

Minutes of the meeting of the Accounts Commission  
held in the offices of Audit Scotland  
at 18 George Street, Edinburgh, on  
Thursday, 21 January 2010, at 10.30am

PRESENT: John Baillie (Chair)  
Douglas Sinclair (Deputy Chair)  
Michael Ash  
Colin Duncan  
Adrienne Kelbie  
James King  
Bill McQueen  
Christine May  
Colin Peebles  
Linda Pollock  
Iain Robertson  
Graham Sharp

IN ATTENDANCE: Caroline Gardner, Deputy Auditor General and Controller of Audit  
David Pia, Director of Public Reporting (Local Government)  
Lynn Bradley, Director of Audit (Local Government)  
Mark Brough, Secretary & Business Manager  
Fiona Mitchell-Knight, Assistant Director, Audit Services [Item 7]  
Martin Walker, Portfolio Manager (Best Value) [Item 7]  
Gordon Smail, Portfolio Manager, Public Reporting (Local Government) [Item 8]  
Mark McCabe, Best Value Performance Auditor [Item 8]  
Ronnie Nicol, Assistant Director (Public Reporting) [Item 9]  
Beth Hall, Portfolio Manager, Public Reporting (Local Government) [Item 9]  
Nikki Bridle, Assistant Director (Public Reporting) [Items 11 and 13]  
Antony Clark, Assistant Director (Public Reporting) [Items 10, 12 and 13]  
Robert Black, Auditor General for Scotland [Item 14]  
Barbara Hurst, Director of Public Reporting (Health & Central Government) [Item 14]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 9 December 2009
4.	Minutes of Performance Audit Committee of 16 December 2009
5.	Chair's introduction
6.	Update report by the Controller of Audit
7.	Shetland Islands Council Annual Audit 2008-09 follow-up work
8.	Overview of the local authority audits 2009
9.	Single Outcome Agreements and Public Performance Reporting
10.	Update on Best Value developments
11.	Local government scrutiny coordination update report
12.	Draft Housing (Scotland) Bill update report
13.	Consumer Focus Scotland draft annual plan 2010-11 consultations
14.	Auditor General – Presentation and discussion on <i>Scotland's Public Finances: Preparing for the Future</i>
15.	Any other business

1. Apologies for absence

There were no apologies.

2. Declarations of interest

Douglas Sinclair declared an interest in item 13 in his capacity as Chair of Consumer Focus Scotland and left the meeting when that item was reached.

3. Minutes of meeting of 9 December 2009

The minutes of the meeting of 9 December 2009 were submitted and approved.

4. Minutes of Performance Audit Committee meeting of 16 December 2009

The Commission noted the minutes of the meeting of the Performance Audit Committee of 16 December 2009, including a minor typing correction.

5. Chair's introduction

The Chair reported on—

- Submission of a response to the Scottish Government's consultation on specific equalities duties on public bodies.
- Progress of scrutiny in the Scottish Parliament of the Public Services Reform (Scotland) Bill.

*[Action: Secretary and Business Manager to circulate response to equalities duties consultation to all members.]*

6. Update report by the Controller of Audit

The Commission considered and noted a report by the Controller of Audit providing an update on—

- Progress on plans for the 2010/11 audit year which, for the first time, will be prepared in the context of a Shared Risk Assessment for each council, conducted jointly with scrutiny partners.
- Parliamentary committees.
- Changes to the Director of Public Reporting post on the retirement of David Pia in Spring 2010.
- Audit Commission reports.

7. Shetland Islands Council Annual Audit 2008-09 follow-up work

The Commission considered and noted a report submitted by the Controller of Audit on proposed further audit work at Shetland Islands Council.

The Commission had requested the Controller of Audit to undertake further work following consideration at its meeting on 9 December 2009 of a report by the Controller of Audit on issues arising from the 2008/09 annual audit.

Following discussion, the Commission noted that it would be kept informed of progress and that the Controller of Audit would report further to it at its meeting in April or May 2010.

*[Action: Controller of Audit to report to the meeting scheduled for 15 April or 13 May 2010.]*

8. Overview of the Local Authority Audits 2009

The Commission considered the Controller of Audit's annual overview report on issues arising from the local authority audits.

Following discussion, the Commission agreed to make findings as contained in the Appendix to this minute.

The Commission thanked the Controller of Audit and her team for their work and for assisting the Commission's consideration of the report.

9. Single Outcome Agreements and Public Performance Reporting

The Commission considered a report by the Director of Public Reporting (Local Government) on how Single Outcome Agreements (SOAs) and the changed approach to Statutory Performance Indicators (SPIs) are reflected in councils' approaches to public performance reporting and performance management. The report followed an earlier analysis of SOAs considered by the Commission in October 2009.

During discussion the Commission noted—

- the national arrangements for reporting performance on SOAs;
- the approaches being used by councils to report their performance locally, and the extent to which performance management systems are being used to support reporting;
- the comparatively limited availability and quality of baseline information and progress data to support reporting on outcome indicators;
- that SOAs are an important contribution to public performance reporting, but cannot be considered to be enough to meet Best Value requirements; and
- that the full impact on public performance reporting of the changed approach for the 2008 SPI Direction will not be known until summer 2010.

The Commission noted that the issues raised in this report were consistent with issues covered in its findings on the Overview of the Local Authority Audits 2009, and agreed that it would seek discussions with key local government stakeholders on these issues.

The Commission also noted that it would receive in the second half of 2010 proposals for the scope and timing of a previously-agreed wider review of SPIs and their contribution to performance reporting.

*[Actions:*

- *Chair/Secretary and Business Manager to instigate discussions with key stakeholders*
- *Director of Public Reporting (Local Government) to submit proposals for a wider review of SPIs.]*

10. Update on Best Value developments

The Commission considered a report by the Director of Public Reporting (Local Government) on Best Value developments.

During discussion the Commission noted—

- progress with five Best Value 2 pathfinder reports and a police Best Value audit report, which it would consider in due course;

- that it would consider an evaluation of the pathfinder audit approach in summer 2010 before considering any refinements to the approach and the subsequent roll-out of Best Value 2;
- that it would consider its approach to Best Value further at its forthcoming strategy seminar; and
- that it would consider a report on citizen-friendly Best Value 2 auditing at its next meeting.

*[Action: Director of Public Reporting (Local Government) to submit a report on citizen-friendly Best Value 2 auditing to the meeting on 18 February 2010.]*

#### 11. Local Government scrutiny co-ordination update report

The Commission considered and noted a report by the Controller of Audit on developments in the scrutiny coordination work being undertaken under the Accounts Commission's gate-keeping role. The report included an update (dated 7 January 2010) to the Cabinet Secretary for Finance and Sustainable Growth, a draft Joint Code of Practice and key milestones document.

During discussion the Commission noted—

- reports of meetings of the Scrutiny Improvement Programme Board on 7 December 2009 and of the Strategic Group on 17 December 2009;
- that developments are progressing on the agreed timescales;
- the establishment of Local Area Networks bringing together scrutiny contacts for each of the 32 council areas, and development towards production of a local Assurance and Improvement Plan for each area;
- that the draft Joint Code of Practice will provide the governance framework for scrutiny improvement work in future;
- that the work plan setting out the key medium-term development priorities is being updated
- that independent evaluation of shared risk assessments will be carried out in summer 2010 and reported to the Commission in due course;
- the importance of communicating the work and its impact to councils and citizens, and that the involvement of COSLA and SOLACE as observers in the Strategic Group was very helpful in this regard.

The Commission requested further information on the role of the Systematic Scrutiny Check (SSC).

*[Action: Controller of Audit to include further information on the Systematic Scrutiny Check (SSC) in the next update to the Commission.]*

#### 12. Draft Housing (Scotland) Bill – update report

The Commission considered a report by the Controller of Audit updating the Commission on the progress of the Scottish Government's Housing (Scotland) Bill.

During discussion the Commission noted—

- the different views expressed during the consultation on the draft Bill on the role of the Scottish Housing Regulator (SHR);
- the role of the Commission and Best Value audits in relation to council services;
- the likely requirement on the SHR to consult the Commission on the performance of its functions of inspection and regulation of local authority landlords and homelessness services;

- the expectation that the SHR and the Commission would agree a Memorandum of Understanding on the interaction of their respective roles.

The Commission noted the timetable for parliamentary scrutiny of the Bill and agreed to receive further updates as appropriate, particularly on working in co-operation with the SHR and how this relates to wider scrutiny improvement and co-ordination developments.

*[Action: Controller of Audit to provide further updates as appropriate.]*

### 13. Consumer Focus Draft Annual Plan 2010-11 for Consultation

The Commission considered a report by the Controller of Audit on Consumer Focus Scotland's consultation on its proposed work programme for 2010-11.

The Commission noted three areas of the work of Consumer Focus which are of particular interest to it—

- understanding the consumer experience of public services;
- how well scrutiny bodies are performing on user focus;
- the consumer perspective on public sector performance reporting.

The Commission agreed to respond to the consultation by—

- supporting the emphasis of the proposed work programme;
- highlighting the three proposed workstreams which overlap with its interests;
- offering to support Consumer Focus in relation to these, particularly scrutiny bodies' performance on user focus;

and authorised the Chair to finalise and submit a response on its behalf.

*[Action: Controller of Audit to draft a formal response for approval by the Chair to be submitted by 9 February 2010.]*

### 14. Auditor General – presentation and discussion on 'Scotland's Public Finances: Preparing for the future'

The Commission received a presentation from the Auditor General for Scotland on his report '*Scotland's Public Finances: Preparing for the future*', published in November 2009.

The presentation covered—

- the background to, and purpose of, the report;
- the scale of the expected pressures on public finances;
- how the report has been received;
- the challenges posed by the financial context for all those charged with the management and scrutiny of public finances (including the Scottish Government, public bodies, the Parliament and audit agencies).

During discussion the Commission considered, in particular, how the issues raised in the report would affect its priorities and influence the way in which it could demonstrate leadership in ensuring accountability and supporting improvement. The Commission thanked the Auditor General and his team for their presentation and agreed to consider these issues further at its forthcoming strategy seminar.

15. Any other business

The following points were noted—

- The dates for the Commission's strategy seminar had been confirmed as 1 and 2 March 2010.
- The Commission and Her Majesty's Inspector of Constabulary had offered to arrange a follow-up meeting with representatives of Tayside joint police board on the recent findings on the Best Value audit.

## APPENDIX

### Accounts Commission Findings

#### Overview of the local authority audits 2009

Each year the Accounts Commission asks the Controller of Audit to produce an overview report on issues arising from local authority audits. The Commission has considered the report for 2009.

The Commission notes the relatively stable financial position in 2008/09 and the commitment which has gone into significant trading operations to make more of them profitable. We welcome evidence of sound accounting performance, with almost all councils achieving clean audit certificates on their financial statements. The Commission also acknowledges and welcomes the substantial commitment that councils have made in responding to their Best Value duty to secure continuous improvement.

The Commission welcomes evidence of areas in which councils are providing good quality outcomes for citizens – for example, in targeting care services more effectively to meet needs, and in working well with local partners to deliver aspects of addiction services. We also welcome the serious consideration of shared services development in a significant number of councils.

These are positive developments. Councils, however, must focus on the scale of the challenge ahead. More progress is still needed on many of the findings the Commission made on the 2008 overview report. Councils need to improve the way they assess how they are contributing to outcomes that meet the distinct needs of their communities. The Commission acknowledges the investment in developing single outcome agreements, although this has served to re-emphasise the need for significant improvement in performance management and reporting.

The impact of the recession - reduced income and increased demand for some council services - has already started to materialise in the period covered by this year's report. But, as councils are aware, the future budget position is expected to be substantially more difficult and an urgent response is required.

Projections made at the time of the last UK budget in April 2009 show real terms reductions in the Scottish budget of between seven and 13 per cent between 2009/10 and 2013/14. While definitive figures must await future spending review outcomes, subsequent estimates indicate that the outlook may, if anything, be even more difficult. Councils, therefore, need to prepare now to deal with the extremely challenging combination of increased demand and reduced resources. Incremental approaches to achieving savings and efficiencies cannot be expected to be sufficient to address this.

The scale of the budget challenge demands radical thinking about service design. Councils need to continue to think, urgently and radically, about services - what they are delivering, how they are meeting needs and what are the most effective and efficient ways to deliver them. Elected members and senior officers have difficult decisions to make on the allocation of resources. At the heart of this decision-making should be robust options appraisal and effective scrutiny. This means that members and officers must have accurate and relevant information.

Councils, therefore, urgently need to ensure that they have comprehensive baseline data on service outcomes and costs and are able to integrate this within performance management systems. In doing so, we urge councils to examine and draw on evidence of service

improvement and good practice. More effective workforce planning and management, and further progress on asset management and procurement, are also essential.

This year's report also shows that there is still considerable room to standardise, simplify and streamline services. There is scope for progress on shared services, but equally for simplifying and standardising common processes within and across the 32 councils so that they can demonstrate to their taxpayers that they are delivering value for money.

We look forward to working with the local government community to take forward the issues in these findings.