credits made by the UK government. Amendments tabled by opposition parties were rejected. There remains considerable debate about the Bill, particularly around the extent to which it fulfils the commitments agreed in the Smith Commission.

COSLA, Improvement Service etc:

34. COSLA has warned the Scottish and UK Governments that Scottish local authorities could face cuts of up to half a billion pounds in cuts and spending pressure.
35. The Scottish Local Authorities Economic Development Group (SLAED) published its [third annual report](#) showing that Scottish councils are making a substantial contribution to local economies, spending over £220m on economic development activities. In 2014/15, councils directly employed over 1,440 people (full time equivalent) in economic development and spent in the region of £228m on mainstream economic development activities.
36. The Commission on Local Tax Reform set up an [online survey](#) to gauge opinions on changes to council tax. Two thirds of the 4,492 respondents to the survey thought that it should be replaced with a different system of local taxation based according to income and set according to the priorities of local communities.

Current activity and news in Scottish local government:

Individual councils:

37. There has been one double by-election held on 5 November, since the last meeting of the Commission. In the Huntly, Strathbogie and Howe of Alford ward of Aberdeenshire Council following the resignation of Liberal Democrat councillor Alastair Ross and the death of SNP councillor Joanna Strathdee. Margo Stewart gained one seat for the Conservatives with 36.3% of first preference votes, and Gwyneth Petrie held the other seat for the SNP with 35.4% of first preference votes.
38. The Edinburgh and South East Scotland City Deal looks likely to be approved by the spring Budget in March 2016 according to the City of Edinburgh Council leader Andrew Burns.
39. There are proposals for a rail link between Glasgow Airport and the city centre. Any scheme would be funded through the £1.13bn City Deal fund for Glasgow and Clyde Valley from the UK and Scottish governments. Two possible proposals are being put to councillors in Glasgow and Renfrewshire councils before going to the Glasgow and Clyde Valley Cabinet for approval in December.
40. Leader of Scottish Borders Council David Parker was named Scottish Local Politician of the Year at the [Herald Scottish Politician of the Year Awards](#) on 19 November. The others shortlisted were Andrew Burns, Leader of the City of Edinburgh Council and Mark Macmillan, Leader of Renfrewshire Council.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO):

41. SPSO has launched its [Draft Strategic Plan for 2016-20](#). The plan sets out the key challenges and opportunities that the SPSO foresees over the next four years and how they are preparing for them. There are three proposals about measures SPSO will consider if a trend in rising complaints numbers and complexity continues and there is no increase in SPSO's investigations resource. The plan also commits SPSO to work across sectors to support bodies in discussions about how performance information should be presented and benchmarked. The aim is to move towards a greater consistency of reporting complaints, and provide a basis for comparing performance and supporting ongoing improvement.
42. The plan also highlights the new role of SPSO in reviewing Scottish Welfare Fund decisions, and changes in relation to complaints arrangements under the Scottish Government's health and social care integration programme. In the latter case, the Scottish Government has asked SPSO to help ensure consistency in relation to their health and social care integration complaints handling arrangements, as part of which they are currently consulting on a proposal that SPSO take on responsibility for social work complaints. A draft order will enable SPSO to exercise parallel functions for social work complaints procedure as they do about complaints about health services. The draft order also allows the sharing of information between the SPSO and the Care Inspectorate, and between the SPSO and SSSC (Scottish Social Services Council). This is to allow SPSO to share information about a care service or member of staff with the appropriate regulatory body, if this comes to light as part of an investigation.
43. The newsletter [SPSO News – November](#) summarises October 2015 case numbers, outlines investigations reports, recent SPSO news and highlights emerging issues. More information on the SPSO's work, including detailed Investigations and decision reports, is available on the [Our findings](#) webpage. More detailed intelligence from the SPSO is considered on a six-monthly basis by the Financial Audit and Assurance Committee.

Commissioner for Ethical Standards in Public Life in Scotland:

44. Since the previous meeting of the Commission, eight decisions on complaints relating to councillors were published by the [Commissioner](#). The Commissioner decided [Councillor Frank Robertson](#) at Shetland Islands Council, [Councillor Corrie McChord](#) at Stirling Council, [Councillors Dick Walsh and James McQueen](#) at Argyll and Bute Council, [Councillor Alastair Carmichael](#) at East Renfrewshire Council, [Councillor Tom Gray](#) at Perth and Kinross Council, [Councillor Cameron Rose](#) at City of Edinburgh Council and [Councillor George Chalmers](#) at Glasgow Clyde College Council did not contravene the Councillors' Code of Conduct.
45. It was also decided that [Councillor Willie Young](#) at Aberdeen City Council did breach the Councillors' Code of Conduct and the report was forwarded to the Councillors' Code of Conduct.

Standards Commission for Scotland:

46. The Standards Commission is due to hold a [hearing](#) on 12 January 2016 into an alleged breach by Councillor Willie Young (Aberdeen City Council) of Section 3: General Conduct and in particular paragraph 3.14 regarding confidentiality requirements.

47. The Hearing into an alleged breach of the Code by Councillor Paul McLennan (East Lothian Council) (Section 3: General Conduct and in particular paragraphs 3.6 which relates to Remuneration, Allowances and Expenses, and Section 4: Registration of Interests, and in particular paragraphs 4.1, 4.2, 4.7, 4.8 and 4.22, concerning Category One: Remuneration and Category Eight: Non-Financial Interests) was held on 13 November, but no decision has yet been published.

Her Majesty's Chief Inspector of Constabulary Scotland (HMICS)

48. A [joint review](#) of multi-agency public protection arrangements (MAPPA) was published on 26 November. The review, carried out by HMICS and the Care Inspectorate has found that they are working effectively and making a critical contribution to public protection.

Other UK Audit Bodies

National Audit Office:

49. The National Audit Office has published a [report](#) on the HMRC administration of the Scottish Rate of Income Tax 2014-15, which will be introduced from 6 April 2016 as part of new financial powers being delivered under the Scotland Act 2012. The Public Audit Committee of the Scottish Parliament had recommended that the Auditor General for Scotland, Caroline Gardner, should provide additional assurance on the NAO's review of HMRC's preparedness in implementing the SRIT. The Auditor General has also [reported](#) in response to that recommendation. She is satisfied that the NAO's approach was sufficient and robust and its audit work covered the key risks.

Public Accounts Committee

50. On 11 November the Public Accounts Committee published a [report](#) looking at the first wave of City Deal funding and urges the UK Government to provide clarity on accountability, funding and economic impact when it considers wider devolution in England. The report specifically found that:
- The first wave of City Deals show some signs of early success, but they are not necessarily the most appropriate model for wider devolution
 - The Department for Communities and Local Government (the Department) has not made clear who is accountable for public funds that have been devolved through City Deals.
 - The Department's lack of monitoring and evaluation in the deals makes it difficult to assess their overall effectiveness
 - The Department lacks certainty over whether there is enough capacity locally to manage devolved funding effectively and sustainably. The Government has committed £2.3 billion to the first wave of City Deals.
 - Cities valued the role of the Department's Cities and Local Growth Unit in providing a single, coherent access point in Government but the Unit's capacity is limited.

Other

51. The [Cities and Local Government Devolution Bill](#) reached the Committee Stage on 21 October, and provides statutory authority for the devolution of powers to local areas. It

has been described by the Local Government Association as an enabling Bill as very few of the policy areas covered in devolution agreements are mentioned. One of the proposals for the Bill is that there should be requirements for combined authorities to be scrutinised and audited.

Conclusion

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

Paul Reilly
Secretary to the Accounts Commission
2 December 2015

MEETING: 10 DECEMBER 2015

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

DRAFT 2015 SPI DIRECTION

Purpose

1. The purpose of this paper is to set out a draft 2015 SPI Direction for approval by the Commission (Appendix 1). The draft Direction reflects the Commission's preferred option for the future SPI regime that was agreed at its November meeting.
2. Verbal feedback on the outcomes of the Commission's ongoing consultation with COSLA, SOLACE, the Local Government Benchmarking Board, the Scottish Local Government Partnership and the Scottish Government on the future SPI regime and 2015 Direction will be given to the meeting.

Background

3. Section 1(1)(a) of the Local Government Act 1992 (the 1992 Act), gives the Accounts Commission the power to direct relevant bodies to publish such information relating to their activities in any financial year or other specified period as will, in the Commission's opinion, "facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness and of securing Best Value in accordance with section 1 of the Local Government in Scotland Act 2003) between:
 - i. the standards of performance achieved by different relevant bodies in that financial year or other period; and
 - ii. the standards of performance achieved by such bodies in different financial years or, as the case may be, other periods."

The Commission's strategy for its SPI regime

4. At its meeting in June the Commission considered a report by the Director of Performance Audit and Best Value inviting the Commission to adapt its overall strategy for SPI in the context of the evolving maturity of the Local Government Benchmarking Framework (LGBF) and the Commission's future approach to auditing Best Value.
5. At that meeting the Commission agreed that its 2015 SPI direction needed to reflect the Commission's ongoing commitment to sector-led benchmarking and improvement and its approach to the next iteration of the local government Best Value audit approach (in particular the tone of continuous improvement and outcomes).
6. On that basis, the Commission agreed to endorse a strategy incorporating the following principles:
 - A longer-term statutory performance information Direction.
 - A recognition of the increasing maturity of, and the Commission's support for the further development of, the LGBF.

- Addressing how additional information that the Commission requires councils to publish, beyond that specified by the LGBF, links with the Commission's Best Value interests.
 - Incorporating the assessment of councils' approaches to public performance reporting (PPR) as an integral element of the new approach to auditing Best Value, rather than undertaking separate assessments of this aspect of councils' performance.
7. At its November meeting the Commission considered a paper setting out three options for the Commission in relation to the content of its 2015 SPI direction. All three options would enable the Commission to discharge its obligations under the 1992 Act.
 8. The Commission approved option 3, which involves the revision of the SPI Direction to introduce a single SPI that reflects the Commission's PPR expectations under the new Best Value audit approach. The requirement on councils to continue to report their performance in line with the LGBF would be retained under this option.
 9. The Commission also approved the proposal that the next SPI Direction be for a three-year period to signal the Commission's ongoing interest in keeping the SPI regime under periodic review, whilst at the same time giving time for the LGBF to further develop alongside the implementation of the Commission's new approach to auditing Best Value. The Commission noted that it would be free, if it chose, to issue a revised Direction at any point in that 3-year period.

Consultation on the draft Direction

10. Section 2 (3) of the 1992 Act requires the Commission to consult with 'such associations of relevant bodies and such other persons as it sees fit' before giving a direction which imposes a new requirement on any relevant body. It is for the Commission to determine which associations and bodies it wishes to consult and the manner in which it will undertake any consultation activity.
11. At its November meeting the Commission agreed to write formally to COSLA, SOLACE, the LGBF Board, the Scottish Local Government Partnership (SLGP), and the Scottish Government setting out its preferred option for the 2015 SPI Direction asking for feedback from these stakeholder groups on the proposed approach.
12. The Chair of the Commission wrote to these bodies on the 16th November, asking for any comments on the Commission's proposed approach by 4th December so that they could be considered by the Commission before it reaches a final decision on its 2015 Direction at its December meeting. A copy of the Chair's letter is attached at Appendix 2.
13. A meeting with SOLACE to discuss the Commission's proposed approach to the 2015 SPI Direction took place on 27th November, and the Commission will be meeting with the LGBF Board on the 11th December.
14. Verbal feedback on the outcomes of the Commission's ongoing consultation with COSLA, SOLACE, the Local Government Benchmarking Board, the Scottish Local Government Partnership and the Scottish Government on the future SPI regime and 2015 Direction will be given to the meeting.

Recommendations

15. The Accounts Commission is invited to:

- (a) consider the proposed SPI Direction 2015 (Appendix 1)
- (b) give the Chair delegated authority to finalise the content of the Direction in response to any consultation feedback.

Fraser McKinlay
Director of Performance Audit and Best Value
28 November 2015

Appendix 1

The Publication of Information (Standards of Performance) Direction 2015

Local Government Act 1992

Statutory Performance Indicators

Direction 2015

December 2015

A new approach to the SPI regime

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish for performance comparison and benchmarking purposes. This responsibility links closely with the Commission's Best Value audit responsibilities.

Whilst recognising the importance of these powers the Commission believes that high quality public performance reporting (PPR) and performance benchmarking will only occur if there is ownership of this agenda as part of a culture of continuous improvement within the local government community. For this reason, since 2008, the Commission has taken steps to develop a more flexible approach to its statutory performance information role. Our 2008 Direction reduced the number of statutory indicators from 58 to 25. Since then, the Commission has endorsed and supported the development of the local government performance benchmarking framework (LGBF), and to reflect this, in 2012 we further reduced the number of indicators to three. The Commission's position reflects a commitment to supporting sector-led improvement. It is also consistent with the Crerar¹ principle that the primary responsibility for demonstrating [effective] performance should rest with service providers, a principle which is reflected in the Commission's strategy 2013-16.

Three years on, the Commission recognises that it is time to reflect further on progress and how our approach to the statutory performance information (SPI) regime should be taken forward in the longer-term.

On that basis, this year we reviewed our approach to the SPI regime in the context of ongoing improvements in councils' approaches to public performance reporting (PPR) and the increasing maturity of the LGBF project. As part of that process we also considered how the SPI regime could be more effectively aligned with our new integrated approach to auditing Best Value.

The Commission has adopted a new SPI strategy incorporating the following principles:

- A longer-term statutory performance information Direction from 2015.
- Recognition within the SPI Direction of the increasing maturity of, and the Commission's ongoing support for the further development of, the LGBF.
- Incorporation of the assessment of councils' approaches to PPR as an integral element of the new approach to auditing Best Value, rather than as a separate assessments of this aspect of councils' performance, which has been the case in recent years.

We are significantly streamlining the SPI regime and aligning SPI and PPR activity within our new approach to auditing Best Value. As part of this new approach, we want to better reflect the impact that councils are making on their communities and how they are contributing to improved outcomes for those communities. This decision was made to signal clearly to the local government community how we are reflecting the increasingly mature approach to sector-led improvement in our SPI regime.

This new 2015 Direction sets out a streamlined and more flexible set of performance information for the 2016/17 financial year that the Commission requires councils to collect and report in public. Councils will be required to publish the required information from the financial year ending 31st March 2017 each year through to the financial year ending 31st March 2019.

Although this will be a 3-year Direction the Commission will continue to engage with the LGBF Board and monitor the ongoing development of the LGBF and will review progress with the LGBF and councils' reporting of performance on an annual basis.

We hope our new approach will be welcomed by councils and their partners.

Douglas Sinclair
Chair of the Accounts Commission for Scotland
December 2015

¹ The Crerar Review. The report of the independent review of regulation, audit, inspection and complaints handling of public services in Scotland. Scottish Government, September 2007.

LOCAL GOVERNMENT ACT 1992
THE PUBLICATION OF INFORMATION
(STANDARDS OF PERFORMANCE) DIRECTION 2015

1. This Direction is given by the Accounts Commission for Scotland (“the Commission”) under section 1(1)(a) of the Local Government Act 1992, which requires the Commission to direct relevant bodies to publish such information relating to their activities in any financial year or other specified period as will, in the Commission’s opinion:

“facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness and of securing best value in accordance with section 1 of the Local Government in Scotland Act 2003) between –

i. the standards of performance achieved by different relevant bodies in that financial year or other period; and

ii. the standards of performance achieved by such bodies in different financial years or, as the case may be, other periods”

2. This Direction is given to all local authorities and to joint committees and joint boards, as defined by the Local Government (Scotland) Act 1973, and amended by the Local Government etc. (Scotland) Act 1994.

3. Each of the bodies referred to in paragraph 2 shall, in accordance with section 13 of the Local Government in Scotland Act 2003 and associated regulations and guidance from Scottish Ministers, publish the information specified in the schedule to this Direction for all those activities which are carried out by the body

4. The period for which the information in the schedule must be published is the financial year ending 31st March 2017.

5. In the schedule, the term ‘Best Value’ shall be interpreted in accordance with the definition and requirements of Part 1 of the Local Government in Scotland Act 2003.

Schedule

Achievement of Best Value

SPI 1: Each council will report a range of information setting out:

- The council’s outcome improvement priorities, and how it is performing against them (including its performance in addressing outcome inequalities).
- How the council has improved local public services (including in partnership with others) and where further improvement is required.
- How the council is engaging with communities and responding to their views and concerns about the council area and local public services
- How the council is securing Best Value in relation to its planning for improvement, performance benchmarking, and management and use of resources.

Local Government Benchmarking Framework

SPI 2: Each council will report its performance in accordance with the requirements of the Local Government Benchmarking Framework.

Appendix 2

Consultation letter sent by the Chair of the Accounts Commission

4th Floor
102 West Port
Edinburgh EH3 9DN

T: 0131 625 1500
E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk



David O'Neill
President
COSLA
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH

Dear David

Accounts Commission Statutory Performance Information (SPI) Direction 2015 - consultation on proposed approach

I am writing to you to seek your views on the Commission's intentions in relation to its statutory performance information Direction for the next three years.

As you know, section 1(1)(a) of the Local Government Act 1992 (the 1992 Act), gives the Accounts Commission the power to direct relevant bodies to publish such information relating to their activities in any financial year or other specified period as will, in the Commission's opinion, "facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness and of securing Best Value in accordance with section 1 of the Local Government in Scotland Act 2003) between:

- i. the standards of performance achieved by different relevant bodies in that financial year or other period; and
- ii. the standards of performance achieved by such bodies in different financial years or, as the case may be, other periods."

Whilst recognising the importance of these powers the Commission believes that high quality public performance reporting (PPR) and performance benchmarking will only occur if there is ownership of this agenda within the local government community. For that reason, the Commission endorsed and supported the development of the local government performance benchmarking framework (LGBF). This reflected a commitment on behalf of the Commission to supporting sector-led improvement. It was also consistent with the Crerar¹ principle that the primary responsibility for demonstrating [effective] performance should rest with service providers, a principle which is reflected in the Commission's strategy 2013-16.

On that basis, the Commission's 2008 and 2012 Directions marked significant phases in this change of approach. In 2008, the number of statutory performance indicators reduced from 58 to 25, and in 2012 the Commission further reduced the number of indicators to three. This shift reflected an acknowledgement of the local government community's commitment to publish a suite of comparative performance benchmarking data and the progress that was being made towards this. The three indicators introduced in 2012 remained consistent in the subsequent 2013 and 2014 Directions.

¹ The Crerar Review. The report of the independent review of regulation, audit, inspection and complaints handling of public services in Scotland. Scottish Government, September 2007.

Given the increasing maturity of the LGBF the Commission has recently been considering how this should be reflected in its 2015 SPI Direction.

At its June meeting the Commission considered its overall to SPI and agreed to endorse a strategy for the SPI regime incorporating the following principles:

- The approval of a longer-term statutory performance information Direction from 2015.
- Recognition (within the SPI Direction) of the increasing maturity of, and the Commission's support for the further development of, the LGBF.
- Incorporation of the assessment of councils' approaches to PPR as an integral element of the new approach to auditing Best Value, rather than as a separate assessments of this aspect of councils' performance, which has been the case in recent years.

At its November meeting the Commission considered a report setting out a range of options available to the Commission for implementing this strategy. A copy of that report is attached for your information.

The Commission approved option 3 as its preferred option at that meeting. This is the most radical of the three options which we considered. It was endorsed by the Commission to signal clearly to the local government community our ongoing commitment to streamlining the SPI regime as sector-led improvement continues to mature and develop, and our desire to more effectively align SPI and PPR activity with our new approach to auditing Best Value. Subject to consultation feedback, the Commission intends to adopt option 3 in a 3-year Direction that will require local authorities to publish the required information from the financial year ending 31st March 2017 each year through to the financial year ending 31st March 2019.

Although this will be a 3-year Direction the Commission will continue to engage with the LGBF Board and monitor the ongoing development of the LGBF and will review progress with the LGBF on an annual basis.

I therefore seek your views on the Commission's preferred option, in line with the requirement on the Commission, under Section 2 (3) of the 1992 Act, to consult with 'such associations of relevant bodies and such other persons as it sees fit' before giving a direction which imposes a new requirement on any relevant body.

The Commission will be seeking to approve its 2015 Direction at its next meeting on the 10th December. I would therefore be very grateful if could offer any comments on the Commission's proposed approach by 4 December so that they can be considered by the Commission before it reaches a final decision on its 2015 Direction.

If you would find it helpful, then I am happy to hear your views in person, or alternatively, you can liaise with Antony Clark, Assistant Director, Audit Scotland (aclark@audit-scotland.gov.uk).

I look forward to hearing from you by 4 December.

Yours sincerely

Douglas Sinclair
Chair

cc Rory Mair

MEETING: 10 DECEMBER 2015

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

THE NEW APPROACH TO AUDITING BEST VALUE:- PROGRESS REPORT

Purpose

1. The purpose of this paper is to provide an update to the Commission on the work underway to develop and implement the new approach to auditing Best Value.
2. It sets out how we are going about the work and the key milestones for implementation. It also provides details of external engagement that has taken place and activity planned for the near future.

Background

3. Members are aware that during 2014, the Accounts Commission carried out a review of its work in auditing Best Value in Scotland's councils. It recognised that Best Value is still a statutory duty for councils and an important audit responsibility for the Commission. It believes that the principles and essential elements of Best Value are fundamental to good public service delivery and are as important today as when the Scottish Parliament agreed the legislation in 2003. The Commission concluded that a new approach to auditing Best Value is needed and in December 2014, it agreed a number of principles for the new approach. These are:
 - The essential elements of Best Value remain as relevant and critically important today as when it was first established, although there is some need for the statutory guidance on Best Value to be reviewed
 - There is a real need for the pace, depth and continuity of improvement to increase across local government and driving improvement will be at the core of the audit process for Best Value
 - There can be no compromise on the importance of good governance in councils, including the need for effective scrutiny arrangements that contain the checks and balances which lie at the heart of our system of government
 - A proportionate and risk-based audit approach should be taken, but the Commission requires more frequent assurance on Best Value across all 32 councils
 - Greater synergy, and a better experience for councils, can be achieved through integrating audit processes across the range of audit work applied in local government, alongside continued joined up working with other scrutiny bodies
 - Audit work should have a strong focus on the quality of service experienced by the public and the outcomes achieved by councils for their communities.

Developing the new approach and internal engagement

4. We have brought together a programme team of staff from across Audit Scotland to develop the detail of the new approach, ensuring that it responds to the Commission's principles and contributes to Audit Scotland's corporate vision to be a world class audit organisation. We have also put in place a steering group at Audit Scotland Director level. It was very useful during the

review work to discuss thinking and progress with a working group made up of the Commission Chair and the two Committee Chairs. As the work progresses, it will be valuable to reconvene this group, to discuss the developing arrangements. We suggest the first of these meetings is planned for early in the new year.

5. The new approach is establishing a more integrated audit that will maximise the value and impact of audit work on Best Value. It will:
 - Have an emphasis on driving continuous improvement in councils
 - Remain proportionate and risk based
 - Be a joint responsibility between auditors in Performance Audit and Best Value and those in local audit teams appointed to each council
 - Involve joint planning at an individual council level across the five year audit appointment
 - Involve more regular engagement with the council during the year, building more understanding of the specific context and performance of the individual council
 - Integrate annual SRA/planning guidance processes and ensure appropriate engagement with other scrutiny partners
 - Include a Best Value report to the Commission for each council at least once in a five year period.
6. The team is developing the new arrangements through four workstreams, these are –
 - The audit assessment framework – this focuses on reviewing and revising the arrangements, tools and guidance to support the audit process
 - Audit planning and reporting – this focuses on arrangements for five year and annual planning and scheduling, as well as the arrangements for reporting and quality assurance
 - Resourcing, skills and training – this focuses on arrangements to support effective resourcing of the new audit arrangements
 - Audit intelligence – this focuses on arrangements for ensuring there is good audit intelligence to support the audit process
7. The team recognises that a more integrated audit will involve a number of changes and will take time to develop. The evolutionary approach agreed will support ongoing refinement and enhancement of the detailed processes and practice, and working in an inclusive manner will ensure engagement, ownership and understanding across Audit Scotland, the firms and key stakeholders.
8. The key message we have been communicating across Audit Scotland and the firms, is that things are changing in how councils are audited. We have made clear what the Commission wants, through promoting the principles it agreed at the end of last year, and the key features of the new approach as articulated at the Strategy Seminar in April 2015. Much of this has been through formal documentation, such as the new Code of Audit Practice, auditor procurement documentation and the Annual Audit Planning Guidance for the current audit year. A programme of internal engagement has begun which includes presentations and more informal discussions, such as at the Annual Audit Planning Conference, sector meetings for auditors, staff team meetings, knowledge cafes and through online blogs. Awareness and clarity on the direction we are heading has significantly increased.
9. Members are aware that new five-year audit appointments start in 2016, with the ‘audit year’ beginning in October. However, we are using this current year to get as far ahead in key areas

of the new approach as we can. For example, we are asking current local auditors (through requirements in the annual audit planning guidance) to provide a summary of intelligence about BV at each council to support the transition to the new appointments. This will also provide an initial platform for the revised audit intelligence arrangements that underpin the new approach. Similarly, we have had discussions with the lead officers for the 32 Local Area Networks, to ensure that they are clear about the new direction and that the current round of Shared Risk Assessments contribute as much as possible to the new approach.

External engagement

10. Members are aware that the Commission Chair wrote to the Cabinet Secretary, Alex Neil, at the end of August, to advise the Scottish Government about the review of auditing Best Value, to provide an outline of the new approach being taken and in particular, to express the Commission's view on Statutory Guidance. The Cabinet secretary replied on 26th October and members were previously provided with a copy of this.
11. The Commission Chair sent a letter in similar terms in August to Councillor David O'Neill, President of Cosla, and more recently he wrote to each Council Leader about the new approach, with a follow-up email sent to council Chief Executives from the Controller of Audit.
12. As part of the development and implementation work on the new audit approach, the programme team is following up on the initial stakeholder engagement by the Commission. The primary stakeholders include the Scottish Government, COSLA, SOLACE, councils, and scrutiny partner agencies.

Scottish Government

13. On the 26th October, Ronnie Nicol (Assistant Director) and Kathrine Sibbald (Programme Manager – Auditing Best Value) met with key officials from Scottish Government (Local Government and Public Service Reform divisions). The response at the meeting was very positive, with Scottish Government officials clearly understanding the issues and being supportive of what the Commission and auditors are seeking to achieve.
14. This supportive tone reflected the response to the Commission from the Cabinet Secretary. In his letter he supports the Commission's position in relation to Best Value agreeing:
 - That the time is right to reconsider the approach to Best Value
 - To discuss “the desirability of reiterating Best Value, to include consideration of whether to review the current Statutory guidance”
 - That Best Value auditing should play a greater role in driving improvement rather than being perceived as being focused on identifying “shortcomings”
 - That there should be a more constant picture of how Best Value is being applied across all councils
 - That there should be a greater focus on outcomes for communities and citizen experience
 - That it is important to retain a risk-based and proportionate approach.

The Cabinet Secretary emphasised the importance of working closely with partner scrutiny agencies and to consider how joint bodies and arrangements are audited. In his letter, he makes specific reference to ALEOs, equal opportunities and equal pay.

15. The Cabinet Secretary also reflected on the timeline for reviewing the statutory guidance. He suggested that the need for wider stakeholder engagement and consultation on any proposals

would mean that this would require a later completion date than April 2016. A later time frame will influence how we go about developing the new arrangements but it will not impact on our ability to implement the new approach. It is helpful that the Cabinet Secretary makes the suggestion to “restate and re-emphasise key messages, in advance of any new formal guidance being launched”, although no specific details are proposed. This will allow us to discuss matters further with Scottish Government officials and proceed with our plans, giving weight to the new approach in the early phases of implementation with councils and other stakeholders.

16. On the 20th October, Ronnie Nicol and Antony Clark (Assistant Director) attended a meeting with Scottish Government staff working on the development of monitoring and evaluation approaches for more outcome focussed and asset based working. Ronnie explained how the new approach to Best Value might link in with their interests.
17. Further meetings to take forward work on the statutory guidance with the Scottish Government and other stakeholders are anticipated before Christmas or early in the new year.

COSLA

18. On the 13th October, Ronnie Nicol and Kathrine Sibbald met with James Fowlie (Director - Integration and Development, COSLA). While there has not been a formal reply to the Commission’s letter, this was a very positive meeting and Mr Fowlie was keen to engage further with the team as proposed and involve others from COSLA as appropriate. Mr Fowlie is likely to be involved in any arrangements to look at the Statutory Guidance. Again, further discussions are being arranged for the near future.

SOLACE

19. Ronnie Nicol and Kathrine Sibbald met with Bernadette Malone (SOLACE portfolio holder for Scrutiny, Best Value and Performance) on the 12th of November to discuss the new approach and the development programme. Her response was very positive, welcoming the principles and approach outlined. The programme team has been invited to provide a presentation and hold a discussion session at a Solace seminar in January.

Other External Engagement

20. In January and again in October, Ronnie Nicol and Antony Clark discussed with the Local Area Network lead officers, how the current SRA process can contribute to the programme’s development, especially in this important year for preparations. Initial discussion also took place on what the comparative risk across the 32 councils would look like in light of the Commission’s objectives for the new approach, and the implications for programming and scheduling.
21. Also in October, a presentation was provided to the Strategic Scrutiny Group and in November, a briefing was discussed at the Strategic Operational Group. There are clear links for our programme of work with the objectives of these groups to develop better cross agency working. Further briefings will be provided to these groups as the development of the new approach progresses.

Future Engagement Plans

22. These include:

- Meeting with the Improvement Service early in the new year and as appropriate thereafter. We will forward copies of relevant letters, briefings and guidance throughout the development to keep the IS informed and to seek its views.

- We also have plans to engage with our contacts at the Equalities and Human Rights Commission to discuss how issues of equality and inequality might be addressed in the new approach.
- The team plans to establish a small reference group of approximately 8-10 senior officers (~Head of Service level) to act as a point of contact. This group will act as a point of contact for the team to discuss aspects of the approach as it develops. This will extend the range of people providing insight, ideas, and challenge to the development of the new arrangements.
- At milestones during the development and implementation work, the team will produce external stakeholder briefing notes to distribute to the main stakeholders (and wider interested parties). The team will also produce external blogs.

23. As the programme team engages with stakeholders at an appropriate level, the Commission will wish to consider direct engagement to promote its objectives. It is likely that the timing of this is most suited to when the Commission has formally considered aspects of the new arrangements, e.g. in April 2016. It may be that the Commission could host a series of seminars around June 2016. These could be geographically based around the country, or targeted at specific groups, such as one for COSLA/councillors, one for council officials and one for other stakeholders. The seminars would be an opportunity for setting out the approach in more detail but also for consultation and discussion.

The timeline for implementation

24. The new approach will begin implementation with the annual audit from October 2016. The first Best Value assurance report will be presented to the Commission in the spring 2017, although reports from ongoing Best Value audit work will continue to be submitted to the Commission during 2016. Implementation milestones are:

Auditing Best Value, implementation milestones

Milestone	
Framework of the planned arrangements reported to Accounts Commission	April 2016
Initial rolling programme of annual and BV public reports considered by Accounts Commission	April 2016
Commission engagement seminars	May/June 2016
Audit Management Framework and detailed audit guidance for Year 1 finalised	August 2016
Content for Year 1 annual audit planning guidance ready	August 2016
Commencement of Year 1 programme	October 2016
First public reports considered by Accounts Commission and published as per programme	From ~ April 2017
First annual audit reports including integrated Best Value elements	September 2017

Recommendations

25. The Accounts Commission is invited to:

- (a) Note the progress made on the new approach to auditing Best Value;
- (b) Note the plans for further engagement with stakeholders and consider the proposal for the Commission to host stakeholder seminars in 2016;
- (c) Note that the Director will bring reports to the Commission in April 2016 setting out for approval:
 - The framework of the planned arrangements for the new approach
 - An initial proposed rolling programme of annual and BV public reports.

Fraser McKinlay
Director of Performance Audit and Best Value
2 December 2015

MEETING: 10 DECEMBER 2015

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

PROPOSED 5-YEAR ROLLING WORK PROGRAMME

Introduction

1. The purpose of this report is to introduce the Commission's draft work programme for approval.

Background

2. The Commission has in recent months been considering a new approach to programme development.
3. At its April meeting, the Commission endorsed the new approach. The new approach is intended to ensure clear links between the work programme and the strategy of the Commission, *Public Audit in Scotland*, Audit Scotland's corporate plan and the review of the Code of Audit Practice. It represents a move to a longer-term strategic programme of work but with flexibility in how the programme is framed to allow for unexpected developments and so that it can reflect any changes in the priorities of the Commission and the Auditor General that emerge over time.
4. As part of the new approach, a workshop was held in September at which Commission members considered how Audit Scotland monitors public sector risks and how these are used to shape the proposed programme of audit work for the Commission and the Auditor General for Scotland. After the workshop members provided further feedback on public sector risks and what this might mean for programme development and audit work that the Commission would wish to undertake, specifically over the next year but also in a longer five year timeframe.
5. Most recently, the Commission's two committees on 26 November considered a report by the Director of Performance Audit and Best Value providing a further update of progress with programme development, including a summary of feedback from Commission members. The committees agreed:
 - To note the feedback.
 - Proposals for Audit Scotland engaging with the Commission, essentially through its committees, around monitoring of public sector risks and the work programme.
 - To recommend a number of proposals to the Commission for inclusion in the draft work programme to be considered at its December meeting.

Proposals

6. The proposed work programme is presented in the Appendix.
7. In the proposed programme, the Director of Performance Audit and Best Value has addressed the views of the committees, as agreed at their meetings on 26 November, as follows:

Committee recommendation	Proposal
Financial Audit and Assurance Committee	
<ul style="list-style-type: none"> Activity in relation to housing be more than the proposed 'round table' event. 	Performance audits in relation to housing proposed on an annual basis from 2018/19.
<ul style="list-style-type: none"> A follow-up audit be considered in relation to self-directed support. 	Proposed performance audit in 2016/17.
<ul style="list-style-type: none"> For innovative financing, 2017/18 would be an appropriate timescale. 	Performance audit on City Deals proposed in 2017/18.
<ul style="list-style-type: none"> Reference be made in the work programme to the ongoing audit <i>Major capital investment in councils: follow-up</i>. 	This will feature in programme development updates to Commission's committees.
<ul style="list-style-type: none"> Clearer reference be made to the potential of audit work – in the medium term - around the Community Empowerment Act and, specifically, the experience of the citizen. 	Proposed audit work in 2018/19
<ul style="list-style-type: none"> Work around finance staff and capacity should have a wider scope beyond finance staff. 	Analysis of information on financial capacity is currently taking place. It will feed into ongoing programme development work on broader staff and capacity issues.
<ul style="list-style-type: none"> Follow-up audit work in relation to <i>Narrowing the educational attainment gap</i> be phased in the medium term. 	Proposed performance audit in 2018/19.
<ul style="list-style-type: none"> Further to this point, that early learning and childcare be given relatively greater priority in the programme. 	Proposed performance audit in 2016/17.
<ul style="list-style-type: none"> More priority be given to audit activity in relation to equal pay. 	Proposed performance audit in 2016/17.
<ul style="list-style-type: none"> Not to prioritise public sector estate strategy and maintenance 	Proposed audit work removed. To be addressed in programme development activity
Performance Audit Committee	
<ul style="list-style-type: none"> Feature follow-up work in relation to the 2012 performance audit <i>Commissioning Social Care</i>. 	Part of scope of ongoing performance audit on Social Work. Can be revisited following publication.
<ul style="list-style-type: none"> Feature work in relation to ALEOs. 	Proposed <i>How Councils Work</i> report in 2017/18. Work being progressed in annual audit work and in ongoing review of auditing Best Value.
<ul style="list-style-type: none"> Feature work around innovation, including approaches, costs and benefits. 	No specific output, but to be addressed in programme development activity and Best Value work.
<ul style="list-style-type: none"> Feature, in the medium to longer term, work around biodiversity with reference as appropriate to council environmental and related services. 	Proposed performance audit on waste management in 2017/18. Wider related issues to be addressed in programme development activity.

8. The Chair of the Commission has met with the Auditor General to discuss the programme. Both are in broad agreement with the scope of the proposals.

Consultation

9. The Commission is obliged by statute to consult with stakeholders before undertaking any of its performance audit work (specifically 'such associations of local authorities or other bodies whose accounts are required to be audited' and '(appropriate) associations of employees').¹ It is therefore proposed that the Commission consults immediately on the draft work programme with COSLA, the Scottish Local Government Partnership, SOLACE and trade unions Unison, Unite and GMB (these are the three members of the Scottish Joint Council, which represents local government employees).
10. I will report back to the Commission on the outcome of the consultation.

Recommendations

11. The Commission is invited to:
 - approve the attached draft work programme as a basis for consultation with stakeholders.
 - approve the proposed consultation arrangements.
 - note that I will report back on the outcome of the consultation.

Paul Reilly
Secretary to the Accounts Commission
2 December 2015

¹ 1973 Local Government (Scotland) Act, section 97A(3).



PROGRAMME DEVELOPMENT – PROPOSED ROLLING PROGRAMME 2016/17 TO 2020/21

Purpose

1. The purpose of this report is to provide the Accounts Commission and Auditor General for Scotland with a proposed rolling programme for 2016/17 to 2020/21 for consideration and approval. The programme reflects a more strategic approach to planning and managing the Commission and Auditor General's work, with a shift away from an annual work programme to a longer-term view that reflects their strategic priorities and the key risks and opportunities facing Scotland's public sector.
2. The new approach will help to ensure that the work Audit Scotland delivers on behalf the Accounts Commission and the Auditor General is highly relevant, timely, makes best use of our resources and ultimately improves the use of public money in Scotland.
3. The proposed programme covers all of the work we carry out on behalf of the Accounts Commission and the Auditor General, with the exception of the local annual audit work. This includes performance audits, Best Value audits, the How Councils Work series, overview reporting, follow-up work, statutory reporting, correspondence and the shared risk assessment (SRA). We have assumed that all of our current programmes of audit work will continue over this five-year period. In addition, flexibility has been built into the programme to allow us to undertake investigatory work and respond quickly to news and emerging audit risks. If the Accounts Commission or Auditor General reconsiders its approach to any aspect of their work and ask Audit Scotland to do something different (i.e. start something new, or combine or cease particular activities) we will reflect this in future iterations of the programme.
4. The proposed programme provides a balance of work for the Accounts Commission and Auditor General that reflects their respective levels of fees and funding. It includes a number of joint audits. These have been selected to demonstrate how the Accounts Commission and the Auditor General are working together to deliver public audits that address the complex and interconnected strategic challenges that span sectors and impact on a range of different public bodies. The programme also includes a balance between new work and follow-up work that is designed to help us measure how public services are improving in response to our work.
5. We have planned for 6-7 Best Value audit reports a year but the programme does not yet specify which Councils will be reported on in each of the five years. That is because the Commission's Best Value audit work is informed by the annual shared risk assessment (SRA) process. The 2015 SRA process is currently ongoing and a further report setting out a proposed five-year Best Value audit programme will be brought to Commission in spring 2016. The Best Value audit programme will continue to be subject to review on an annual basis to reflect the outcome of each year's SRA process.

Background

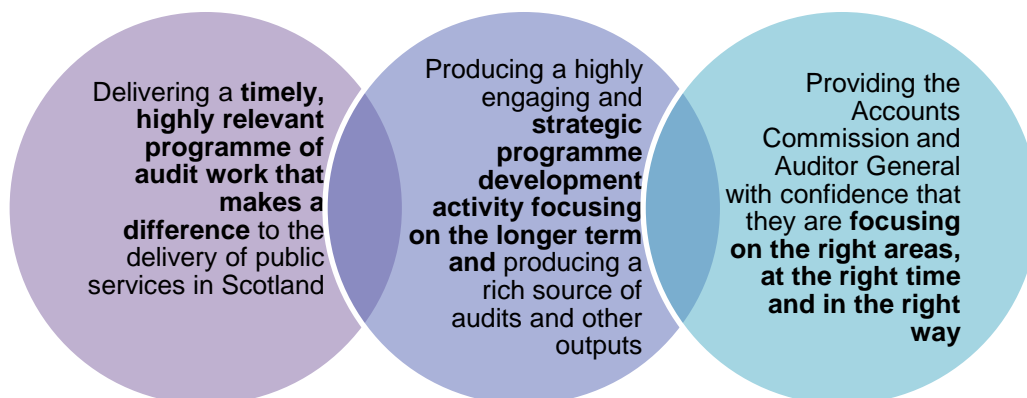
6. Dynamic and strategic programme development is central to our ability to deliver audit work that makes a significant contribution to improving public services and how public money is used in Scotland. It allows us to respond in an agile way to evolving audit risks against a clear set of strategic priorities. The proposed programme will help to ensure that the Accounts Commission and the Auditor General continue to be influential voices in improving public services in Scotland through the delivery of timely and relevant audit work.
7. In developing the programme we have placed at the centre the priorities set out in the Accounts Commission strategy 2015 and the Auditor General's strategic priorities as set out in Audit Scotland's corporate plan 2015-18.
8. For example, the programme reflects the Commission's priority of ensuring its work underlines councils' responsibilities, in delivering high quality services to the public, to demonstrate good governance and effectively manage their resources. Performance audits will fulfil the Commission's priority to give greater prominence to the experience of the citizen and service user. The programme also reflects the Commission's commitment in its strategy that every performance audit contains practical advice for elected members and officers and makes background data available for use by councils and citizens. The programme also reflects the Auditor General's priority of strengthening the transparency in the use of public monies, assessing and reporting on the financial sustainability of public services and ensuring that audit work offers fresh insights and makes a difference in improving public services.
9. Underpinning these shared priorities are the significant challenges and difficult choices facing Scotland's public sector, with increased devolution of power, ongoing financial pressures, increasing public demand for services and demographic changes. The public sector is also changing in other ways, with greater access to data, new technologies and an attempt to take a more open, collaborative and inclusive approach to planning and delivering public service. These factors have all been considered when developing the proposed work programme.

The new approach

10. The new approach to programme development is evolutionary, but we are clear that we will have succeeded when we can demonstrate that our approach meets a number of clear and specific conditions (Exhibit 1).

Exhibit 1

Successful strategic programme management



Source: Audit Scotland

11. We have been working hard to strengthen our approach to the development work that underpins the programme in several important areas:

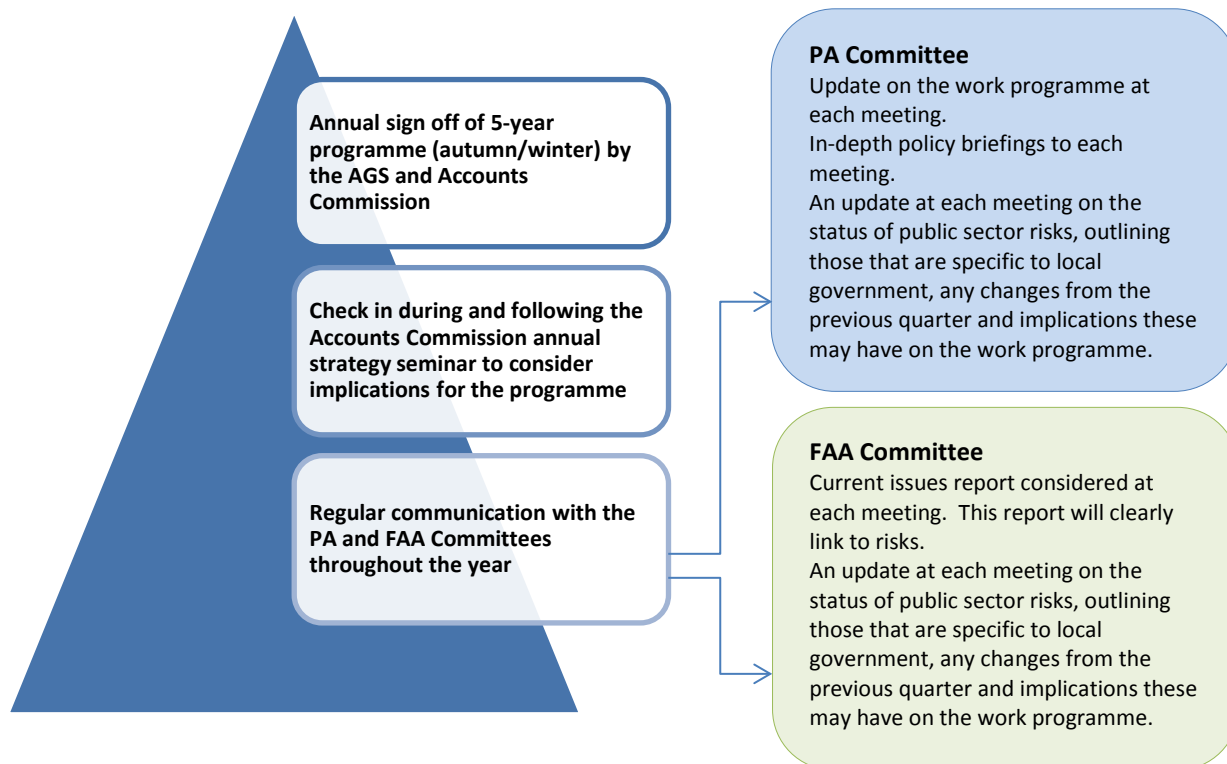
- engaging differently, and with a wider group of stakeholders, about issues that they think might usefully feature in our work programme - for example with children and young people, consumer groups, and the public policy and academic community
- improving how we use data both to inform what, when, and where we audit, but also in its own right as a potential audit output
- taking a more strategic approach to programme development, which includes:
 - making space for the development work that is essential if we are to have a well-targeted, evidence-based programme of work
 - building flexibility and responsiveness into our approach so that we are able to respond quickly to any emerging issues or concerns raised by the Accounts Commission or Auditor General, delaying or reprioritising work as appropriate
 - embedding impact more effectively across our work by thinking more deeply about the impact we want to achieve through a specific piece of work. This includes being clearer about the appropriate timing and focus of our work and also thinking more innovatively about audit outputs and new ways of working with stakeholders to share our learning.

Ongoing engagement with the Commission and Auditor General

12. Exhibit 2 outlines the approach for engaging with the Accounts Commission about the programme from 2016 onwards which was agreed at the Commission's Performance Audit and Financial Audit and Assurance Committees on 26 November 2015.

Exhibit 2

Regular engagement on the work programme



Source: Audit Scotland

13. Regular policy briefings are also scheduled with the Auditor General throughout the year from Audit Scotland's three policy clusters (Health, Care and Communities; Public Finances, Investment and Economic Development; Justice, Education and Children's Services, and Lifelong-learning and Skills).

Engagement with external stakeholders










14. In the past we have engaged with external stakeholders such as COSLA and the Scottish Government at one point in the year about the annual programme of work. As we move to five-year work programme we are keen to engage more regularly with a broader group of stakeholders throughout the year. We are developing an approach to stakeholder engagement for the programme that will complement the Accounts Commission's engagement plan and the external engagement work that Audit Scotland undertakes on behalf of the AGS. We are also working with Audit Scotland's Communications team to explore options for using new technology to communicate and engage with the public and other stakeholders about the work programme.

Accounts Commission and Auditor General work programme 2016/17 – 2017/18

15. In order that we are able to maintain a steady flow of audit outputs on behalf of the Accounts Commission and Auditor General it is essential that Audit Scotland has a resource plan in place that enable us to deliver an appropriate balance of work that is already committed to and new pieces of work. This enables us to balance the different elements of our work in such way that the overall programme makes the greatest difference in improving public services in Scotland.
16. This section of this report therefore focuses on the shorter-term (2016/17 – 2017/18) proposed work programme for the Commission and Auditor General. This period contains the 2016 Scottish Parliament elections and the 2017 Scottish local government elections. The publication moratoriums of these two elections mean that fewer reports can be planned for publication during this period. This has been taken into account in our planning assumptions.
17. The Commission and the Auditor General are both already committed to relatively full work programmes for 2016/17. Two BV follow-up audits, one HCW report, and three performance audits (two of which are follow-up audits, one of which is joint with the AGS) are already planned on behalf of the Commission, alongside the annual local government overview and shared risk assessment work. The Auditor General is also already committed to five performance audits (one of which a joint follow-up with the Commission) and two overview reports, alongside a suite of statutory (S22) reports.
18. Taking these factors into account, Appendix 1 to the report sets out a proposed work programme for the Commission and the Auditor General that can be delivered with current resources over this two-year period.
19. In proposing this programme we have considered the indicative size of each audit and planned for them on the basis of the following assumptions: large (£150k to £200k), medium (£90k to £150k), small (up to £90k). Specific budgets for each audit are developed at the scoping stage of the audit work and reflect the proposed scope, size and elapsed time.
20. The work programme is framed around the nine key public sector risks which inform all of Audit Scotland's policy work and risk monitoring activity. These are set out below (Exhibit 3).

Exhibit 3

Audit risks in the programme are signified by the following colours

Uncertainties around further devolved powers and responsibilities 	Failure to deliver performance and outcomes 	Inconsistent and/or failure to deliver policy and priorities 
Challenging financial outlook 	Shortfall in skills and capacity 	Impact on/of changing/reforming public services 
Ineffective leadership and scrutiny 	Failures around economic drivers 	Lack of capacity/track record in developing the digital environment 

21. In addition to the scheduled work programme Audit Scotland may prepare alternative outputs that could be published on specific issues or topics. We will bring proposals to publish any such output to the Auditor General and relevant Committee of the Commission.

The balance of work within the programme between the Accounts Commission and the Auditor General for Scotland

22. The proposed programme includes a range of audits on behalf of the Accounts Commission and Auditor General. Exhibit 4 shows how the resources needed to deliver the proposed programme are balanced and in line with funding sources for 2016/17 – 2017/18.

Exhibit 4

The proposed balance of resources in the work programme 2016/17 – 2017/18

2016/17

Auditor General for Scotland	Size	Budget
NHS in Scotland	O/V	125
Scotland's Colleges	O/V	125
Higher Education	LARGE PA	200
CAP Futures	SMALL PA	90
Economic Interventions	LARGE PA	175
Ferries Tendering	SMALL PA	90
Managing Fiscal Autonomy	SMALL / MEDIUM PA	110
NHS Workforce	SMALL PA	90
Statutory reports	x 5	90
Investigatory work		100
TOTAL		1195

Accounts Commission	Size	Budget
5 Best Value	1 X medium, 4 x small	270
2 Best Value follow-up audits	2x follow-up audits	60
Local Government in Scotland	O/V	125
HCW (Roles and Responsibilities)	HCW	90
Social Work	LARGE PA	200
Equal Pay	MEDIUM pa	125
SDS 2	SMALL/MEDIUM PA	110
Shared Risk Assessment (SRA)	SRA	100
Statutory reports	x 3	75
Investigatory work		100
TOTAL		1255

Joint work (Assuming 40/60 split, AGS/Commission)		Budget	AGS	AC
Roads Maintenance	MEDIUM PA	125	50	75
Early learning and childcare	MEDIUM PA	125	50	75
TOTAL		250	100	150

Overall total	2700	1295	1405
Percentage		48%	52%

2017/18

Auditor General for Scotland	Size	Budget
NHS in Scotland	O/V	125
Scotland's Colleges	O/V	125
CAP Futures FU	SMALL PA	90
Broadband FU	SMALL PA	90
HE FU	MEDIUM PA	125
Scottish Fire & Rescue	SMALL PA	90
Managing Fiscal Autonomy series	SMALL	90
Forth replacement crossing	SMALL PA	90
Climate change and resilience planning / renewable energy	MEDIUM PA	125
Digital in health	MEDIUM PA	125
Statutory reports	x5	90
Investigatory work		100
TOTAL		1265

Accounts Commission	Size	Budget
6-7 Best Value (incl. 20% development contingency)	1 large, 4 x medium, 2 x small	642
Local Government in Scotland	O/V	125
Waste Management	SMALL PA	90
How Councils Work (ALEOs)	HCW	90
Shared Risk Assessment (SRA)	SRA	100
Statutory reports	x3	75
Investigatory work		100
TOTAL		1222

Joint work (Assuming 40/60 split)		Budget	AGS	AC
Innovative Financing - City Deals	MEDIUM PA	125	50	75
Children's mental health	MEDIUM PA	125	50	75
H&SC part 2	MEDIUM PA	125	50	75
TOTAL		375	150	225

Overall total	2862	1415	1447
Percentage		49%	51%

**Accounts Commission and Auditor General five year strategic rolling work programme
(2016/17 – 2020/21)**

23. Appendices 2 and 3 to this report sets out the proposed five-year rolling work programme for the Accounts Commission and Auditor General. The proposed programme:
- Provides a balance of work for the Accounts Commission and Auditor General that reflects their respective levels of fees and funding. We will review the programme regularly to assure ourselves that the allocation of resources remains appropriate.
 - Offers a mix of new and follow-up audits. Follow-up audits will assess improvement made as a result of the original report and recommendations and give us assurance that we are making a difference in improving public services in Scotland. They may also introduce new areas that were not covered in the original audits, reflecting changes in the policy or delivery landscape that have occurred since the original audit work took place.
24. The appendices provides an indication of the relative size of different pieces of work. Indications of the size of the audits for 2016/17 and 2017/18 are based on historic data and current planning assumptions. We will refine these planning assumptions over time as the resource implications of the new approach to auditing Best Value and the implementation of more innovative audit outputs and different ways of working with stakeholders to share our learning, both become clearer. This will allow the Accounts Commission and Auditor General to make increasingly informed choices about the priorities and targeting of resources within the work programme. Appendix 3 provides more detail for each of the committed and proposed audits in the five-year rolling programme.

Fraser McKinlay
Director of Performance Audit and Best Value
2 December 2015

Appendix 1: Proposed work programme (2016/17 and 2017/18)

Auditor General for Scotland

Work programme (commitments)










	2016/17	2017/18
Overview reporting (OV)	NHS in Scotland (AGS) Oct 2016 Scotland colleges (AGS) Aug 2016	NHS in Scotland (AGS) Publication tbc - Oct 2017 Scotland colleges (AGS) Publication tbc Aug 2017
Impact reports	Efficiency of Sheriff Courts (AGS) Impact briefing on Modern Apprenticeships as part of a wider briefing on employability (AGS)	Supporting Scotland's economic growth: the role of enterprise agencies (AGS) Nov 2017 tbc
Performance audit (PA)	Higher Education (AGS) PA – Large; May/June 2016 ● CAP futures (AGS) PA – Small; Spring 2016 ● Supporting Scotland's economic growth: the role of enterprise agencies (AGS) PA – Large; May 2016 ● Ferries tendering (AGS) PA – Small ●	
Performance Audit Follow-up (PA FU)		CAP futures (AGS) PA FU – Small ● Scottish fire and rescue services (AGS) PA FU – Small ●

Work programme (new proposals)



	2016/17	2017/18
Performance Audit Follow-up (PA FU)		Broadband (AGS) PA FU – Small ● Higher education (AGS) PA FU - Medium ●
Performance audit (PA) – new	Managing fiscal autonomy (AGS) PA – Small/Medium ● NHS workforce (AGS) PA - Small ●	Managing fiscal autonomy series (AGS) PA – Small/Medium ● Forth replacement crossing (AGS) PA – Small ● Climate Change and resilience planning/ Renewable energy (AGS) PA – Medium ● Digital in health (AGS) PA - Medium ●
Investigatory activity	Resources have been earmarked within the programme to allow us to undertake investigatory audit activity during 2016/17 in relation to potential issues of public concern	Resources have been earmarked within the programme to allow us to undertake investigatory audit activity during 2016/17 in relation to potential issues of public concern
Statutory reporting (SR)	We anticipate publishing up to five statutory reports (S22) during 2016/17	We anticipate publishing up to five statutory reports (S22) during 2017/18

Accounts Commission

Work programme (commitments)

	2016/17	2017/18
Best Value audit (BV)	Best value reports (AC) We anticipate publishing up to 5 BV audits during 2016/17 	Best value reports (AC) We anticipate publishing 6-7 BV audits during 2017/18 
BV Follow-up (BV)	2 BV follow-up audits (AC): <ul style="list-style-type: none"> East Dunbartonshire Council South Ayrshire Council 	
SRA process	Annual outputs: 32 local scrutiny plans (LSPs) and National Scrutiny Plan (NSP)	Annual outputs: 32 local scrutiny plans (LSPs) and National Scrutiny Plan (NSP)
Overview reporting (OV)	Local Government (AC) Mar 2017 	Local government (AC) Publication tbc - Mar 2018 
How Councils work (HCW)	Roles and responsibilities (AC) 	
Impact reports	Borrowing and Treasury Management in Councils (AC) 	Social Work (AC) – Dec 2017 (tbc) 
Performance audit (PA)	Social work (AC) PA – Large; June 2016 	
Performance Audit Follow-up (PA FU)	Self Directed Support 2 (AC) PA FU – Small/Medium 	

Work programme (new proposals)

Performance audit (PA) – new	Equal Pay (AC) PA – Medium 	Waste Management (AC) PA – Small 
Investigatory activity	Resources have been earmarked within the programme to allow us to undertake investigatory audit activity during 2016/17 in relation to potential issues of public concern	Resources have been earmarked within the programme to allow us to undertake investigatory audit activity during 2017/18 in relation to potential issues of public concern
Statutory reporting (SR)	We anticipate publishing up to three statutory reports (S102) during 2016/17	We anticipate publishing up to three statutory reports (S102) during 2017/18
Performance Audit Follow-up (PA FU)		
How Councils work (HCW)		ALEOs (and new models of service delivery)

Joint Accounts Commission/Auditor General work programme

Work programme (commitments)

	2016/17	2017/18
Performance Audit Follow-up (PA FU)	Roads Maintenance FU (Joint) ● PA FU – Medium; June 2016	Health and Social Care Integration: Part 2 (Joint) ● PA FU - Medium

Work programme (new proposals)

	2016/17	2017/18
Performance audit (PA) – new	Early learning and childcare (Joint) ● PA – Medium	Innovative Financing - City Deals (Joint) ● PA – Medium Children’s mental health (Joint) ● PA - Medium

Appendix 2: Proposed five-year rolling work programme, 2016/17 to 2020/21

Shaded boxes indicate work that is already committed to and white boxes indicate proposals that are being put forward for approval.

Size parameters for PAs	
Large	£150k to £200k
Medium	£90k to £150k
Small	Up to £90k

	2016/17	2017/18	2018/19	2019/20	2020/21
Best Value audit (BV)	Best value reports (AC) We anticipate publishing up to 5 BV audits during 2016/17	Best value reports (AC) We anticipate publishing 6-7 BV audits during 2017/18	Best value reports (AC) We anticipate publishing 6-7 BV audits during 2018/19	Best value reports (AC) We anticipate publishing 6-7 BV audits during 2019/20	Best value reports (AC) We anticipate publishing 6-7 BV audits during 2020/21
BV Follow-up (BV)	2 BV follow-up audits (AC): <ul style="list-style-type: none"> East Dunbartonshire Council South Ayrshire Council 				
Overview reporting (OV)	Local Government (AC) Mar 2017 NHS in Scotland (AGS) Oct 2016 Scotland colleges (AGS) Aug 2016	Local Government (AC) Publication tbc - Mar 2018 NHS in Scotland (AGS) Publication tbc - Oct 2017 Scotland colleges (AGS) Publication tbc Aug 2017	Local Government (AC) Publication tbc - Mar 2019 NHS in Scotland (AGS) Publication tbc -: Oct 2018 Scotland colleges (AGS) Publication tbc Aug 2018	Local Government (AC) Publication tbc - Mar 2020 NHS in Scotland (AGS) Publication tbc - Oct 2019 Scotland colleges (AGS) Publication tbc Aug 2019	Local Government (AC) Publication tbc - Mar 2021 NHS in Scotland (AGS) Publication tbc -Oct 2020 Scotland colleges (AGS) Publication tbc Aug 2020
Performance audit (PA)	11 PAs 7 committed – 4 AGS; 2 AC; 1 Joint 4 proposed – 2 AGS; 1 AC; 1 Joint	13 PAs 3 committed – 2 AGS; 1 Joint 10 proposed – 4 AGS; 2 AC; 4 Joint	8 PAs 1 committed – 1 Joint 7 proposed – 3 AGS; 1 AC; 3 Joint	5 PAs 0 committed 5 proposed – 2 AGS; 3 Joint	5 PAs 0 committed 5 proposed – 3 AGS; 2 Joint
Devolution	Managing fiscal autonomy (AGS) PA – Small/Medium	Managing fiscal autonomy series (AGS) PA – Small/Medium	Managing fiscal autonomy (AGS) PA – Small/Medium	Managing fiscal autonomy (AGS) PA- Medium	Managing fiscal autonomy (AGS) PA - Medium
Financial outlook	Higher Education (AGS) PA – Large; May/June 2016 CAP futures (AGS) PA – Small; Spring 2016				

	2016/17	2017/18	2018/19	2019/20	2020/21
Economy	Supporting Scotland's economic growth: the role of enterprise agencies (AGS) PA – Large; May 2016 Ferries tendering (AGS) PA - Small	Innovative Financing - City Deals (Joint) PA – Medium Forth replacement crossing (AGS) PA - Small	Supporting economic growth - Skills & employability (AGS) PA - Large		
Policy	Early learning and childcare (Joint) PA – Medium Equal Pay (AC) PA – Medium	Climate Change and resilience planning/Renewable energy (AGS) PA - Medium Waste Management (AC) PA – Small	Housing (Joint) PA – Medium	Housing (Joint) PA - Medium Youth Offending (Joint) PA FU - Medium	Housing (Joint) PA - Medium
Public service reform		Health and Social Care Integration: Part 2 (Joint) PA FU - Medium Scottish fire and rescue services (AGS) PA FU – Small	Health and social care integration: Part 3 (Joint) PA – Medium Community Justice (Joint) PA - Medium Welfare reform (Joint) PA – Large		
Performance and outcomes		Children's mental health (Joint) PA - Medium	Mental health (Joint) PA - Medium	Mental health (Joint) PA - Medium Higher Education (AGS) PA - Medium	Mental health (Joint) PA -Medium Higher Education (AGS) PA - Medium
Skills and capacity	NHS workforce (AGS) PA - Small				
Digital		Digital in health (AGS) PA - Medium	Digital services (AGS) PA – Small	Digital services (Joint or AC) PA – Medium	Digital services (AGS) PA - Medium
Leadership and scrutiny	Social work (AC) PA – Large; June 2016		Community empowerment (AC) PA - Large		

	2016/17	2017/18	2018/19	2019/20	2020/21
Performance Audit Follow-up (PA FU)	2 PA FU 2 committed – 1 AC; 1 Joint 0 proposed	4 PA FU 1 committed – AGS 3 proposed – 2 AGS; 1 AC		1 PA FU 1 proposed - AGS	
	Roads Maintenance FU (Joint) ● PA FU – Medium; June 2016 Self Directed Support 2 (AC) ● PA FU – Small/Medium	CAP futures (AGS) ● PA FU – Small Broadband (AGS) ● PA FU – Small Higher education (AGS) ● PA FU - Medium	School attainment (AC) ● PA FU – Medium	Broadband (AGS) ● PA FU – Small	
How Councils work (HCW)* (2016/17 topic confirmed – to be discussed and agreed for future years)	Roles and responsibilities (AC)	ALEOs (and new models of service delivery)	1 HCW	1 HCW	1 HCW
Impact reports	Efficiency of Sheriff Courts (AGS) Borrowing and Treasury Management in Councils (AC) Impact briefing on Modern Apprenticeships as part of a wider briefing on employability (AGS)	Supporting Scotland’s economic growth: the role of enterprise agencies (AGS) Social Work (AC)	Impact reports as appropriate	Impact reports as appropriate	Impact reports as appropriate
Investigatory activity	Resources have been earmarked within the programme to allow us to undertake investigatory audit activity during 2016/17 in relation to potential issues of public concern				
Statutory reporting (SR)	Statutory Reporting (all sectors, tbc) We anticipate publishing 5-7 statutory reports during 2016/17	Statutory Reporting (all sectors, tbc). We anticipate publishing 5-7 statutory reports during 2017/18	Statutory Reporting (all sectors, tbc). We anticipate publishing 5-7 statutory reports during 2018/19	Statutory Reporting (all sectors, tbc). We anticipate publishing 5-7 statutory reports during 2019/20	Statutory Reporting (all sectors, tbc). We anticipate publishing 5-7 statutory reports during 2020/21
SRA process	Annual outputs: 32 local scrutiny plans (LSPs) and National Scrutiny Plan (NSP)	Annual outputs: 32 local scrutiny plans (LSPs) and National Scrutiny Plan (NSP)	Annual outputs: 32 local scrutiny plans (LSPs) and National Scrutiny Plan (NSP)	Annual outputs: 32 local scrutiny plans (LSPs) and National Scrutiny Plan (NSP)	Annual outputs: 32 local scrutiny plans (LSPs) and National Scrutiny Plan (NSP)
Correspondence	Correspondence *	Correspondence	Correspondence	Correspondence	Correspondence








*We anticipate dealing with at least 200 pieces correspondence from members of the public, over half of which relates to local authorities, around 15 per cent of which comes from elected representatives.

Appendix 3: Detail of proposed audits for the 2016/17 to 2020/21 rolling work programme

Size parameters	
Large	£150k to £200k
Medium	£90k to £150k
Small	Up to £90k

2016/17

	Regular/New/ follow up	Size	Risks
Committed work			
Best value reports (BV/AC) Publication tbc –various BV development work continues. We are planning on the basis of up to 5 BV reports in 2016/17. We are already committed to undertake BV follow up audit work in East Dunbartonshire and South Ayrshire councils.	Mix of new and follow up	Mix of Small, Medium and Large	
Local Government (PA/AC) Publication tbc –Mar 2017 Local Government continues to face major financial and performance challenges. We will continue to develop our annual reporting to explain the main issues and to drive improvement across the Local Government sector.	Regular	Medium	
NHS in Scotland (PA/AGS) Publication tbc –Oct 2016 The NHS in Scotland continues to face major financial and performance challenges. Our annual reporting will explain the main issues and to drive improvement across the NHS. Scope for focus on technology.	Regular	Medium	
Scotland colleges (PA/AGS) Publication tbc Aug 2016 A number of governance issues remain of concern in relation to the colleges sector. We will continue to develop our annual reporting to highlight key concerns and drive improvement across this sector.	Regular	Large	
Roles and responsibilities (HCW/AC) Publication: tbc Work currently underway. Report requested by the Accounts Commission.	New	Small	
Social work (PA/AC) Publication: Jun 2016 This audit will look at the scale of the financial and demand pressures facing social work services and how councils and their partners, are addressing these challenges. It will assess whether councils have effective governance arrangements in place. It will also look at the impact of financial and demand pressures on users and carers and how councils involve users and carers in service design.	Builds on Commissioning social care report	Large	
Supporting Scotland's economic growth: the role of the enterprise agencies (PA/AGS) Publication tbc -May 2016 Scotland's businesses are the primary driver of economic growth but the public sector contributes to this through a wide range of activities at an estimated cost of £1.1 billion a year. This audit focuses on the role of the enterprise agencies.	New	Large	
CAP futures (PA/AGS) Publication tbc -Spring tbc In October 2015, we reported on the significant risk to the ICT programme in a s22 report. The programme is going to cost significantly more and take longer than initial planned, benefits are also being delayed. This audit is part of a longer-term strategic audit plan.	Builds on previous work	Small	
Roads Maintenance: follow up (PA/joint) Publication: Jun 2016 In progress. A series of audits in 2004/05, 2010/11 and 2013/14 has indicated continuing significant issues in the maintenance of roads. The Accounts Commission continues to be interested in this area.	Follow up	Medium	
Higher Education (PA/AGS) Publication tbc -May/Jun 2016 This audit will examine how higher education is funded and delivered in Scotland, including how much public money is invested and an assessment of how the sector is performing financially. It will also examine how the sector contributes to national strategic objectives, and how well equipped the sector is to deal with future financial challenges.	New	Large	

	Regular/New/ follow up	Size	Risks
Proposals for further audit work			
Managing fiscal autonomy series (PA/AGS) We reported on preparations for the Scotland Act in December 2014. This brings significant change to the finances of the Scottish public sector, and we will develop a strategy to audit the implementation of the Act.	Builds on previous work	Small/ medium	
NHS workforce (PA/AGS) Publication: early/summer 2017 dependent on full audit or different output Significant risks in relation to NHS workforce are coming through in the NHS overview work in 2015 and from other audit work. There is potential value in more detailed work looking at NHS workforce, to include analysis of information on workforce, vacancies, training places and thinking about the future of the workforce given the changes facing the NHS.	Builds on previous work	Small	
Equal Pay (PA/AC) Publication: tbc This is an issue of concern to the Commission. It is also an issue of concern for the Scottish Government, with the minister having requested data on equal pay claims from councils by December 2015. There are significant financial implications with VFM questions. Work in this area carries significant risk, both reputational risk for the Commission and the risk of exposing councils to greater claims where poorer practice is identified. Any work would involve commissioning work from key experts in this area	New	Medium	
Self Directed Support 2 (PA/AC) Publication: tbc We continue to see risks relating to vulnerable people and finances. We published an initial audit as the Act was being implemented and suggested we may audit progress in future. This could be an alternative output following the social work audit.	Follow up	Small/ Medium	
Early learning and childcare (PA/Joint) publication tbc - Concerns about equity of access across Scotland and the financial impact on councils of increasing provision for 2 year olds from August 2015.	New	Medium	
Housing (Alternative output) Publication: tbc We have produced a briefing on housing and older people. After discussion with the PABV Senior Management Team we recommended that rather than a traditional performance audit that this take the form of a round table discussion on housing for older people with key experts, leading to publication of a brief report. This work links well with other reports on housing, health and care.	Builds on previous work	Medium	 

	New/ follow up	Size	Risks
Committed Audit Work			
Best value reports (BV/AC) Publication tbc –various BV development work continues. We are planning on the basis of 7 BV reports per year.	Regular	Small	
NHS in Scotland (PA/AGS) Publication tbc –Oct 2016 The NHS in Scotland continues to face major financial and performance challenges. Our annual reporting will explain the main issues and to drive improvement across the NHS.	Regular	Medium	
Local Government (PA/AC) Publication tbc –Mar 2017 Local Government continues to face major financial and performance challenges. We will continue to develop our annual reporting to explain the main issues and to drive improvement across the Local Government sector.	Regular	Medium	
Scotland colleges (PA/AGS) Publication tbc Aug 2016 A number of governance issues remain of concern in relation to the colleges sector. We will continue to develop our annual reporting to highlight key concerns and drive improvement across this sector.	Regular	Medium	
CAP futures (PA/AGS) Publication tbc Spring The programme is going to cost significantly more and take longer than initial planned. Benefits are also being delayed. This is part of a longer-term strategic audit plan. This audit will build on that of the previous year, and can update on any financial penalties incurred.	Builds on previous work (BOPW)	Small	
Integration:2 (PA/Joint) Indicative publication: Publication: tbc (to start April 2017 –as partnerships will have been in operation for one full year) Commitment to carry out second in the three stage approach to H&SC integration. Add link to summary of approach.	Builds on previous work	Medium	
Scottish fire and rescue services (PA/AGS) Publication tbc We previously gave a commitment to follow up previous work.	Follow up	Small	
Proposals for further audit work			
Managing fiscal autonomy series (PA/AGS) We reported on preparations for the Scotland Act in December 2014. This brings significant change to the finances of the Scottish public sector, and we will develop a strategy to audit the implementation of the Act.	Builds on previous work	Small/medium	
Climate change and resilience planning/Renewable energy (PA/AGS) Focus to be decided in briefing/appraisal completed in 2016/17.	New	Medium	
Forth replacement crossing (PA/AGS) Work planned as part of Transport Scotland long-term audit plan.	BOPW	Small	
Digital in health report (PA/AGS) Autumn 2018 To focus on the impact of digital developments on the health sector following on from Ehealth position statement.	New	Medium	
Waste Management (PA/AC) – Since our report in 2007/08, the regulatory environment has experienced significant change. We have developed an appraisal for work on waste management and believe there is value in us developing a greater understanding of the current audit issues and risks arising relating to waste management.	New	Small	
Children’s mental health (PA/Joint) Summer 2017 As part of a series of work on mental health and as a result evidence of risks in relation to children’s mental health services we plan to carry out this work to report on current position and drive improvement.	New	Medium	
Broadband part 2 (PA/AGS) Following from our part 1 audit in February 2015, this audit will focus on the success of the roll-out.	Follow up	Small	
Higher education - topic tbc (PA/AGS) Building on previous report on higher education.	BOPW	Medium	
Innovative financing – City Deals (PA/Joint)	New	Medium	
ALEOS (and new models of service delivery) (HCW/AC)	BOPW	Medium	

2018/19

	New/ follow up	Size	Risks
Committed Audit Work			
Best value reports (BV/AC) Publication tbc –various BV development work continues. We are planning on the basis of 7 BV reports per year.	Regular	Small	
NHS in Scotland (PA/AGS) Publication tbc –Oct 2016 The NHS in Scotland continues to face major financial and performance challenges. Our annual reporting will explain the main issues and to drive improvement across the NHS.	Regular	Medium	
Local Government (PA/AC) Publication tbc –Mar 2017 Local Government continues to face major financial and performance challenges. We will continue to develop our annual reporting to explain the main issues and to drive improvement across the Local Government sector.	Regular	Medium	
Scotland colleges (PA/AGS) Publication tbc Aug 2016 A number of governance issues remain of concern in relation to the colleges sector. We will continue to develop our annual reporting to highlight key concerns and drive improvement across this sector.	Regular	Medium	
Integration: part three (PA/Joint) Commitment to carry out second in the three stage approach to H&SC integration.	Builds on previous work	Medium	
How Councils Work (HCW/AC) – topic to be decided in discussion with Accounts Commission.	New	Small	
Proposals for further audit work			
Consequences of welfare reform (PA/Joint) In conjunction with colleagues in Audit Strategy we have developed a briefing on welfare reform, setting out key risks, audit issues and potential areas for audit work. In discussions with key stakeholders it is clear that rather than focusing only on welfare reform, we can add more value by focusing on the impact of welfare reform and employability.	New	Large	
Managing fiscal autonomy series (PA/AGS) We reported on preparations for the Scotland Act in December 2014. This brings significant change to the finances of the Scottish public sector, and we will develop a strategy to audit the implementation of the Act.	Builds on previous work	Small/medium	
Mental health series (PA/Joint) Part of a series of work on mental health services.	New	Medium	
Housing (PA/Joint) Part of a series of work on housing.	Builds on previous work	Medium	
Supporting economic growth: Skills and employability (PA/AGS) Part of a series of work on skills and employability.	Builds on previous work	Large	
School attainment – (PA/AC) Follow up to previous report on school education. We will continue to monitor developments in this area and prepare an audit appraisal paper in early autumn 2016. This will set out the potential scope and expected impact of audit work.	Follow up	Medium	
Digital services series (PA/AGS) As part of a series of work on digital programmes, and how digital is allowing bodies to change service delivery and improve services	Builds on previous work	Small	
Community empowerment - tbc (PA/AC) Based on appraisal work in the previous year, we are likely to propose work in this important developing area.	New	Large	
Community Justice (PA/Joint) Responsibility for community justice will be transferred to CPPs from 2017. This represents a major programme for the SG's justice directorate and a major transfer for responsibility from the eight CJAs to the 32 CPPs. We propose audit work in this area.	New	Medium	

2019/20

	New/ follow up	Size	Risks
Committed Audit Work			
Best value reports (BV/AC) Publication tbc –various BV development work continues. We are planning on the basis of 7 BV reports per year.	Regular	Small	
Local Government (PA/AC) Publication tbc –Mar 2017 Local Government continues to face major financial and performance challenges. We will continue to develop our annual reporting to explain the main issues and to drive improvement across the Local Government sector.	Regular	Medium	
NHS in Scotland (PA/AGS) Publication tbc –Oct 2016 The NHS in Scotland continues to face major financial and performance challenges. Our annual reporting will explain the main issues and to drive improvement across the NHS.	Regular	Medium	
Scotland colleges (PA/AGS) Publication tbc Aug 2016 A number of governance issues remain of concern in relation to the colleges sector. We will continue to develop our annual reporting to highlight key concerns and drive improvement across this sector.	Regular	Medium	
How Councils Work (HCW/AC) topic to be decided in discussion with Accounts Commission.	New	Small	
Options for further audit work			
Youth Offending (PA/Joint) Building on previous justice work and with a strong focus on inequalities.	Builds on previous work	Medium	
Mental health series (PA/Joint) Part of a series of work on mental health services.	Builds on previous work	Medium	
Housing (PA/AGS) Part of a series of work on housing.	Builds on previous work	Medium	
Digital services series (PA/AGS) As part of a series of work on mental health.	Builds on previous work	Medium	
Managing fiscal autonomy (PA/AGS) As part of a series on fiscal autonomy.	Builds on previous work	Medium	
Broadband (PA/AGS) Part of a series of work on broadband	Builds on previous work	Small	
Higher Education - (PA/AGS) Part of a series of work on HE	Builds on previous work	Medium	

2020/21

	New/ follow up	Size	Risks
Committed Audit Work			
NHS in Scotland (PA/AGS) Publication tbc –Oct 2016 The NHS in Scotland continues to face major financial and performance challenges. Our annual reporting will explain the main issues and to drive improvement across the NHS.	Regular	Medium	
Best value reports (BV/AC) Publication tbc –various BV development work continues. We are planning on the basis of 7 BV reports per year.	Regular	Small	
Local Government (PA/AC) Publication tbc –Mar 2017 Local Government continues to face major financial and performance challenges. We will continue to develop our annual reporting to explain the main issues and to drive improvement across the Local Government sector.	Regular	Medium	
Scotland colleges (PA/AGS) Publication tbc Aug 2016 A number of governance issues remain of concern in relation to the colleges sector. We will continue to develop our annual reporting to highlight key concerns and drive improvement across this sector.	Regular	Medium	
How Councils Work (HCW/AC)			
Options for further audit work			
Mental health series (PA/Joint) Part of a series of work on mental health services.	Builds on previous work	Medium	
Housing (PA/AGS) Part of a series of work on housing.	Builds on previous work	Medium	
Digital services series (PA/AGS) As part of a series of work on the impact of digital services.	Builds on previous work	Medium	
Managing fiscal autonomy (PA/AGS) As part of a series on fiscal autonomy	Builds on previous work	Medium	
Higher Education - (PA/AGS) Part of a series of work on HE	Builds on previous work	Medium	

MEETING: 10 DECEMBER 2015

COVER NOTE BY: SECRETARY TO THE COMMISSION

AUDIT OF BEST VALUE: PROGRESS - ARGYLL AND BUTE COUNCIL

Purpose

1. The purpose of this paper is to introduce the Controller of Audit's report on progress with Best Value in Argyll and Bute Council. The Commission is invited to consider the report and decide how it wishes to proceed.

Background

2. At its meeting on 19 June 2014, the Commission considered a report by the Controller of Audit on the progress made by Argyll and Bute Council against improvements previously required by the Commission. The Commission reached findings which were published on 3 July. These findings are in Appendix 1.
3. As part of those findings, the Commission required the Controller of Audit to report on progress by the end of 2015, with particular focus upon the effectiveness of the following:
 - Political management arrangements
 - Scrutiny
 - Roles and relationships, including between members and officers
4. The attached report provides such an update of progress.
5. Previously, at its meeting on 13 October 2013, the Commission had considered a report by the Controller of Audit on the Council and reached findings which were published on 29 October 2013. The findings are in Appendix 2. As part of those findings, the Commission had required a further report by the Controller of Audit on the progress made by the Council over the next six months.

The Controller of Audit report

6. 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).
7. 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.

8. 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

9. 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.
10. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
11. 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

12. The Commission is invited to:
 - a) consider the report by the Controller of Audit on Argyll and Bute Council; and
 - b) decide how it wishes to proceed.

Paul Reilly
Secretary to the Commission
1 December 2015

APPENDIX 1:

Argyll and Bute Council

Commission findings

July 2014

The Commission accepts the Controller of Audit's report on Argyll and Bute Council.

The Commission is encouraged that the council is making progress against our previous findings of October 2013. But we note in particular the Controller of Audit's view that it is too early to assess the effectiveness of plans being implemented. We conclude that there is still much work to be done by the council to secure the improvements that we required in our previous findings.

The Commission therefore requires the Controller of Audit to report on progress by the end of 2015, with particular focus upon the effectiveness of the following:

- Political management arrangements.
- Scrutiny.
- Roles and relationships, including between members and officers.

APPENDIX 2:

Argyll and Bute Council

Commission findings

October 2013

The Commission accepts the Controller of Audit's report on Argyll and Bute Council.

The Commission is seriously concerned about substantial risks to the council caused by the instability of leadership by elected members since the last council election. The council's ability to set and maintain a clear strategic direction is at risk of being compromised and the Commission is concerned that this will, in time, negatively affect the services that the council provides for the people of Argyll and Bute. We are also concerned about the negative effect that this is having on the council's reputation.

The quality of leadership of the council has been inadequate. We urge the elected members and the corporate management team to work together to provide stronger and effective leadership of the council. Effective working relationships between elected members, and between members and officers, need to be based upon mutual trust, respect and transparency. Elected members need to achieve a more effective balance between focusing on local issues and priorities and the longer term strategic objectives of the council and the best interests of the whole community of Argyll and Bute.

The Commission underlines the importance of the role of Monitoring Officer in supporting good governance. The role needs to be afforded trust and respect. Equally, members must have confidence in the comprehensiveness of information provided by officers to enable them to make considered decisions.

The council's current political management arrangements are not fit for purpose. The role that the full council plays is unsustainable and progress in securing effective scrutiny arrangements has been inadequate.

We are encouraged that the council recognises the need to change its political decision-making structures: it is crucial that the conclusions awaited from the short life working group established in this regard are considered carefully by the council. We await with interest to see how this is taken forward. Any new structure needs to be understood by all who fulfil a role in those structures, and all members need to engage fully in the new arrangements.

The challenges faced by Argyll and Bute Council are not unique. We are therefore pleased to note that the council recognises the value in seeking support from external sources: we would urge that this continue to be exploited through, for example, the use of peer support. We underline the importance of training and development support for all members. Elected members and officers must work together to ensure fuller use of - and participation in - such support.

There is much work to be done by the council and we note a further recent change in the council's political leadership. The Commission expects urgent progress to be made in early course. We require a further report by the Controller of Audit on the progress made by the council over the next six months.

Argyll and Bute Council

Best Value Audit 2015

ACCOUNTS COMMISSION 

Prepared for the Accounts Commission by the Controller of Audit
December 2015

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website:

www.audit-scotland.gov.uk/about/ac

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

Contents

The Accounts Commission 2

Introduction **4**

Summary **6**

Audit Assessment..... **7**

 Context..... 7

 Progress against improvement actions..... 8

 Relationships..... 11

 How well placed is the council to meet future challenges 14

Conclusions **23**

Introduction

1. This is my third Controller of Audit report on Argyll and Bute Council in the last 26 months. In October 2013 the Accounts Commission noted my serious concerns about substantial risks to the council caused by the instability of its political leadership since the 2012 election. It also expressed concerns about:
 - the leadership of the council being inadequate
 - political management arrangements not being fit for purpose
 - councillors needing to achieve a more effective balance between focusing on local issues and priorities, and the council's longer-term strategic objectives
 - the role of monitoring officer needing to be afforded trust and respect
 - councillors and officers needing to work together better.
2. Due to these concerns, the Commission asked me to carry out a follow-up audit, and I reported my findings from this work in July 2014. At that time, the Commission was encouraged by the council's progress in responding to its previous concerns. But the Commission also recognised that it was too early to assess the full effectiveness of many of the changes made and that the council still had improvements to make.
3. The Commission requested a further report on progress by the end of 2015. In responding to that request, the audit looked at:
 - the extent to which the council's political management arrangements support effective decision-making
 - the effectiveness of the council's scrutiny arrangements
 - whether roles and relationships, including those between members and officers, enable council business to proceed effectively.
4. In considering these issues, the audit also looked at the council's capacity to meet the challenges facing all councils. An example of these is the need to make significant budget reductions in the face of increasing demand for important and often costly services such as social care.
5. My conclusions are based on detailed audit work carried out between June and September 2015, which included the following:
 - Observing council and committee meetings, including area committees and area committee business days.
 - Observing members' seminars and a scrutiny development day.

- Interviewing all 36 elected members, the lay members of council committees, the MSP for the Argyll and Bute constituency ¹ and a range of senior officers and partners.
 - Carrying out five focus groups with community representatives from across the council's four administrative areas (that is, Bute and Cowal; Helensburgh and Lomond; Mid Argyll, Kintyre and Islands; and Oban, Lorn and the Isles). These focus groups were attended by 45 community group representatives.
6. The audit work also took into account the ongoing work of the council's local external auditors. This is summarised in the annual audit reports for the council submitted to me in October 2013, October 2014 and September 2015.
 7. The external auditor also carried out two specific investigations in response to correspondence I received about Argyll and Bute Council. The conclusions on the first, about proposals to sell the Castle Toward estate, are outlined in the external auditor's Annual Audit Report in September 2015. The second investigation was into the commissioning process that the council used, on behalf of Argyll and Bute's Alcohol and Drugs Partnership (ADP), for community-based addiction recovery services. The conclusions on this investigation were reported to the council in May 2015, and considered by the council's Audit Committee in June 2015. Both reports are available on the Audit Scotland website www.audit-scotland.gov.uk
 8. The audit also took account of information received from the Care Inspectorate, which carried out a joint inspection of services for older people in Argyll and Bute during 2015. The Care Inspectorate's report will be published early in 2016 and will be available at www.careinspectorate.com
 9. I gratefully acknowledge the cooperation and assistance provided to the audit team by the Leader of the Council, Councillor Dick Walsh, the Chief Executive, Sally Loudon, all other councillors, officers, stakeholders and partner organisation representatives. In particular, I would like to thank all the community organisation representatives who participated in the focus groups, enthusiastically explaining their views and sharing their experiences.

¹ Argyll and Bute Council spans two Scottish parliamentary constituencies: Argyll and Bute and Dumfries and Galloway. We extended invitations to both constituency MSPs, the 14 regional MSPs covering Highlands and Islands and West Scotland and the local MP to meet with auditors during the process.

Summary

10. The council has continued to make progress in response to previous Accounts Commission findings. It has focused on improving political and managerial leadership. New committee arrangements are improving decision-making and scrutiny. The senior management team is actively improving the way it works and the culture within the organisation. It will take time and commitment to achieve real and lasting improvements in culture, behaviour and understanding, but Argyll and Bute is a significantly different council now than it was when we reported in 2013, with a consequent reduction in risk.
11. The stability of the council's political leadership that we reported in July 2014 has been sustained and confidence amongst elected members is growing. This has allowed the council to conduct its business more effectively and develop its organisation. The Administration and the main opposition group have established a working relationship, although this will face the stresses and strains that will apply in many councils over the next 18 months.
12. Despite considerable member development activity, and improved relationships between most councillors, long-standing political and personal differences remain amongst a small number of key individuals in Argyll and Bute. These differences are played out in a very public way and are damaging the council's image and reputation, with implications for relations with local communities. The nature of these relationships makes it difficult to judge the rights and wrongs of the situation, but we do not see much prospect of them improving in the short term. Whatever the merits of the individual views and motivations of those involved, the discord must be resolved in the best interests of the people of Argyll and Bute.
13. The council does a number of things well and communities have a generally positive view of local services. But the amount of public criticism that the council attracts has an impact on its reputation among local communities and more widely. The council can operate much more openly as a means of building better relationships and developing greater trust with its communities. It can further improve how it involves local people by building on the local area committees and local community planning arrangements.
14. The council's approach to meeting future financial challenges needs to improve. It has agreed a strategy, "Planning our Future", which aims to transform the work of the council to invest in the future and support communities by protecting jobs and preserving the most important services. However, in a public consultation currently underway, options for longer term savings are heavily based on low-level cuts to individual service budgets and involve reducing or stopping services, rather than doing things differently. Links to Planning our Future are not clear, nor is the impact that the proposals will have on strategic priorities. There is no indication of what sustainable services will look like in the future.
15. We have identified improvements that the council can work on in areas such as its culture, how it works with communities, and how it responds to the challenges it faces.

Audit Assessment

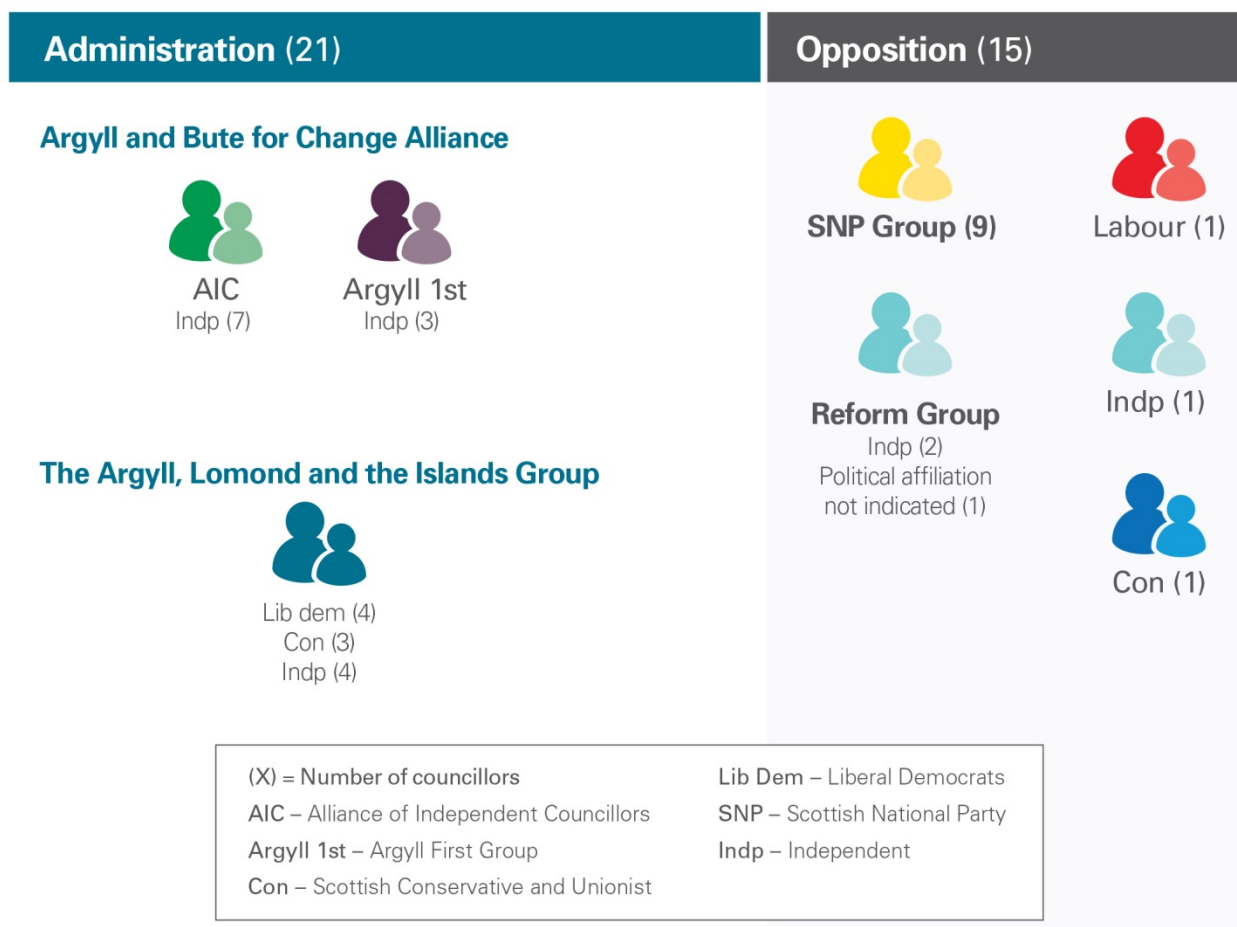
Context

16. The characteristics and diversity of Argyll and Bute present its council with significant challenges and opportunities. It is Scotland's second largest local authority in terms of the area it covers, but has a relatively small population of just less than 90,000. 97 per cent of people in Argyll and Bute live in areas classified as either "rural" or "remote rural", located in six main towns and many other small communities, including 23 inhabited islands. The infrastructure connecting these communities includes 1,617 miles of roads, several ports, harbours and rural airports.
17. The council operates across four administrative areas: Bute and Cowal; Helensburgh and Lomond; Mid Argyll, Kintyre and Islands; and Oban, Lorn and the Isles. Each has an area committee that meets approximately every two months.
18. Argyll and Bute is one of only four council areas in Scotland where the population is declining and projections suggest a further fall of around 10,000 during the next 20 years. This has implications for areas such as housing demand and places available in its 83 schools. In contrast, the proportion of older people in Argyll and Bute is already above the national average and the proportion of older people in comparison to people of working age is expected to increase significantly. This puts increasing pressure on local services, particularly health and social care.
19. Argyll and Bute Council has 36 elected members as shown in [Exhibit 1](#). Since our last report in July 2014, the Administration has reduced by six members. In October 2015, three of these members established the Reform Group.
20. The council spends around £240 million in providing local services each year. Like all councils, Argyll and Bute faces reduced spending. It estimates that it will have to save between £21.7 million and £26.0 million over the next five years.
21. The council agreed key corporate outcomes in January 2015:
 - Making Argyll and Bute a place people choose to live.
 - Making Argyll and Bute a place people choose to learn.
 - Making Argyll and Bute a place people choose to work and do business.
22. The outcomes are reflected in a corporate plan and a set of strategic priorities. Department service plans show how the council will deliver on its corporate objectives including those in its Single Outcome Agreement (SOA)².

² Single Outcome Agreements set out how local councils and their community planning partners will deliver outcomes such as making communities safer, improving people's health and reducing poverty.

Exhibit 1

Political make-up in Argyll and Bute Council (December 2015)



Source: Audit Scotland

Progress against improvement actions

The council has continued to make progress on improvement actions in response to the Accounts Commission findings in 2013

23. The council has been working hard to deliver its action plan in response to the issues highlighted in audit reports and Accounts Commission findings in 2013 and 2014. The plan has 43 areas for improvement including:
 - changing political management arrangements
 - clarifying roles and relationships
 - better scrutiny
 - initiatives in leadership, management and staff development.
24. In its most recent progress update in August 2015, the council reported that 34 of its 43 specific actions were complete, with seven ongoing and two scheduled for completion in

December 2015. In an earlier review of its plan, in November 2014, the council considered the impact of its improvement actions. It concluded there was improvement in member behaviour, with fewer issues being raised and dealt with by officers. It also concluded that council meetings were more business-like, mainly as a result of new committee structures, committee development days and committee work plans. This is consistent with what we found during our audit work.

25. The council's Senior Management Team (SMT) also has an action plan in place that includes clear priorities and targets for:
- improving the council's organisation
 - developing its staff
 - promoting Argyll and Bute
 - delivering the SOA
 - supporting elected members
 - community engagement.
26. The SMT is increasingly outwardly focused. It seeks advice and support from a wide range of external sources for its development work. Members of the SMT have visited other councils, other public bodies and organisations in the private sector to learn and share intelligence. This includes, for example, holding joint management team meetings with Highlands and Islands Enterprise and the Scottish Council for Development and Industry (SCDI). There are plans to extend this to other organisations such as BT. The SMT is also seeking to improve its individual and collective management capacity through mentoring, coaching and performance appraisal.
27. Wider organisational improvements include:
- Efforts to build future management skills through a leadership development programme for all Chief Officers. This approach also includes the Argyll and Bute manager programme, targeted at third tier managers and other potential future leaders
 - Work to improve both internal and external communications, including a communications audit by external consultants that will help the council develop a new communications strategy by the end of 2015
 - Work to improve employee engagement, which has included:
 - A staff survey, which found general improvements from previous surveys, but with staff saying they wanted more information on decisions affecting their services and to be involved earlier in change processes.
 - A stress audit, staff focus groups and a series of events held in six locations across the authority led by the SMT.
 - Trades Unions and the SMT working together to create an employee engagement strategy.

28. Arrangements for elected members' development, which the council put in place after the 2013 audit report, continue. These include seminars for councillors across a wide range of topics, often including external input. Attendance at seminars varies significantly, but on average less than half of all members regularly attend. The worst attended seminars were those on the topics of social media and defamation, procurement, equalities, and delivering the SOA. In contrast, the best attended were:
- a workshop on the council's action plan in response to our 2013 statutory report
 - seminars on reshaping older people's services
 - events associated with Service Choices, which is the council's programme to achieve significant spending reductions it estimates are needed by 2020/21.
29. We said in our last report that councillors needed to recognise the importance of attending seminars and training sessions. The council now organises targeted development sessions before committee meetings. This has improved attendance for members on the relevant committees, and councillors are more positive about the timing and value of these sessions. While members who cannot attend seminars or training sessions can access all training materials through their electronic hub, the council should continue to explore all options for providing member training and development in a way that is most accessible and has greatest impact.
30. Three-quarters of elected members now have a personal development plan. The remainder have an officer contact to discuss continuing development needs and access to mentoring, coaching and similar support. Councillors will increasingly need support to carry out their role in an increasingly complex environment, for example, leading the process of health and social care integration successfully. They will also need support to manage potential conflicts of interest between their role in representing individual local communities, and their role as members of the Integrated Joint Board (IJB).
31. Many of the improvement outcomes in the 2013 improvement plan relate to culture, behaviours and developments in understanding of roles, responsibilities and procedures. While behaviours have improved significantly in the council since we reported in 2013, there are still some problems evident and achieving real and lasting improvement in culture, behaviour and understanding will only occur over time. The council's reputation amongst its communities is also important. Feedback from our focus groups with community representatives indicates a perception that the culture of the council still needs to improve.

Most participants' responses about the worst things about the council related to the organisational culture of the council, its governance and its senior officers and elected members. For example, they talked about there being a defensive 'bunker' mentality, and the need for more transparency, more openness to new ideas, more customer/community focus and a more dynamic council overall.

Audit Scotland Focus Groups, July–August 2015

32. In a number of these areas in its improvement plan, the council has assessed actions as being “complete”, usually due to an event taking place or the production of a protocol or plan. It is the impact of these actions that is most important, and the council should continue to monitor these key issues, and take action that will enable it to make further progress. The council has work underway to improve the culture of the organisation. For example, it has established a corporate working group on culture and the Improvement Service is working on issues of culture with policy leads and the SNP group.

Relationships

33. The Accounts Commission has highlighted the importance of councillors and officers working together to lead and manage their councils to provide services that improve the lives of local people³. Trust, confidence and good conduct between councillors, and between councillors and officers, are essential for building and maintaining good relationships, and supporting good leadership, management and performance.
34. The Commission recognises that politics is an integral and important feature of local government. Disagreements and debates are a crucial part of a vibrant local democracy. However, in better performing councils, members are able to identify when to set aside and manage political differences. By doing so, they work constructively towards achieving the objectives of the council as a whole and improve outcomes for the community as a whole.
35. In October 2013, we reported that there was no cohesive strategic leadership from elected members in Argyll and Bute. The Commission expressed serious concerns that increasing political instability and the lack of positive working relationships were inhibiting strategic direction and risked damaging the council's services and the area's reputation.
36. In our report in July 2014, we described the leadership and political dynamics at the council as stable, but added that the situation remained fragile. There was a risk that the tough decisions the council would need to make would prove challenging to effective political management and on-going stability.

Continued stability in political leadership has helped the council conduct its business more effectively but working relationships between groups will come under increasing pressure

37. We recognise that the political dynamics in Argyll and Bute would offer challenges in any council area. Achieving stability in political leadership following our 2013 report was the first step in the council functioning with a degree of normality and there was evidence of this in 2014. The political situation in Argyll and Bute is significantly different now, compared with when we reported two years ago, with a consequent reduction in risk. We interviewed all 36 elected members during our 2015 audit, and most said that they felt members and officers are

³ [How councils work: an improvement series for councillors and officers - Roles and working relationships: are you getting it right?](#) Accounts Commission, August 2010

working effectively together. Officers also said that relationships with members are more productive than in 2013, although in a small number of cases they remain strained.

38. Members also feel that they are acting together in an increasingly mature and constructive manner and as a result, the council is managing its business more effectively. Our observations of committees and other business meetings support this. Similarly, when the Care Inspectorate spoke to staff and elected members during its joint inspection of older people's services,⁴ they were told that political instability had in the past adversely affected decision-making on health and social integration, but that this has improved.
39. The Administration in control at the council has reduced from 27 to 21 members since our last report in 2014, although this still provides a working majority of six members. There is a constructive working relationship between the Administration group's political leadership and that of the main Opposition group, again in stark contrast to 2013. This was evident in the way the groups worked together for most of 2015 on the council's approach to addressing the future financial challenges it faces.
40. As in other councils, relationships between political groups are under increased pressure from the need to take tough decisions on future spending and how best to deliver services. This is particularly so during an 18-month period that includes both Scottish parliamentary and local government elections. Evidence of this emerged in October 2015 when, following discussions on savings options at the Policy and Resources Committee, members of the main Opposition group resigned from the Service Choices project board⁵. Two members of the Argyll First group also resigned from the Administration around this time. While this makes working together more difficult on some issues, there are still constructive relations between the main political groups in Argyll and Bute, and at this stage there is no evidence that these events will fundamentally disrupt the current stability in place at the council.
41. There have been complaints and allegations of breaches of the Councillors' Code of Conduct made against elected members of Argyll and Bute Council. The Commissioner for Ethical Standards in Public Life is responsible for investigating these.
 - During 2013/14 the Commissioner received two cases. Both were submitted by a member of the public, and after investigation, both were not upheld.
 - During 2014/15 the Commissioner received nine cases, some of which alleged a breach of the Code against multiple elected members. Eight of these cases were not upheld and at the time of writing, one case is still under investigation. Five of the eight cases completed were submitted by members of the public or anonymously and three by a councillor or MSP.
 - During the current year (2015/16) the Commissioner has received four cases to date, some of which alleged a breach of the Code against multiple elected members. One case was not upheld and at the time of writing three cases are still under investigation. The

⁴ The Care Inspectorate's report from its joint inspection of older people's services is due for publication in early 2016.

⁵ Service Choices is a key element in the council's approach to addressing future financial challenges.

Commissioner is obliged to maintain confidentiality where cases are still under investigation, so information on the source of complaint is not available in these cases.

Poor relationships continue between some individuals and show no signs of improving in the short term

42. Alongside the clear improvement in relationships at the council since 2013, some difficulties remain. In our 2014 report, we identified tensions that reflected a residual mistrust and a degree of disquiet with the changes being put in place in the council. These continue, but on a much smaller scale. They appear to be rooted in political differences, but have become increasingly personal in nature and increasingly public.
43. While the number of individuals concerned is small, their differences generate considerable argument and debate. While this does not prevent the council conducting its business or delivering its objectives in the way that the problems in 2013 did, it is still disruptive. The relationship problems are played out through correspondence and complaints, and increasingly externally through mainstream and social media, rather than internally through the council's political management arrangements. Contentious issues are made more so as a result of the discord and relatively minor issues can become the subject of intense debate and argument.
44. In previous findings on the council, the Commission underlined the importance of members trusting and respecting the Monitoring Officer; and having confidence in the information a Monitoring Officer provides in enabling them to make considered decisions. Most members behave in a manner that is consistent with these standards, but difficulties of the type we reported on in 2013 remain, although these are limited to a small number of cases.
45. There is evidence that many members are satisfied with the support they receive from the staff that support them in conducting their business. Despite this and the range of member development activities that have taken place, a small number of councillors level regular criticism and complaints at how some senior officers respond to questions and requests for information. This is directed in particular at the Chief Executive, Monitoring Officer and others charged with advising on the proper procedures for council business. In the audit interviews we held with elected members, comments made by some of the councillors indicate that they perceive members of the council's senior management team to be too close to the political process and Administration members.
46. We have observed that the tone and style of communication used by officers can at times be defensive and focused on procedures and technicalities. While it is important that rules and proper procedures are adhered to and respected, responses that focus too heavily on these matters can fuel a perception that officers are being unfair, unhelpful or lack openness, which results in frustration and further criticism. As indicated earlier, a significant number of the community representatives we spoke to also expressed the view that the council had a defensive and closed style. It is important that the council addresses the negative image it has amongst sections of its community.

47. The MSP for the constituency of Argyll and Bute is a very active local politician and feels strongly about his constituents' interests. He has been regularly and strongly critical of the council's leadership and senior management. Again, this is played out in a very public way. Politics will always be part of local government, and it is common for national politicians to get involved locally on behalf of their constituents. But the situation in Argyll and Bute has reached the stage where relationships appear to have all but broken down. This does not reflect the constructive working relationships we would normally see in other areas, that can result in benefits for local communities.
48. While senior managers believe that their responses in dealing with complaints and criticisms are polite and correct, the local SNP parliamentarians feel that the council's responses are obstructive and lack transparency. Both the SMT and the council's political leadership feel they have tried to be more conciliatory towards their critics and they say they remain willing to work together to improve relationships. At a political level, the council's leadership and local SNP parliamentarians recently met to discuss the financial challenges facing the council and its responses. In late November, the constituency MSP took part in a council press conference about the arrival of refugees in Rothesay. Despite each side describing these steps as constructive or positive, we do not believe that in themselves they indicate the difficult relationships will improve in the near future.
49. In our view, except for the relationship difficulties and resultant discord among a small number of individuals, Argyll and Bute is broadly similar to many other councils. In terms of Best Value, it has some strengths and some weaknesses and areas it needs to improve. The nature of the relationship difficulties makes it difficult to judge the rights and wrongs of the situation. Irrespective of the small number of people involved, and the merits of their individual views and motivations, the discord needs to be resolved. Difficult as it may be, it is in the best interests of the people of Argyll and Bute to do so. It expends energy that could be better used elsewhere. It also damages the council's reputation, both locally and beyond and makes it harder to pursue its main strategic objective of developing the area's economic prospects and enabling its population to grow.

How well placed is the council to meet future challenges

50. The council now has a more effective system for linking strategic priorities, corporate plans and service plans, and the SOA. Members have a clearer understanding of the importance of the SOA and the need to make decisions based on strategic priorities.
51. For example:
- Following a local economic summit in October 2014, the council set up an Economic Forum to drive forward economic progress in the area. The forum, which first met in March 2015, is business-led. In addition to council representatives, it includes people from local businesses, Scottish Government officials, staff from enterprise agencies, academics and voluntary sector representatives. The forum is designed to ensure that the public, private and voluntary sectors work collaboratively towards common goals. Similar approaches have worked well in recent years in both rural areas and cities. Its

initial areas for action are tourism, food production, and linking learning and local employment opportunities to make Argyll and Bute a destination of choice for young people.

- As part of its wider focus on economic development and job creation the council has invested more than £30 million through the 'CHORD' programme for the regeneration of five waterfront towns - Campbeltown, Helensburgh, Oban, Rothesay and Dunoon. It is also promoting greater economic development in the area by expanding its Economic Development and Strategic Transportation service with an additional seven new staff at a cost of over £330,000.

52. Communities in Argyll and Bute have a generally positive view of local services. Focus group participants spoke about leisure facilities, road clearing and regeneration projects as things the council did well. Highlights from the Local Government Benchmarking Framework (LGBF) for 2013/14 show that compared with other councils, Argyll and Bute:

- has higher than average user satisfaction with schools, adult social care, refuse collection and street cleaning
- provides home care to the highest proportion of older people with intensive needs
- helps the highest proportion of unemployed people into work through its funded employability programmes.

53. Sickness absence amongst employees is around the national average. But absence levels have increased in each of the last four years, at a time when sickness absence has been decreasing across local government nationally.

54. The most recent Shared Risk Assessment (SRA) for the council⁶, performed by local government scrutiny bodies, noted a generally positive picture in education services. However, the rate of improvement is behind the national average and comparative councils for positive destinations for school leavers. Examples of positive destinations are higher or further education, employment, training and voluntary work. The SRA found that outcomes from children's social work services were broadly in line with the national average. Outcomes data also shows a positive balance of care - where a higher proportion of older people are being cared for at home or in a homely setting in the community, rather than in a hospital setting. Outcomes data for children's social work services is broadly in line with the national average, and balance of care data for older people is positive overall.

55. During 2014/15, the Scottish Public Services Ombudsman (SPSO) received 32 complaints about the council and its services, representing 1.7 percent of complaints across all Scottish councils. It upheld or partially upheld five complaints, which is broadly in line with the average proportion across Scotland.

⁶ As reported in the Local Area Network's (LAN's) [Local Scrutiny Plan 2015/16](#) for Argyll and Bute Council

New committee arrangements are improving decision-making and scrutiny

56. Following the Commission's criticisms in 2013, the council agreed its current political management arrangements in January 2014. The principal changes were to introduce three new strategic committees: a Policy and Resources Committee, a Community Services Committee and an Environment, Development and Infrastructure Committee. Those arrangements included an increased remit for the council's existing four area committees. In July 2014, we reported that the changes provided a foundation for improved governance, but that it was too early to assess their impact.
57. Evidence from our audit work in 2015 is that the majority of members are positive about the political management arrangements. Based on our interviews, almost two-thirds feel the current arrangements either work well or are stronger than they were. Councillors feel the committee arrangements provide more focused and informed decision-making and are more politically balanced. They feel that standing orders allow any councillors, even those not on the committee, an opportunity to speak on a ward issue. Some councillors also feel that the committee structure improves scrutiny of council business compared with the previous arrangement of everything going through full council.
58. In contrast, seven councillors feel that political management arrangements are not working effectively. The main issues they state include strategic committees being too remote from the public, and decisions having been taken away from the full council.
59. Senior officers view the committee structure positively, commenting that committees now have fuller discussions and debates are more meaningful. They say there is more stability in how the council conducts business. Officers also speak positively of elected member policy leads. The policy leads arrangement provides clearer political direction from councillors who have developed their understanding and knowledge around specific issues.
60. From our observations of the strategic committees, it is clear that the structure helps the council to conduct business more effectively. The arrangements for committees continue to evolve and improve. For example:
 - In June 2015, councillor membership on committees was reviewed to allow greater representation from those not in political groupings. Nominations were invited from the three non-aligned members at that time, to fill vacancies on three committees - Planning, Protective Services and Licensing (PPSL), Environment, Development Infrastructure, and the Licensing Board. This helped address some members' concerns. Committee membership will benefit from periodic review to reflect changing circumstances.
 - The council is reviewing the interaction between the Audit Committee and Performance Review and Scrutiny Committee (PRS). As part of a wider review of the constitution, it aims to establish a protocol for forwarding and coordinating reports between the two committees by April 2016.
61. On scrutiny, various aspects of the political management arrangements reflect good practice. For example, both the chair and vice-chair of the Audit Committee are independent lay members. The chair of the Performance Review and Scrutiny Committee is also an

independent lay member and, in September 2015, the council agreed to appoint the leader of the main opposition group as vice-chair.

62. Our audit report in July 2014 highlighted that poor member attendance at the Audit Committee and the PRS Committee limited the effectiveness of scrutiny and wider governance and accountability at the council. While attendance at both committees has improved, scope for further improvement remains. The Audit Committee has seven members, five of whom are councillors. Since March 2014, attendance has included four or five councillors, an improvement on March 2013 when only one attended. The Performance Review and Scrutiny (PRS) Committee consists of 11 members, seven of whom are councillors, made up of four from the opposition and three from the Administration. Three members are from the Community Planning Partnership and the chair is independent. Since November 2014, attendance has improved with between four and six councillors attending regularly.
63. There have been other positive changes in the way that these committees conduct their business. For example:
- The Audit Committee now holds regular development days and in March 2015 it held an effectiveness session. This looked at its strengths, weaknesses and gaps in relation to skills and experience. It also considered how effectively the committee reviewed business, maintained objectivity, and how the committee's work could be of most benefit. As a result, the committee agreed action points and added these to its Committee Development Plan, which it continually updates.
 - The PRS Committee held a development day in August 2014, facilitated by the Chartered Institute of Public Finance and Accountancy (CIPFA). The committee agreed action points and is taking these forward in its future work plan. These include:
 - considering the role of vice-chair
 - rationalising performance reporting and increasing its focus on scrutiny
 - preparing a scrutiny work plan that is coordinated with the Audit Committee work plan
 - preparing a committee training and development plan to include training on scrutiny of police and fire services.
64. The committee held further development days in October 2014 on effective questioning, and a scrutiny development day in August 2015. Both were facilitated by external providers who also contributed to further improvement actions.
65. The external auditor's 2014/15 Annual Audit Report on the council (September 2015) highlights that operational governance arrangements are generally sound, with key financial controls operating effectively. The council is working on required improvements in procedures for managing and disposing of assets, and the external auditor will examine these as part of their 2015/16 audit.

The council can improve how it involves local people in its work

66. The council has been developing its approach to community capacity building: activities that strengthen local people's skills, abilities and confidence to develop their own communities. The council employs four community development officers, one in each of the council's four administrative areas. Their role is to support community groups and work with them locally. Examples of this work include helping community groups with advice and expertise in taking on specialist help and identifying alternative sources of funding. The council has worked with partners to deliver community events on the SOA, and is building relations with young people through its youth forums.
67. There are a number of examples of the council listening to the views of its communities in delivering its services. In its joint inspection of older people's services during 2015, the Care Inspectorate also highlighted some of these. It noted that carers have increasing opportunities to express their views through a range of decision-making forums, and they feel their views are taken into account.
68. Community representatives we spoke to recognised the council's efforts to improve community engagement but were still more negative than positive about consultation and communication. In our focus groups, community representatives suggested that the council did not listen to feedback from communities, nor did it demonstrate how it had taken community feedback on board. They said this affected relationships between the council and its communities, with a growing lack of trust and willingness of communities to engage.
69. With the council operating over a large area where most people live in scattered, often remote, rural and island communities, it should make the most of the enthusiasm of local communities to be more involved in its work. The council's four area committees offer the potential to build good relationships with local communities and contribute to the council meeting its responsibilities under the Community Empowerment (Scotland) Act 2015. This is particularly so for responsibilities that relate to giving local people more say in decisions about public services and their right to participate in public decision-making. The council has started to look at how it will respond to the new legislation.
70. Area committee meetings take place in different towns across the areas they serve, which makes them more accessible to local communities. They are open to the public and allow the opportunity to question local councillors. However, these meetings take place during the day and public attendance is very low. This is unlikely to be due to low public interest in local issues, as unofficial open evenings held by councillors, such as those in the Oban, Lorn and the Isles local area, have been well attended.
71. In addition to the area committees, four local area community planning groups cover the council's four administrative areas. These groups have developed local plans to deliver the SOA objectives within the local area. Between October and December 2014 the council and its community planning partners refreshed the terms of reference and membership of these groups. They agreed that to ensure democratic accountability, the chair and vice-chair from each of the council's area committee and one other councillor from the relevant area

committee would sit as members of the local area community planning group. Local accountability has also been strengthened with community representatives now chairing three of the four local groups.

72. The council recognises that it can improve consultation, engagement and communication with its communities and is in the process of developing proposals to redefine its relationship with them. This includes ensuring that the good practice it considers already exists across the council is made more systematic and becomes the corporate standard.
73. Area committees can play an important role in building better relationships with communities, delivering local plans and priorities, and empowering people to do things for themselves. They can do this by working more effectively with local community planning groups to deliver on local strategies. In order to do so, the council needs to develop the committees further. While councillors are supportive of the need for area committees, almost half feel they are not effective. Reasons given for this include: area committees not controlling budgets; decisions about using resources - such as money and equipment - requiring approval by central strategic committees; and perceived conflict between the decisions taken at area committees and the strategic committees.

The council can operate much more openly as a means of building better relationships and developing greater trust with its communities

74. Argyll and Bute is the council about which Audit Scotland has received most correspondence in recent years. In 2014/15, this was 16 per cent of all cases. Most centred on issues such as the sale of Castle Toward and the commissioning process for community-based addiction recovery services on behalf of Argyll and Bute's Alcohol and Drugs Partnership. Correspondents believe that the council's governance and decision-making processes are poor and refer in particular to the council not making the necessary information available. Our focus groups with communities also highlighted a perception that the council was not open in the way it operates. Even where the council is operating in a manner that is technically correct, there is scope for it to be more open as a means of building better relationships and developing greater trust with its communities.
75. The council considers a relatively high proportion of its business in private. For example, in 18 full council and Policy and Resources Committee meetings between July 2014 and July 2015, around 14 per cent of reports were considered in private. Only three councils had a higher percentage of private reports. More than a third of all councils considered less than five per cent of reports in private. When the council recently reviewed its papers over the past year, it concluded that it was satisfied that the correct legal clause had been applied in each case.
76. All councils need to manage sensitive information, including contractual and personal information, responsibly and in line with legal requirements. However, most other councils consider more of this information in public than Argyll and Bute does. Some provide details of bidders for properties or contracts and others provide the amounts offered and the reasons for accepting or rejecting bids.

77. The council needs to consider more carefully the high level of local interest in its business and the frequency and nature of the challenges it receives about its apparent reluctance to operate openly. It should look to become a model of transparency, learning from others that demonstrate the greatest degree of openness in conducting their business. Where it does need to consider issues in private, it can report much more information about issues debated and the outcomes to the public. This could include details of to whom something was sold, the selling price or to whom a contract was awarded. By operating more openly it will help build greater trust with its communities.

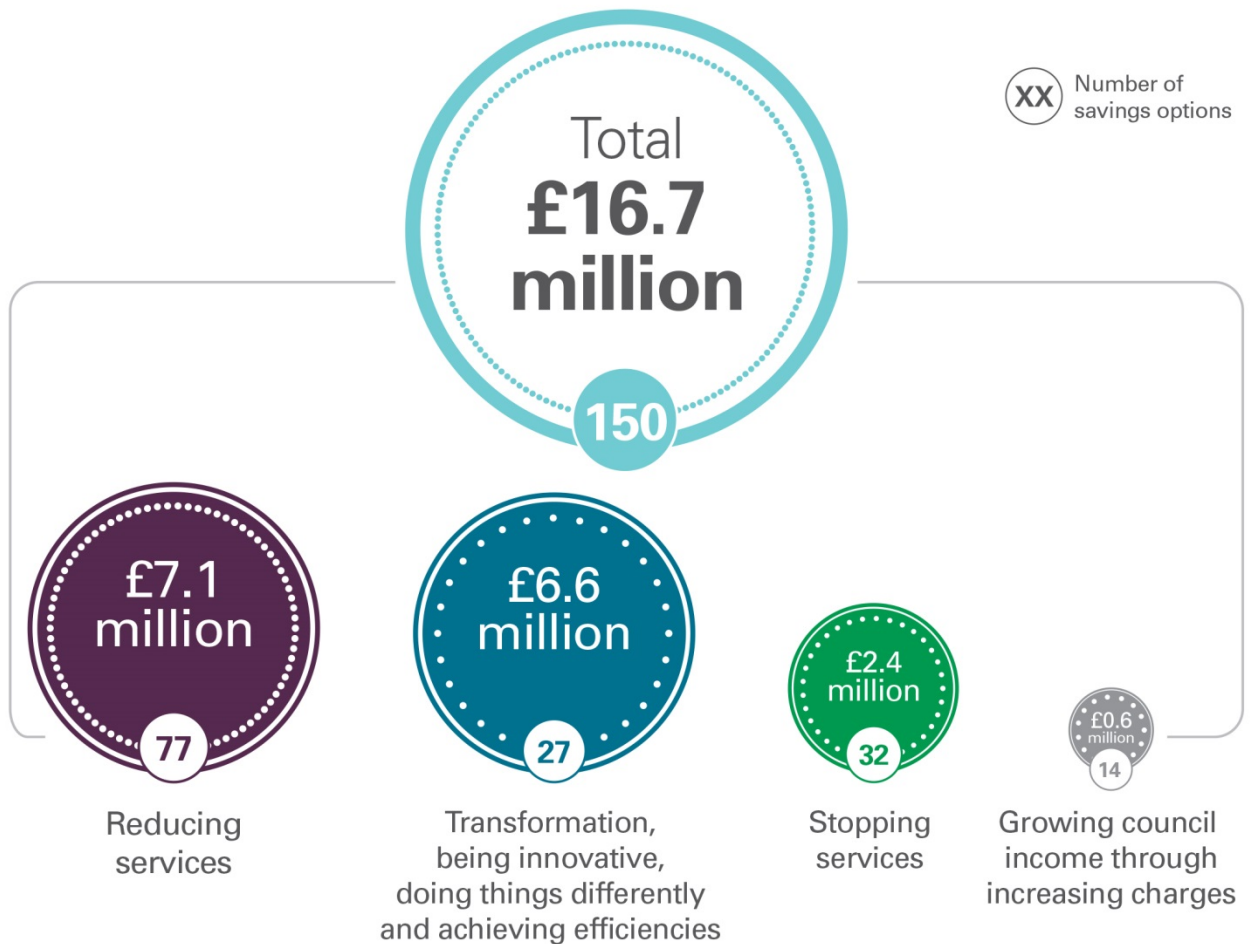
The council's response to future financial challenges relies heavily on reducing existing services rather than on providing services differently. The impact on achieving strategic priorities is not clear.

78. In line with the situation across Scottish local government, the next few years will see a period of significantly reduced public spending in Argyll and Bute. In June 2015, the council forecast that it needed to save between £21.7 million and £26 million over the five years from 2016/17 to 2020/21. The council's initial focus has been on the next two years, given the estimated budget gap of up to £18.4m by 2017/18. So far, more savings than required have been identified against this target. The council has also identified £12.3 million of reserves it can use to increase income or reduce cost to the council through its SOA economy and jobs theme.
79. In December 2014, the council agreed *Planning our Future*, a strategy for addressing both the financial challenges ahead and delivery of the SOA. Its stated aims include:
- transforming the work of the council to invest in the future, that is, attracting people and businesses to the area to create prosperity and to secure funding for future council services
 - supporting communities by protecting jobs and preserving the most important services.
80. Within this broad strategy, *Service Choices* provides the process for deciding where to make future budget savings linked to the council's strategic priorities. In April 2015, the council established a cross-party project board to lead the Service Choices process. In October 2015, based on the project board's work, the council agreed to consult the public on 150 savings options totalling almost £16.7 million under four themes, as shown in [Exhibit 2](#).

Exhibit 2

Service choices

The council is consulting the public on the following proposed savings



Source: Argyll and Bute Council's Public Consultation documentation

81. Service Choices contains a range of savings options categorised as transformation, growing council income, reducing and retaining services and stopping services. The council took a decision that it would consult the public on all options that have policy or staffing implications. Following public consultation, it plans to prioritise the options it will implement based on their impact on staffing, service delivery, the community, vulnerable people, and the SOA.
82. It is not clear how most of the Service Choices options will help to deliver the council's strategic aims and priorities. The majority of the proposed savings options put to public consultation are based on low-level cuts to individual service budgets. 109 of the 150 savings proposals are based on reducing or stopping services, or doing both. 43 represent service cuts of £20,000 or less. Given the nature of many of the proposals, it is difficult to see how the public would be able to offer an informed opinion on them. Many relate to management actions that the public might consider are simply efficiency measures that should be pursued

as a matter of course. For example, proposals categorised under transformation include asking the public for its view on:

- saving over £0.5 million from combining the council's Improvement and Organisational Development and HR teams
- saving over £0.25 million by reviewing staffing of the strategic finance team
- saving £45,000 through consistent management arrangements in Argyll and Bute's four community centres
- reducing central administration costs in planning and regulatory services by £16,000 through improved processes and systems
- saving £13,000 in the cost of the creditors service through reduced postage, stationery and printing
- communicating by email rather than post in customer service centres to save £10,000 in postage, printing and stationery.

83. For the vast majority of the proposals that the council has categorised as transformation, there is no evidence of them leading to any alternative ways of delivering services. With the exception of creating a charitable leisure trust and proposals to reduce the frequency of bin collections, transformational savings relate to internal management actions, similar to those above. The transformation options do include between £2.25 and £3.37 million of potential savings from integrating health and social care services, which is part of the national policy change across all council areas. It would be up to a new integration joint board in Argyll and Bute to agree and achieve such savings.

84. The Service Choices consultation does not make clear to the public the links between the Service Choices process and the other elements of its *Planning Our Future* strategy and its strategic priorities. The council needs to consider more effective ways to consult with the public, to more clearly inform people about the impact of the savings proposals and to better assess public opinion on new ways of delivering those council services that people value most.

Conclusions

85. The council has made progress in delivering its improvement plan since the Accounts Commission issued its findings on the Statutory Report in October 2013. In particular, it has:
- implemented revised political management arrangements that strengthen scrutiny and provide clearer roles and responsibilities for committees and members
 - strengthened leadership development for senior managers
 - supported and encouraged councillors to take part in training and development opportunities.
86. It is important that the council continues to make progress with its current improvement plans and regularly assesses the impact of the improvements it makes.
87. The council still has some areas where it needs to improve. These include:
- Establishing a more open and transparent culture and style of working. This includes appearing less defensive in dealing with conflict and minimising the amount of business it carries out in private. It needs to do this to reduce complaints about a lack of openness and build greater trust with communities. Learning from other organisations that demonstrate the greatest degree of openness will assist with this.
 - Continuing to seek a resolution to long-standing and deep-rooted relationship difficulties between some members and between the council's leadership and the Argyll and Bute constituency MSP.
 - Taking a more innovative approach to dealing with its financial challenges that is in line with its strategic vision and priorities for the area. This includes looking beyond reducing or withdrawing services and more fundamentally examining how it can do things differently.
 - Demonstrating more clearly how it takes on board consultation feedback from its communities, to build a greater level of trust and willingness to work with communities. This will be important in taking forward Services Choices.
 - Strengthening local empowerment and embracing the enthusiasm of local communities to be more involved in the work of the council. This includes building on existing area committee and community planning structures and exploring possible opportunities under the Community Empowerment Act to give local people more say in decisions.
 - Exploring all options for providing training and development for all members in a way that is most accessible and has greatest impact.