

# MINUTE

# A & B

**Audit and Scrutiny Committee**  
**Council Chamber, Town Hall, Lerwick**  
**Wednesday 19 November 2008 at 10 am**

## **Present:**

F B Grains	A T Doull
A G L Duncan	R S Henderson
C H J Miller	J W G Wills
G Robinson	

## **In attendance (Officers):**

G Johnston, Head of Finance  
D Hughson, Financial Accountant  
C McIntyre, Service Manager - Internal Audit  
A Rolfe, Assets and Properties Manager  
P Peterson, Performance Management Co-ordinator  
Laura Saunders, Policy and Development Assistant  
L Gair, Committee Officer

## **Chairperson**

Mrs F B Grains, Chairperson of the Committee, presided.

## **Circular**

The circular calling the meeting was held as read.

## **Declarations of Interest**

None.

## **Minutes**

The minute of the meeting held on 8 October 2008, having been circulated, was confirmed.

With the exception of the following the minutes of the meeting held on 28 October 2008, was confirmed on the motion of Mrs F B Grains, seconded by Mr A Duncan.

Min ref 36/08 - Dr J W G Wills asked that the last sentence in page 5 be amended to read "...revisiting the issues if new information came to light."

Min ref 36/08 - Mrs C H J Miller asked that the paragraph 5 on page 5 be amended to read "Mrs C H J Miller said that she had been kept informed of progress with the Bressay Bridge project through her involvement as a Community Councillor and that she believed lessons had been learned locally and those were to develop good partnership working".

Min. Ref.	Subject	Action/Info
37/08	<b><u>Abstract of Accounts 2007/08 and report by the Auditor</u></b> The Committee considered a report by the Head of Finance (Appendix 1).  The Head of Finance introduced the report and advised Members that the accounts would also be presented at Council	

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	<p>where the Auditors would be present. He advised that there was an impasse between finance and the external auditors in that the auditors believe that the Shetland Charitable Trust and the SIC accounts should be grouped.</p> <p>The Head of Finance advised that the SCT was governed by Charity Law and whilst the auditors held their view, the impasse would remain indefinitely. He added that clarity of SCT status might come from OSCR on their separateness and independence. In the meantime the Head of Finance said that they could not and did not wish to group the accounts without the consent of the SCT. He said that apart from that qualification, the auditors said that it was a true and fair account of the Council's financial affairs.</p> <p>Mrs C H J Miller drew attention the Appendix A - Action Plan and queried the comments on the Financial Statements. The Head of Finance explained that over recent years there had been endless reform and regulations that had come and gone and there had been constant change and flux. He said that placed substantial burden on small Local Authorities and the Council had a small accounting team. He said that the team struggled to keep up and the auditors had acknowledged that the service was doing their best.</p> <p>Mrs C H J Miller drew attention to Page 10 of the Abstract of Accounts and asked if it was correct that the net cost of service was up by £10m, and asked for an explanation. The Head of Finance confirmed, and advised that he would provide a summary report following the meeting.</p> <p>Dr J W G Wills said that the auditors had made a criticism on grouping SCT and SIC accounts and that could not be ignored. He said that it was true nothing could be done without SCT consent but queried whether changing the constitution to have more independent Trustees, would help.</p> <p>The Head of Finance advised that there were events and developments that were reinforcing independence such as consultation with OSCR and the resignation of the Council's Chief Executive from the Trust. He said it was also true if there was a development to change to a mix of Trustees this would be noted, however he could not predict and would not presume the outcome of any debate. He added that he would not argue for a change in the trustee body to address a technical problem that the Council could easily bear.</p> <p>In response to a query the Head of Finance explained that if the accounts were not qualified, they would still be shown on record as a clean and clear account. He said that it would not affect the Council except perhaps in reputation.</p>	GJ

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	<p>Dr Wills referred to page 45 of the Auditor's report and said that the risk was here and now. He referred to Section 5 paragraph 61 and said that the Council had identified a rising demand for social care and childcare and also grass cutting. Without review officers noted the social care were overspent and he was of the opinion that £5m was more of an under estimate and said he was concerned about that. He went on to note that page 46 action plan point 8 the Council was yet to consolidate estates and maintenance. Also page 47 action point 11 he was concerned about the State Aids issues relating to fishing boats repaying with interest many years later.</p> <p>Dr J W G Wills moved that the Committee approve an amendment to recommendation 7.1 that the committee note "with concern" the contents of the report of this report and that the following be added "..... 2007/08, as they relate to group accounts, potential conflicts of interest the management of major capital projects, the valuation of assets and the "heavily oversubscribed" capital programme....". Mr G Robinson seconded.</p> <p>Mr A G L Duncan drew attention to Page 47 of the Auditor's report – Housing Benefits. He asked for an update on the comment that "local objectives and fraud is not fully considered"</p> <p>The Head of Finance advised that the Revenue Services Manager's view was that there was a great deal of national structure for benefit fraud but that the procedures and processes were developed at a national level which was less suitable for a small local authority with a negligible problem.</p> <p>The Head of Finance said that the Revenue Services Manager's approach was satisfactorily proportional to the scale of the problem in Shetland. The Service Manager - Internal Audit agreed stating that although the Council could not be complacent, the level of problem was very low. The Head of Finance added that the Revenue Services Manager had only recently reviewed the report and may make adjustments, and advised that he would support his response.</p> <p>In response to a further query with regard to the figures involved in external fraud, the Head of Finance said that he would ask the Revenue Services Manager to provide the information outside the meeting.</p> <p>Mrs C H J Miller drew attention to Page 31 paragraph 123 of the Auditor's report and asked if the Finance Review Panel was still in operation. The Head of Finance said that it had been stood down.</p>	GJ

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	<p>With the support of his seconder, Dr J W G Wills agreed to include within his motion, "that the Council consider the early revival of the Financial Review Panel and that the minutes of the meeting be included on the Council agenda."</p> <p>Mrs C H J Miller drew attention to Action Plan 8 "that the assets of the Council are not utilised in the most effective way" and stated that at Infrastructure, the capital prioritisation report identified £10m essential maintenance plus £5m to be spent over the next 5 years. She said that would be as far as the Council could go unless they could efficiently minimise assets.</p>	
38/08	<p><b><u>Internal Audit – Six Monthly Internal Audit Progress Report 2008/09</u></b></p> <p>The Committee considered a report by the Service Manager – Internal Audit. (Appendix 2)</p> <p>The Service Manager – Internal Audit briefly introduced the report and advised that the date at paragraph 4.4 should read 31 March 2009 and not 2008.</p> <p>In response to a query from Mr A G L Duncan on the high costs of consultancy, the Service Manager – Internal Audit said that there was scope to look at the use of consultants. He advised that Capital Projects had agreed to look at it. He said that it was generally cheaper and better quality to do work in house however there was a need for consultants on specialist jobs but that there was a balance to be struck. The Head of Finance agreed and said that a consistent approach had to be developed as policy in the Council. He said that services should only be bought in for a specialism not available in the local authority and where in-house services are unable to cope with the workload involved.</p> <p>Mr A G L Duncan requested that a report to Audit and Scrutiny be presented on the matter. Members agreed that this should form part of a capital projects and best practice report.</p> <p>Mr G Robinson drew attention to the first page of the report and the comment on Mareel. He said that Members were promised updates, and asked that the Chairperson request a full update on the project. In the meantime, Mr Robinson asked whether the VAT situation had been rectified.</p> <p>The Service Manager – Internal Audit advised that there had been an issue drawn to Officers attention regarding VAT implications where the Arts Trust was being invoiced, but the Council was paying them. He advised that Officers were addressing the issue. He advised that Internal Audit carry out follow-ups once a year.</p>	GJ



	<p>project was now working within approved budgets.</p> <p>In response to a query regarding Disclosures, the Service Manager Internal Audit advised that since the problems of 4-5 years ago things had improved and almost 100% of those who should have been approved were now approved. He said that after 3 years renewals were being done. He said that in his view a single disclosures should cover all requirements, but this was a national issue. He confirmed that savings could be made if they were not requiring to be renewed every three years.</p>	
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39/08	<p><b><u>Capital Project Management: The Way Forward</u></b></p> <p>The Committee considered a report by the Head of Finance (Appendix 3).</p> <p>The Head of Finance introduced the report and provided a summary of the recommendations.</p> <p>Mrs C H J Miller said that it was a realistic approach and moved that the Committee approve the recommendations contained in the report, with the addition that the study be done in conjunction with the report on consultancy requested in the previous item.</p> <p>Mr A G L Duncan seconded the motion and said that it was an excellent report and it was good to see the Head of Finance take the matter forward and hoped to see more from Officers.</p> <p>Mr G Robinson said that he had been concerned that prioritisation of projects was crashing ahead without being properly scrutinised by officers. He added that projects had been put forward without a business case or feasibility study. He said that projects were taken to a high state of readiness only to be scrapped. Mr Robinson gave the Bressay Bridge and the Happy Hansel School as examples and said that it all cost money, and it continued to happen.</p> <p>Dr J W G Wills said that he agreed that the recommendations should be passed. He referred to paragraph 4.1.2 and said that the building blocks were already there with a good framework at present, however the problem was that it had not been implemented. At paragraph 4.1.3 he said that he was concerned about the criticism that the “main weaknesses were the corporate plan which was not specific enough” and that some “services did not have a detailed policy framework”. Dr Wills drew attention to paragraph 4.1.4 and the comment “...dispensed with attempts by officers to provide objective advice (by way of points scoring....” and said that the confusion being seen now was as a result of that. He said that it would be necessary to look at some form of points system in the future. Dr Wills concluded by stating that he supported what the Head of Finance’s report said and looked forward to the</p>	GJ/CMc
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40/08	<p><b><u>Audit and Scrutiny Committee Investigation – Gender Balance May 2008 Report</u></b></p> <p>The Committee considered a report by the Performance Management Co-ordinator (Appendix 4)</p> <p>The Performance Management Co-ordinator introduced the report and said that he had asked the Policy and Development Assistant along as she was responsible for drawing together the statistics.</p> <p>Mrs C H J Miller drew attention to page 7 and the “Reason for Leaving the Council” section and asked whether exit interviews were carried out. The Performance Management Co-ordinator advised that exit interviews were piloted in Education, but that it was not being applied comprehensively across the Council. He said that it was the intention that this would be taken forward, but he explained that the staff resource within Human Resources had been taken up by Single Status.</p> <p>During further discussions, Members were advised that there were several factors to take into consideration in that there may be a high percentage of staff taking up internal posts, however that information was not recorded on CHRIS and to access that information would require a manual search. Also part time employees may have up to 3 posts. Members were also advised that there would be a new CHRIS system implemented in January and that may resolve some of the issues.</p> <p>Mrs Miller said that it was paramount to have an exit interview strategy and queried whether, between April – June, Human Resources could formulate an exit strategy to get more meaningful statistics. The Performance Management Co-ordinator said he would take that forward with HR.</p> <p>In response to a query from Mr A G L Duncan, the Performance Management Co-ordinator advised that Flexible Working was a requirement by law to assist parents with children under the age of 6. He advised that Flexitime was different and had been piloted by Infrastructure Department 1990-2000. He said that it would be addressed under single status. The Performance Management Co-ordinator said that he did not have the figures for the number of people formally under the flexible working policy.</p> <p>In response to further queries the Performance Management Co-ordinator advised that under the single status flexitime scheme currently being consulted on, there would be core hours of 10am – 4pm when staff had to be in the office. He advised that the highest percentage of staff working flexible hours were female and that a high percentage of those would probably be due to child care arrangements.</p>	PP
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	<p>Dr J W G Wills drew attention to Table A and said that it was embarrassing that the SIC was at the bottom of the league for women being in the top 2% and 5% of earners.</p> <p>In response to his queries, the Policy Development Assistant advised that it was illegal to positively discrimination but the Council could take positive action.</p> <p>Dr Wills referred to remote working and said that there was a benefit to families and Council managers should remind staff about the policy which may have an impact on the figures. The Performance Management Co-ordinator said that when the policy was implemented staff in jobs that could work remotely were informed, but some individuals stated they enjoyed coming in to their offices. He said that it was a while since staff had been reminded about the policy and he agreed that this should be done again.</p> <p>Dr J W G Wills moved that the Committee approve the recommendations contained in the report with the addition that all staff be reminded of the possibility of working remotely. Mr G Robinson seconded.</p> <p>Mrs F B Grains referred to the top jobs and said she hoped that the best person was appointed, regardless of their sex.</p> <p>In response to a query from Mr Robinson, the Performance Management Co-ordinator advised that it should be possible to find out how many applicants, with the correct qualifications, were short listed but not successful.</p> <p>Mr Robinson said he attended the training awards presentation and the gender imbalance was clear to see in that there were a handful of women to men and queried whether the college was providing the correct training.</p> <p>The Performance Management Co-ordinator said that the report highlighted the fact that there were few women in the Marine industry. He said that, if the Council was serious about trying to change attitudes, young women in Shetland could perhaps be given more encouragement to go into that area – perhaps with careers services taking a lead.</p>	PP
41/08	<p><b><u>Study into the efficient use of Council Buildings</u></b></p> <p>The Committee considered a report by the Performance Management Co-ordinator (Appendix 5).</p> <p>The Performance Management Co-ordinator introduced the report and advised that the Assets and Properties Manager was present to answer particular questions.</p>	



	<p>Mr A G L Duncan raised queries and concerns regarding the use of certain buildings.</p> <p><i>(Dr J W G Wills left the Chamber)</i></p> <p>In response, the Assets and Properties Manager advised Members that the building at Windybraes, Quendale, was not on his books as surplus and explained that it was being held for use by Social Work. He advised that if buildings were surplus he would look at alternative uses or dispose of them.</p> <p><i>(Dr J W G Wills returned to the Chamber)</i></p> <p>The Assets and Properties Manager advised that the School at Quarff had been temporarily used by the Bruce Hostel Family Service whilst structural issues were addressed at the Bruce Hostel Building. He explained that they had recently returned to the Bruce Hostel, but continued to use Quarff School for storage and meeting rooms. The Assets and Properties Manager said there was no long-term view for the property.</p> <p>The Assets and Properties Manager gave a history to the use of St Clement's Hall and advised that there was no long-term solution for the property. He confirmed to Members that it was a listed building.</p> <p>The Assets and Properties Manager advised that the Housing Service would move to North Ness once the Economic Development Unit had moved to the Bio Solarhus. He said that he had been approached by Social Work's Childcare Service who lacked space at St Olaf Street. He added that they had been promised a new build on the WAG site, which would take at least 2 years for construction, therefore as a short-term measure they were considering Fort Road. The Assets and Properties Manager said that once they had moved on, the Fort Road building would be disposed of, adding that it was not of good construction and may therefore be redeveloped.</p> <p>The Assets and Properties Manager advised that there was an ongoing space audit.</p> <p>In response to a query from Mr A T Doull, the Performance Management Co-ordinator said that he would contact the Energy Unit for more information regarding the school turbine manufacturer.</p> <p>Mrs F B Grains asked why condition surveys were not carried out in-house. The Assets and Properties Manager advised that these surveys were looked after by building maintenance who were short of staff.</p> <p>In response to a query from Mr R S Henderson, the Assets and Properties Manager advised that the Council only owned the land at the Brae Galley Shed and the Brae Hall which was on</p>	<p>PP</p>
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	<p>the same title as the old School.</p> <p>Mrs Miller drew attention to section 5 of Appendix 1 and asked that the Space and Property Audit and Conditions Survey be presented to the Committee when it was ready. The Asset and Properties Manager confirmed that it would be complete by the end of the financial year. Mrs Miller also referred to paragraph 5.1.2 and noted 8 buildings occupying almost 5000 sqm and said she was concerned that there was no finance to do anything and that it may make more economic sense to sell it and go forward with a single campus.</p> <p>In response to a query, the Performance Management Co-ordinator advised that consideration was given to the DLO working with other agencies and combining building maintenance with the NHS and Trusts, however this was never progressed. He said that it was only a tentative suggestion in the report, but “shared services” was one of the Scottish Government’s 5 key efficiency strands. Dr Wills said that a meeting should be arranged to discuss the matter with recommendations put to Council. He asked that the Performance Management Co-ordinator speak to those listed in paragraph 6 and come back with a list of those invited to attend.</p> <p>The Assets and Properties Manager responded to a query advising that the former Gym, opposite the Islesburgh Community Centre had, until recently been a file storage facility but that the files had moved to the former archives building. He advised that the gym would be used by the Occupational Therapy unit at the NHS for their equipment until their purpose built facility was ready. Mrs C H J Miller said she had no problem with what was happening, but asked that Members be advised of proposals such as these when they happen within their own wards.</p> <p>Mr G Robinson said that prior to the next meeting we should identify which of the non-operational assets are used and unused.</p> <p>Mrs F B Grains asked whether it was more profitable to lease rather than sell a property. The Assets and Properties Manager advised that someone may wish to use the building, but may not be able to afford to buy it so therefore it could be more appropriate to lease the building. He confirmed that under a commercial lease, there was no right to buy. He added that it was standard for the maintenance and costs to be covered by the person leasing the property, however consent for any alterations had to be approved by the Council.</p> <p>In response to a query from Mrs C H J Miller, the Assets and Property Manager advised that ferry terminals were excluded along with ferries and were held separately under Infrastructure rather than property assets.</p>	PP
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	<p>Mr A G L Duncan said that the cost of maintaining existing buildings was phenomenal and asked that a report on the financial implications on providing an all purpose building be presented. The Performance Management Co-ordinator advised that a report had been presented in June and August on the a campus rather than one building and to carry out analysis on one building would be going against Council policy.</p> <p>Dr J W G Wills requested that officers listed in paragraph 6 in the Appendix 1 be invited to the next meeting to help formulate recommendations.</p>	
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42/08	<p><b><u>Items for Future Discussion</u></b></p> <p>Dr J W G Wills moved that the Committee discuss the roles of Civic Head and Political Leader and the arrangements for electing Council office bearers. He explained that this was not a political council and therefore there was no regular system in place for reviewing or confirming elected office bearers. Dr Wills said that it was set out in legislation that a Civic Head and Political Head be appointed, not a Convener and Vice Convener.</p> <p>Mrs C H Miller said that office bearers had been elected in May 2007 before Dr Wills came to office and Members had agreed to bear office for the full term of office. She said that it was not the role of Audit and Scrutiny to scrutinise it.</p> <p>Dr Wills said that he did not seek office of civic or political head himself, and said that the Council took the decision in May 2007 but circumstances changed with the Scottish Government now considering increasing the term to 5 years in order to bring elections to 2 yearly intervals, which in his opinion seemed too long. He said that it would improve democracy if confirmation of office bearers came up as a standing item every one or two years, and if that were challenged a candidate would have to be put forward. He said that would be better than putting forward a vote of no confidence. Dr Wills gave Fife as an example and said that in a party political Council if a candidate is not re-elected within their party, they have to give up office on the Council.</p> <p>Mr A G L Duncan said that if there was an issue, let it be discussed, however that did not mean that it would be implemented.</p> <p>Mrs Miller said that it was not for the Audit and Scrutiny Committee to debate and remained of the view that the elected office bearers should remain for the full term of office, and to look at the issue now could be seen as divisive.</p>	
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<p>Mr G Robinson, seconded Mr Wills' motion and said that the Council was not alone in revisiting the issue and was of the view that it did fall within the remit of Audit and Scrutiny.</p> <p>The Performance Management Coordinator advised that the Assistant Chief Executive had carried out a review of political structures in early 2007, prior to elections, in line with the remuneration package that was being made available for Councillors. He said that, in his opinion, it would be useful to get the advice of the Head of Legal &amp; Administration on whether it was competent for the Audit and Scrutiny Committee to undertake a review.</p> <p>Mrs C H J Miller moved as an amendment that the Performance Management Co-ordinator seek legal advice on Mr Wills' motion before a report on the matter was prepared, seconded by Mrs F B Grains.</p> <p>Following summing up, voting took place with a show of hands and the result was as follows:</p> <table><tr><td>Amendment (Mrs C H J Miller)</td><td>4</td></tr><tr><td>Motion (Dr J W G Wills)</td><td>3</td></tr></table>	Amendment (Mrs C H J Miller)	4	Motion (Dr J W G Wills)	3	PP
Amendment (Mrs C H J Miller)	4				
Motion (Dr J W G Wills)	3				

The meeting concluded at 12.20 pm.

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F B Grains  
Chairperson