Shetland
Islands Council

MINUTE

A & B

**Audit and Scrutiny Committee
Room 16, Islesburgh Community Centre, Lerwick
Wednesday 11 March 2009 at 10am**

Present:

F B Grains	L F Baisley
R S Henderson	C H J Miller
J W G Wills	

Apologies:

A T Doull	A G L Duncan
G Robinson	

In attendance (Officers):
S Cooper, Head of Service, Environment and Building Services
M Dunne, Environmental Health Manager
C Symons, Technical Support Manager
C Medley, Head of Service, Housing
C McIntyre, Internal Audit Manager
J R Riise, Head of Legal and Administration
A Rolfe, Acting Asset and Properties Manager
J Smith, Head of Organisational Development
P Peterson, Performance Management Co-ordinator
L Adamson, Committee Officer

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

Circular
The circular calling the meeting was held as read.

The Chairperson welcomed Ms L Baisley to her first meeting of the Committee.

Declarations of Interest
None.

Minute
The minute of the meeting held on 4 February 2009, was confirmed on the motion of Mrs C H J Miller, seconded by Dr J W G Wills.

40/08 – Audit and Scrutiny Committee Investigation – Gender Balance – May 2008 Report
In response to a question from the Chairperson, the Head of Organisational Development advised that the Financial Review Panel had been replaced with the

Financial Monitoring Member/Officer Working Group, to be convened by the Assistant Chief Executive. The membership of the Group has to be agreed by Council and the schedule of meetings has yet to be confirmed. In response to questions from Mrs C H J Miller, the Head of Organisational Development said that he would expect the terms of reference to be agreed as part of the initial work of the group, and he would seek to get clarity on the communication arrangements between the group and the Council.

41/08 – Study into the Efficient Use of Council Buildings
In response to a question from the Chairperson regarding the wind turbines at schools, the Performance Management Co-ordinator advised that he had discussed this with the Council's Energy Manager, who had reported that an estimate had been received for the turbine at the Lunnasting Primary, and the turbine at Urafirth school would be the next to progress. In response to further questions, the Performance Management Co-ordinator advised that he would seek further clarification on the proposals for further turbines to be sited at other schools in Shetland, and this would include progress on the turbine at Foula primary.

42/08 – Items for Future Discussion
The Chairperson referred to the options for the Council to debate the term of office and roles of the senior office bearers of the Council, and proposed that the Committee Structure should also be included in a review. In response to a question whether there had been any decision on the length of term of this Council, the Head of Legal and Administration advised that the second reading of the Bill had received little opposition, therefore it was anticipated that the legislation would be approved with an extension of one year, for this term to be for 5 years.

Dr J W G Wills said that as it had now been agreed that this Committee should examine the governance of the Council, he proposed that the process commences with a hearing at the next Audit and Scrutiny Committee. Dr Wills advised that he would prepare a short paper to be circulated with the agenda papers, and he proposed that officers and Members also present their views, for a discussion to be held at Committee on the way forward. Dr Wills referred to the current structure of the Council, and said that in his opinion the two Executive Directors were over-burdened and carry too much responsibility in a wide range of functions. The plethora of Committees, Panels and Forums also required to be simplified and he favoured a structure where each Committee would be responsible for its clear budget, and there also a need for clear distinction between an independent Chair of the Council (the ambassador), and the political leader.

Mrs C H J Miller said that she considered this to be an ideal opportunity to look at the governance arrangements, with the current elected Members having sufficient experience to consider and find the best way forward for the Council. Mrs Miller said that one of her concerns was the lack of communication from the various meetings back to the Council. She suggested that the review could also look at the arrangements within individual Council departments, and with the recent announcement on the resignation of the Chief Executive, she considered this to be an appropriate time for changes to be made to the inter-departmental arrangements and the structure of the Council. The Head of Organisational Development commented that this could possibly be a more complicated period during the replacement of the Chief Executive, and he was aware of challenges involving Community Planning governance arrangements in light of partnership working. He added that a complete debate would potentially require a variety of inputs, and officers would be tasked following the initial discussion at the

next meeting of the Committee. Mrs Miller said that in addition to the paper to be presented by Dr Wills, it was important that alternative opinions should be discussed to get a balance of views.

Dr Wills advised that a similar exercise had been carried out in 1994, which had encouraged all Council staff to come forward with suggestions for improvements, and he proposed that this practice could be repeated for this review, with the responses being anonymous.

Dr Wills suggested that the Policy section provide subject heads for the next meeting, and said that his paper and submissions from other Members and officers would be presented to decide the terms and scope for progress.

The Head of Legal and Administration said it was important to keep the focus of Audit and Scrutiny Committee on its proper role, which was essentially one of overview and review of effectiveness. Therefore the review being proposed would need to provide a strong evidence base to identify anything that is not working before proposing alternatives. It was also essential that the review was clear on the two different aspects, one being political decision making structures such as Committees and the like, and the other being the quite separate statutory role which would require the new Chief Executive as Head of the Paid Service to report on his/her view as to what resources would be needed to be able to deliver to the Council requirements to implement their decisions. It was, in view of that responsibility, important that the Committee does not predetermine what the management or departmental structures of the Council has to be, but the Committee could, of course, make suggestions to the Chief Executive who would then report to the Council.

01/09 – Capital Project Management Best Practice: First Progress Report
In response to questions, the Internal Audit Manager reported that the Head of Finance would be presenting the further report on best practise project management to the next Committee, and that an informal meeting would be arranged for Members to consider the report prior to the next Committee.

37/08 – Abstract of Accounts 2007/08 and report by the Auditor
Dr J W G Wills circulated copies of the letter submitted to the Cabinet Secretary outlining his complaints regarding the Council's Capital Project Management and the response received (copies attached as Appendix A). Dr Wills reported that the Cabinet Secretary had indicated that he could not intervene and that Audit Scotland would be the most appropriate body to investigate the concerns, however Dr Wills advised that Audit Scotland had previously declined to investigate his complaints. Dr Wills therefore proposed that his concerns on the procedures that had been followed, leading to the wasteful spend on the three projects (Bressay Fixed Link, New AHS and Mareel Culture Centre) should be investigated by Committee. Following some discussion, Dr Wills was in agreement to a suggestion from the Chairperson, that this matter would be considered further when the Head of Finance's report on best practise project management is discussed at the informal meeting.

The Head of Organisational Development advised that the report from External Auditors was near completion and would be presented to the next Audit and Scrutiny Committee.

03/09 – Statutory Performance Indicators – Comparative Analysis

In response to a question from Mrs C H J Miller as to whether there were any Statutory Performance Indicators related to progress on the Council's Corporate Plan, the Head of Organisational Development advised that a report was being presented to tomorrow's Services Committee outlining delivery of the commitments set out in the corporate plan relating to the remit of the Education and Social Care Department, and information would also have been gathered on the delivery of the remit of Infrastructure Services. The Head of Service, Environment and Building Services advised that the environmental targets had been presented at a recent Infrastructure and Environment Forum.   The Head of Organisational Development reported that the outcome from the Single Outcome Agreement should to be reported at the next cycle of meetings, and the information would be summarised and presented to Audit and Scrutiny Committee.   Mrs Miller suggested that overall progress should be drawn together to find out the total delivery on the Corporate Plan.   The Head of Organisational Development suggested that overall progress could be presented to Forums and Committees to allow focus on the different areas, prior to the report being presented to Council.   In response to a question from Mrs Miller regarding the availability of finance to deliver on the Corporate Plan, the Head of Organisational Development suggested that a summary of the quarterly performance review meetings could be presented to Audit and Scrutiny Committee to highlight any issues and further work.   Mrs Miller stated that she welcomed this proposal.

The Chairperson referred to the discussion on the Statutory Performance Indicator relating to refuse collection, where compared to Orkney the Council's costs for the service were an additional £25 per property, and enquired whether Shetland provided a higher standard of service.   The Head of Service, Environment and Building Services advised that he would provide further detail to the next meeting of the Committee, and also at the Service's Performance Review meeting.

In response a question from the Chairperson regarding an update on conveyance issues relating to Council housing, the Head of Legal and Administration advised that the review should to be complete by August, however an update report would be presented at the next cycle of meetings, and following completion of the review, the findings would be reported to Committee.

The Environmental Health Manager circulated a paper containing further explanation on the Environmental Health Indicators that had been highlighted at the previous meeting (paper attached as Appendix B), and outlined the procedures followed by the Council and the requirements of the inspection programme relating to food hygiene inspections, noise complaints, and abandoned vehicles.

In response to a question from Mr R S Henderson as to whether there was any means of collecting abandoned vehicles from privately owned land, the Environmental Health Manager explained the procedures followed to encourage individuals to relinquish vehicles, and asked Mr Henderson to provide her with further detail to follow up.

The Head of Legal and Administration referred to the decision at the previous meeting for an additional column to be inserted in the Analysis of the Statutory Performance Indicators table to provide some additional detail on each indicator.   He suggested simply including a minute reference to decisions such as the one today on any procedures followed locally which given that the focus was on quality of service might mean that little would be done to alter the statutory performance reported but that was

assessed as acceptable for reasons such as those give today on each of the indicators highlighted.

04/09 – Items for Future Discussion
In response to a question from the Chairperson regarding the request for an update on overtime working, it was reported that the Head of Finance would present this information to a future meeting.

Min. Ref.	Subject	Action/Info
05/09	**Asset Management Performance Indicators** The Committee considered a report by the Acting Asset and Properties Manager (Appendix 1). The Acting Asset and Properties Manager introduced the report and provided further detail on the two Statutory Performance Indicators relating to Asset Management. He advised that the indicators were split into two parts being the suitability of the building for its current use, and the condition of the building, and explained that a small building with a poor rating would have a significant impact on the suitability indicator which is based on the number of buildings, whereas the poor condition of small buildings have less impact on the condition indicator which is based on the area of the buildings. The 'C' and 'D' categories in the suitability indicator related mainly to public toilet provision as the majority were not accessible to the disabled. During the discussion, the Acting Asset and Properties Manager advised that work was ongoing to improve disabled access to public toilets, however a number of accesses would only be possible by extending the buildings. He reported that it was proposed that in each region of the islands there would be one public toilet with disabled access, and where toilets had no suitable access information on the closest accessible toilet would be provided. In response to questions from Dr J W G Wills regarding the current suitability and condition of Bells Brae school and the Anderson High School, the Acting Asset and Properties Manager gave some explanation, however he agreed to follow this up and provide Dr Wills with the information. The Head of Service, Environment and Building Services advised that a survey on the condition of Council buildings had been undertaken during the summer of 2008, and a report to link with the suitability of the buildings would be presented to Committee within the next two cycles. He added that the detail from the survey was currently available on the Council's intranet site, and he undertook to send the link to Members of the Committee. The Head of Legal and Administration advised that a full report on the Council's property portfolio would be presented to this Committee after the Accommodation Working Group on 25	 AR SC SC

Min. Ref.	Subject	Action/Info
	March had considered such similar information as fell within its remit. There was some discussion on the actual time of the meeting, and it was agreed that the meeting should start at 2.15pm. The Performance Management Co-ordinator referred to the earlier study carried out into the Efficient Use of Council Buildings, and to the subsequent request for officers and Members to meet to discuss the issues, and advised that this would be arranged for the next Audit and Scrutiny meeting.	PP
06/09	**Items of Future Discussion** Ms L F Baisley reported that she had received an e-mail this morning from Sustainable Shetland, which had been sent to all Members and the Chief Executive, requesting that the Audit and Scrutiny Committee look into the amount of Local Authority funds being spent on Viking Energy Limited. Following some consideration, the Committee agreed that the Chief Executive be asked to respond providing a status report on the issues that were raised in the e-mail. The Chairperson referred to the SIC Audit of Communications report from March 2000, which included 53 recommendations, and suggested a review be undertaken to find out how many of the recommendations had been acted on. The Head of Organisational Development advised that an update report would be prepared for the Committee meeting in June. In response to a request from Mrs C H J Miller, the Head of Organisational Development agreed to circulate copies of the Communications report to Members. The Head of Legal and Administration mentioned that he believed that a formal strategy was never approved nor therefore were the recommendations approved although some had no doubt been taken on boat at operational level. He suggested that the Committee could review the current quality of communication and then consider whether there would be benefit from having an updated strategy and action plan. The Chairperson advised that one of the recommendations in the Communications report was to ensure that meetings involving Members do not clash, however she advised that there continued to be instances when meetings were being set for the same date and time. The Chairperson referred to the Sullom Voe Oil Terminal Study to be undertaken in 2008, and for two projects to be completed in 2009, and suggested that the targets be followed up. Dr Wills advised that a group had been set up to look at potential new developments at Sullom Voe Terminal, and an initial study had been carried out in 2008. The Chairperson suggested that updates should be provided on fleet management, fuel consumption, central purchasing,	JS JS

Min. Ref.	Subject	Action/Info
	low-floor buses/service update and risk management.	
	The Head of Legal and Administration advised of a deficiency of the Council, which had been highlighted by the Auditors, being a requirement to introduce a comprehensive business continuity recovery programme for all Council services. He reported that the project was now near completion and a report would be presented to Committee after the implementation and training/exercises scheduled for early summer had been completed.	JRR
	Dr J W G Wills suggested that a contingency plan be prepared following the reports of rising sea levels. The Head of Service, Environment and Building Services reported that the Council's Coastal Engineer would have detail on this matter, and a presentation had been given at a recent Infrastructure and Environment Forum.	
	The Performance Management Co-ordinator reported that the Audit and Scrutiny Committee training had been confirmed for 27 March. All Members had been invited, and the Head of Finance and Audit staff would also be attending. It was suggested that the training could be relevant to NHS staff regarding joint working, and should spaces be available consideration could be given to representation from the Shetland Council of Social Services and the Association of Shetland Community Councils.	PP
	The Head of Legal and Administration suggested that annual information reports could be prepared to Committee advising on the Council's health and safety initiatives and risk management activities over the year.	JRR

The meeting concluded at 11.30am.

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F B Grains
Chairperson

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Shetland
Islands Council

REPORT

To: **Audit and Scrutiny Committee**   6 May 2009

From: **Head of Organisational Development**

CE-14-F

Strategic Audit Risk Analysis 2008-09

1 Introduction

1.1 This report introduces the Audit Scotland Strategic Audit Risk Analysis (SARA) for the Shetland Islands Council. This was sent to the Chief Executive on 30th March 2009 and is therefore being submitted to the Audit and Scrutiny Committee at the earliest opportunity.

2 Link to Corporate Priorities

2.1 The activity set out in the attached document links very closely to the "Sustainable Organisation" section of the 2008-11 Corporate Plan, where the Council aims to "live within our means", "ensure we are being efficient in everything we do" and "be an excellent employer".

3 Background

3.1 The purpose of the SARA document is to focus external audit activity on to what are considered to be the Council's key strategic risk areas. This allows our auditors to maintain an up to date understanding of how the Council is meeting its main Local Govt in Scotland (2003) Act obligations, without having to undertake a full Best Value audit each year.

3.2 Members are asked to read through the attached Appendix to get an understanding of the risks highlighted and the work that is ongoing across the Council to manage these. For ease of reference, the main strategic risks identified in the report are:

- establishing an overarching action plan that clearly links the single outcome agreement, the corporate plan, the community plan and the best value recommendations;

- inclusion of the Shetland Charitable Trust within the group entity;

- reviewing budget allocation to ensure these are matched to service need due to the ongoing financial pressures, particularly from education and social care services and single status/equal pay;
- elected Members need to address the difficult decisions in the short and medium term to ensure that the Council remain within current financial constraints;

- implementing single status from April 2009. Until this is achieved equal pay compensation liability will continue to rise;

- developing procurement policies to generate additional efficiency savings through its membership of Scotland Excel;

- identifying how the capital programme funding gap of £36.666 million in 2010/11 is to be met. This is before the inclusion of Anderson High School at an estimated cost of £49 million;

- ensuring that capital projects are well managed and provide value for money;

- the Charitable Trust relies heavily on investment income. Given the current financial climate the Trust may not be able to sustain its level of service provision and services will transfer back to the Council;

- reviewing and updating the strategic and departmental risk registers to reflect the Council's eight priorities;

- there is no formal process to ensure risk identification, assessment and management are an integral part of the decision making process; and

- developing an overarching information management strategy.

3.3 Audit Manager, Mark Ferris has offered to attend the next Audit and Scrutiny Committee meeting, if requested. He has also said that he is willing for any Member to contact him to discuss the content of the SARA further.

4 Financial Implications

4.1 There are no financial implications arising from this report.

5 Policy and Delegated Authority

5.1 As outlined in Section 10 of the Council's Scheme of Delegations, the remit of the Audit and Scrutiny Committee includes reviewing Council performance information.

6 Conclusion

6.1 This report has introduced the Strategic Audit Risk Analysis for the Shetland Islands Council for 2008-09.

7   Recommendations

7.1 I recommend that Members discuss this document fully and make recommendations for further action, as considered appropriate.

April 2009   CE-14-F
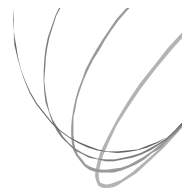
SHETLAND ISLANDS COUNCIL

Strategic Audit Risk Analysis 2008/09

March 2009

AUDIT SCOTLAND

SHETLAND ISLANDS COUNCIL

Strategic Audit Risk Analysis 2008/09

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Key messages

This report sets out the findings from our review of the strategic risks facing Shetland Islands Council. We have used these findings to prioritise the audit activity to be undertaken in the current audit year and identify areas for ongoing review in future years.

The local government environment within Scotland continues to evolve. The Concordat between COSLA and the Scottish Government has led to the successful development and signing of Single Outcome Agreements (SOAs). The evolving nature of the SOAs will bring fresh challenges and risks in respect of governance, accountability and performance management.

Services delivered directly, or in partnership with others, involve substantial resources. There are significant pressures on finances which necessitate an even greater emphasis on efficiency and the effective use of resources.

The major priorities and risks for the council to address identified within our analysis include:

- establishing an overarching action plan that clearly links the single outcome agreement, the corporate plan, the community plan and the best value recommendations

- inclusion of the Shetland Charitable Trust within the group entity

- reviewing budget allocation to ensure these are matched to service need due to the ongoing financial pressures, particularly from education and social care services and single status/equal pay

- elected members need to address the difficult decisions in the short and medium term to ensure that the council remain within current financial constraints

- implementing single status from April 2009. Until this is achieved equal pay compensation liability will continue to rise

- developing procurement policies to generate additional efficiency savings through its membership of Scotland Excel

- identifying how the capital programme funding gap of £36.666 million in 2010/11 is to be met. This is before the inclusion of Anderson High School at an estimated cost of £49 million

- ensuring that capital projects are well managed and provide value for money

- the charitable trust relies heavily on investment income. Given the current financial climate the trust may not be able to sustain its level of service provision and services will transfer back to the council

- reviewing and updating the strategic and departmental risk registers to reflect the council's eight priorities

- there is no formal process to ensure risk identification, assessment and management are an integral part of the decision making process

- developing an overarching information management strategy.

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The priorities and risks we have identified present significant challenges and we have confirmed the council has action plans in place to address many of the risks identified. In these areas we will monitor progress and report any significant matters on an exception basis.

Where relevant, any significant findings from our work on the council's management of key risks will also be summarised in our annual report on the audit.

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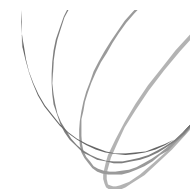
Introduction

Overview

1. The local government environment within Scotland has continued to evolve since we issued the last Priorities and Risk Framework document in 2007. The Concordat between COSLA and the Scottish Government has led to the successful development and signing of Single Outcome Agreements (SOAs) between all thirty two councils and the Government by June 2008. The evolving nature of the SOAs will bring fresh challenges and risks in respect of governance, accountability and performance management.

2. Currently there are significant pressures on finances: the economic downturn, meeting the needs of an aging population, requirements such as single status and new national policy expectations such as school class sizes and waste management. These pressures necessitate even greater emphasis on efficiency and the effective use of resources.

3. The overall context for local government, therefore, is continuing change, with increasing pressures on services. The new councils face difficult choices in deciding which service options to deliver and how to allocate limited resources.

2008/09 Priorities and Risks Framework

4. The PRF is a national tool used by auditors to plan the risk-based audits of local authorities in Scotland. It identifies the key national priorities facing councils and the main risks to their achievement. This helps to ensure that audit work takes account of sector specific national priorities and risks. For 2008/09 - 2010/11 the key national priorities are:

Vision and strategic direction	Financial management
Partnership working and community leadership/ engagement	People management
Governance and accountability	Asset management
Performance management and improvement	Procurement
Risk management	Information management
	Service priorities and risks

5. There are also a number of cross cutting issues that are important elements of the overall audit approach, including equality and diversity and sustainability. The 2008/09 PRF is available from Audit Scotland's website (http://www.audit-scotland.gov.uk/docs/local/2008/prf_0809_localgov.pdf)

6. Auditors discuss the risks contained in the PRF with councils and the national view is combined with the auditor's understanding of the key priorities and risks operating at the local level. This overall assessment of risk informs the auditor's decisions on where to target audit resources. This approach helps meet the requirements of the Code of Audit Practice and International Standards on Auditing which require auditors to obtain an understanding of the client's business and environment.

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7. As many of the risks included in this report are high level and strategic in nature, they will continue to be relevant to the council for a number of years. Therefore, although our analysis will be updated annually, many risks will remain from year-to-year and the risk analysis will cover a rolling three year period.

8. This report complements the work carried out by us in other areas such as the audit of the financial statements, the approach to which was reported in our Annual Audit Plan.

9. The management of the council is responsible for implementing appropriate internal control systems including risk management processes. Communication by auditors of matters arising from the audit or of weaknesses does not absolve management from its responsibility to address the issues raised and for maintaining an adequate system of internal control.

10. The risks outlined are only those which have come to our attention during the course of our normal audit work in accordance with the Code of Audit Practice and are not necessarily, therefore, all of the risks which may exist.

11. Risk exists in all organisations that are committed to continuous improvement and, inevitably, is higher in those undergoing significant change. The objective is to be 'risk aware', with sound processes of risk management, rather than 'risk averse'. Indeed, organisations that seek to avoid risk entirely are unlikely to achieve best value.

12. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The assistance and co-operation received during the course of our work is gratefully acknowledged.

Links with the audit of Best Value

13. In November 2008, the Scottish Government announced a series of proposed reforms to the scrutiny landscape in response to the Crerar report. Audit Scotland on behalf of the Accounts Commission is developing a shared approach to risk assessment and planning to enable the delivery of more streamlined and better co-ordinated scrutiny in local government.

14. As part of a more integrated approach to scrutiny we are developing an overarching corporate assessment framework which reflects our theory of improvement that: Effective leadership, good governance and sound management are necessary conditions for the delivery of sustainable continuous improvement and effective outcomes. The corporate assessment framework will be used as a primary component of our revised approach to the audit of best value and will also be reflected in the Priorities and Risk Framework (PRF) process and our audit planning.

15. Outputs gathered through the application of the PRF; other intelligence such as Best Value findings and follow-up work; the views and risk assessments of inspectorates; self assessments and other performance analysis are playing a key part in ensuring that the second round of Best Value audits (BV2) is proportionate and reflects the national context and local circumstances. The PRF process is making an important contribution to streamlined scrutiny.

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Shetland Islands Council's strategic risk analysis 2008/09 – 2010/11

Structure of the analysis

16. As part of a more integrated approach to scrutiny, we have reported the results from this analysis using this year's PRF headings, which will also be used to develop the corporate assessment for Best Value 2 (BV2).

Vision and Strategic Direction

17. Councils that perform well are ambitious and have clear aims and objectives for delivering high quality services that provide Best Value and meet the needs of their local community. Member and officer leadership of the council are responsible for promoting this vision effectively and ensuring its achievement. The overall aims should be backed up by clear plans and strategies to secure improvement, with resources aligned to support their delivery.

18. The strategic direction of the council will be supported through open and inclusive leadership and a culture where the process for prioritising council activity is open and fair. The council should demonstrate that it maintains its focus on core priorities and is not distracted by minor operational matters.

Aims and Objectives

19. A new corporate plan for 2008-11 was approved by the council on 19 March 2008. This is the key mechanism for driving improvement and change and sets out the council's priority areas for the next three years. Its principal aim is to ensure that what the council intends to do will contribute to improving Shetland's sustainability. The plan is structured to reflect three themes: a sustainable economy; a sustainable society; and a sustainable environment and transport.

20. A total of 8 targets and priorities were developed by the Community Planning Board (CPB) as a way of setting some long-term aspirations for Shetland. The council, as a lead member, agreed to help achieve and support these aspirations and these targets and priorities are included within the council's corporate plan. The targets and priorities are aligned with the national outcomes set out in the Scottish Government's 'Concordat'.

21. The council accepted the concordat at a meeting in February 2008. Central to this is the single outcome agreement (SOA) between each council and the Scottish Government. The SOA sets out the council's contribution to the government's 15 key national outcomes as set out in the concordat. It also reflects established corporate and community planning commitments in the corporate plan. In this way progress at a national level is supported by outcomes at a local level. It is important that the council develops robust governance arrangements for the development and monitoring performance against this key document.

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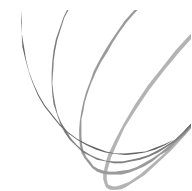
Competing Demands and Financial Pressures

22. Education and Social Care Services is the largest department within the council, accounting for over half of the annual budget. The department has to cope with the competing financial pressures of two demand led services to ensure required service provision can be achieved. In addition the council face significant financial pressures as a result of single status and equal pay. Elected members face a number of difficult decisions to ensure the council remain within their current financial strategy.

23. For the council to maintain its reserves at £250 million, whilst ensuring sustainability and quality of services, a comprehensive policy led approach to budgeting is required. This would demonstrate which of the council's objectives could be delivered within the resources available each year. It would provide the information needed to prioritise its objectives if reserves were at risk of falling below the target level in the longer term. Although there has been some improvement in the council's budget setting processes, there continues to be a risk that budgets are incremental and budget savings are identified by top slicing without a review of overall priorities and spending needs.

Political and Managerial Leadership

24. Officers play a vital part in ensuring that members have the capacity and knowledge to facilitate the decision making process. In January 2009 the chief executive announced his resignation and will leave his post in May 2009. A report was presented to the council on 18 February 2009 to seek approval for the process and indicative costs involved in the appointment of a new chief executive.

25. There are currently 22 independent councillors, often with different political views, representing the people of Shetland. Elected members need to ensure that the council fulfils its statutory duty to secure best value, taking decisions on service delivery on the basis of evidence and performance. As elected representatives, councillors have a clear legitimacy to be the voice for their area, both individually at ward level and collectively to advance its well-being. Ultimately they are responsible and democratically accountable to the local electorate for the overall performance of the council. Councillors have yet to demonstrate they are able to collectively take the difficult decisions required to reduce the current draw on reserves in line with the agreed financial strategy. There is a risk elected members do not address the difficult financial choices required to ensure continued service delivery and progress on the capital programme within the agreed financial strategy. This may result in the council not delivering its corporate plan.

26. By way of example, in October 2008 a report was presented to the audit and scrutiny committee which considered the handling of a number of proposed key capital projects within the council. This highlighted that unclear project briefs and delays in approving capital projects have resulted in building projects being deferred. There has also been additional expenditure incurred on these projects because no clear scope was reached at an earlier stage.

27. In his report to the audit and scrutiny committee in November 2008, the head of finance noted that members must be fully involved in all the key decision making stages, including policy formulation, project definition, project planning, project implementation, project monitoring and review. At each key stage there should be a clear budget setting decision point at which resource allocation and resource constraints are clearly determined, in the full light of the implication of those decisions for other projects and priorities.

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28. Going forward members should recognised that changing course after a project is substantially under way is a costly thing to do, and must only be considered when there is a compelling evidence-based case for making such a change.

29. The head of finance also noted that aspirations and constraints are un-reconciled and members have dispensed with attempts by officers to provide objective advice (by way of a points scoring mechanism) as to the relative priority of different projects. So far Committees have been asked to prioritise their projects, and some progress has been made on that, but the most difficult stage will be at full council, where relative priorities and resource allocations will have to be decided, and the process for successfully achieving that is as yet unclear.

Immediate priorities and risks

- ensuring there is a detailed action plan in place that clearly links the SOA, the corporate plan, the community plan and the BV recommendations

- ongoing financial pressures, particularly from education and social care services and single status/equal pay

- ensuring capital projects are well managed and provide value for money

- appointing a suitably qualified chief executive to take forward the challenges currently facing the council.
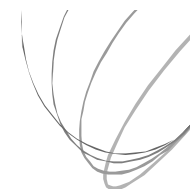
Longer term considerations

- elected members need to address the difficult decisions in the short ,medium and long term to ensure that the council remain within current financial constraints.

Partnership working and community leadership / engagement

30. Council duties under the Local Government in Scotland Act 2003 are to initiate, facilitate and maintain a community planning process, ensuring effective leadership within local community planning partnerships. Councils work with a range of other agencies and groups and many council services are planned and delivered in partnership with other public, private and voluntary organisations. These partnerships are of particular importance in tackling complex or cross-cutting issues.

31. Audit Scotland's baseline study on community planning, Community planning: an initial review, June 2006, identifies the challenges then facing community planning partnerships (CPPs). It makes recommendations for action by councils, partner organisations and CPPs themselves. Many of these challenges remain and councils should be utilising the evaluation framework within the report, along with other improvement tools, to improve the effectiveness of partnerships.

Leadership

32. Due to the relative size of the council compared to partnership bodies they are able to direct partnership working from many of the local agencies. The two largest local trusts, the Shetland Charitable Trust and the Shetland Development Trust, are aligned with the council's aims and there are strong partnership arrangements in place.
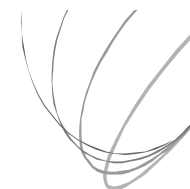
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Sharing information

33. The council established a data share website in 2004 to enable the effective sharing of information. The site had public access and all community planning partners were able to upload relevant documentation and information. Unfortunately the site has experienced some operational difficulties and has been offline for a few months. The council are currently in the process of assessing the data share website to make it operational again. In the meantime the information sharing arrangements with partners has been ad hoc; however the community planning partners have built up strong relationships and keep in regular contact.

Governance & Accountability

34. The community plan has been endorsed by the council and was formally adopted by all partners in 2006. It contains clear priorities and explicit targets which are to be achieved by the council and its partners. Sustaining Shetland is a monitoring mechanism for a set of indicators of the quality of life in Shetland. It is regularly monitored and annual reports are presented to the community planning board and the council with the most recent report being presented on 3 December 2008. This demonstrates the council has sound arrangements in place for monitoring and assessing the agreed outcomes.

35. In March 2008 members of the community planning board (CPB) discussed and agreed proposals for restructuring. The CPB has been replaced with a community planning partnership (CPP) which includes membership from council members, NHS board members, Shetland Charitable Trustees, Police and Fire boards, ASCC executive, strategic group chairs and the councils executive management team. The CPP meets twice yearly as the strategic discussion forum for community planning issues. An annual summit was held in October 2008 focusing on the population and migration study data and was attended by representative from each CPP.

36. A community planning delivery (CPDG) group has also been established consisting of senior management and members from local community planning partners. The purpose of the group is to provide leadership and facilitation to community planning in Shetland, through the adoption and overall monitoring of arrangements. The group assigned 'champions' to take forward each of the six national outcome areas from the SOA. The champions have prepared position statements outlining what they hope to achieve in the next 12 months and highlighting potential problem areas along with potential solutions. The position statements were presented to the annual summit of the community planning partnership in October. The structure of the CPDG ensures focus on the delivery of the SOA.

Planning and implementing priorities and actions

37. The corporate plan demonstrates that the council is committed to delivering on the outcomes set out in the Scottish Government's 'Concordat'. However as noted previously the targets within the plan were developed by the CPB to ensure they also reflected the local priorities of the Shetland community. The targets and priorities contained within the corporate plan are aligned with those from the SOA. To underpin the alignment of community plan outcomes and national outcomes the council need to ensure there is a detailed action plan in place that clearly links the SOA, the corporate plan, the community plan and the BV recommendations.

Community engagement

38. 'Your Voice' is Shetland's twice yearly citizens' panel which was established in 2004 and consists of 600 people, representative of the Shetland population. The survey results provide statistical and qualitative data which feed into the process of planning and delivering services. The council are currently looking to refresh the panel and are considering alternative methods of collecting the data to improve the response rate and ensure it is efficient.

39. Industry panels have been established to engage with local business on their service needs and local service delivery groups have been created regionally to service delivery arrangements.

Immediate priorities and risks

- ensuring there is a detailed action plan in place that clearly links the community plan, the SOA, the corporate plan and the BV recommendations.

Governance and accountability

40. Governance is about direction and control of organisations. It is concerned with structures and processes for decision-making and accountability. Good governance means that the way local authorities operate is based on sound decision-making and an effective support process.

41. CIPFA/SOLACE's 'Delivering Good Governance in Local Government Framework' and an accompanying guidance note for Scottish authorities were published in 2008. The guidance includes a self-assessment framework.

42. Increasingly councils are working with companies, trusts and other external organisations to deliver a range of services such as leisure, and other services which provide social benefit. The Code and the Accounts Commission's 'Following the Public Pound' national performance report (published in March 2004) underlines the need for good governance and clear accountabilities. Where councils set up or engage external organisations to deliver services and decide that elected members are to sit on boards of companies or trusts, councils must ensure that those members are properly supported and are clear about their roles and responsibilities.

The role and development of elected members

43. The council issued a comprehensive induction pack to all new members following the May 2007 elections which included a self-assessment analysis to inform training needs, and identify areas of expertise.

44. Since the election a number of training courses have been delivered as part of the programme to support new members. These include local government finance, financial management and monitoring, local government and the wider world and performance management for elected members. In general these courses have been well attended.

45. While there is no formal mechanism in place to monitor the impact of the training, a review with members was planned prior to Christmas 2008 to gather qualitative data from members on how well they feel the training and development programme has met their needs.

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46. There are currently no personal development plans in place, however, it is intended that a refresher exercise will be undertaken to identify members' personal training needs 18 months after the elections. A refresher training exercise for the audit and scrutiny committee will be undertaken in 2009.

Support available to elected members

47. Effective scrutiny is central to good governance. Members play a significant role in scrutinising performance, holding management to account on service delivery and supporting the reform and modernisation agenda. The scrutiny committee was established in November 2005 with the committee's remit expanded in March 2007 to include the audit function.

48. Training was provided by CIPFA for all audit and scrutiny committee members in August 2007. In June 2008 an activity report was presented to the audit and scrutiny committee. As well as reviewing activity over the previous year the report also considered how its effectiveness could be enhanced in light of feedback gathered from members and officers.

49. The information provided to members details the financial implications of any recommendations and a range of officer and member groups have been established to support the decision making process.

Working with external organisations

50. Elected members represent the council on a number of arms length organisations, with potential for conflicts of interest. A review of member involvement in arms length organisations has been undertaken through the legal and administration service. The main aim was to identify the bodies that actually require member involvement in their organisation.

51. Where it is decided that continued involvement in arms length organisations is warranted, the council should pursue dispensations as appropriate, to maximise the capacity of members to engage in any necessary representative role without compromising obligations under the Councillors Code of Conduct. The council must ensure that members are clear of their responsibilities in these organisations and avoid any potential conflict of interest.

52. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006 which means that a full set of financial statements is expected for each trust fund. The date of full implementation is 2010/11.

53. The committee services team raise members' awareness of the potential for conflict. The committee services manager e-mails each member monthly to update their register of interest and the members' declaration of interests is now included on the agenda at every committee meeting.

Relationship with the Shetland Development Trust (SDT) and the Shetland Charitable Trust (SCT)

54. For the third year the financial statements of the council for 2007/08 contained a qualified audit opinion. The 2007 SORP required group accounts to be prepared by local authorities where they have interests in entities meeting the definitions of subsidiaries, associates and joint ventures. Group financial statements are required to present fairly a full picture of the authority's activity and financial position. In 2007/08 the qualified opinion reflected the fact that the council's group accounts did not include the Shetland Development Trust (SDT) and the Shetland Charitable Trust (SCT), and their related

subsidiaries. In our opinion, the substance of the council's relationship with these bodies represents a significant interest and their omission resulted in a material mis-statement of the group accounts.

55. In response to the qualified audit opinion, a report by the Controller of Audit to the Accounts Commission under section 102 (1) of the Local Government (Scotland) Act 1973 was issued in December 2008. The Accounts Commission's response to this report was as follows:

"The Commission notes with great concern that for the third consecutive year the Council has received a qualified audit opinion, as the auditors have determined that the substance of the Council's relationship with the Shetland Development Trust and the Shetland Charitable Trust represents a significant interest and that, accordingly, their omission from the Council's group accounts results in a material mis-statement of those accounts. The Commission expects the Council to take all appropriate action without further delay to resolve this situation during the 2008/09 financial year."

56. In January 2008 a revised structure for the SDT was proposed by the chief executive. In March 2008 the SDT was directly placed within the council's governance structures and the council has stated that the results of the SDT will be included in the group accounts for 2008/09.

57. In February 2009 a report by the chief executive was presented to full council in respect of the statutory report referred to at paragraph 55 above. The chief executive reported his intention to communicate the council's requirements once more to the SCT with the intention of acquiring the required information such that the council can comply with the Accounts Commission's findings. The report recommended that the council endorse the action of the chief executive to enable the council to include the accounts of the SCT within the group entity of the council. This was fully endorsed by the council. However there remains a risk that the SCT do not provide their financial statements for inclusion within the group financial statements of the council.

Annual governance statement

58. A recent development has been a change in the available good practice guidance with the introduction of 'Delivering Good Governance in Local Government.' The new guidance recommends the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement. The council should consider preparing an Annual Governance Statement to comply with best practice accounting requirements.

Immediate priorities and risks

- inclusion of the SDT and SCT within the group entity
- ensuring members are aware of any potential conflict of interests and how to deal with them, by providing a formal training programme
- preparing an Annual Governance Statement to comply with best practice requirements.

Performance management and improvement

59. Good governance and the achievement of Best Value rely on having good information on which to base decisions about allocating resources to competing demands, improving service delivery and managing performance. Effective performance management at both service and corporate levels is essential to

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achieve intended objectives, and to assist elected members and senior managers to form an overall view of how their council is performing across all areas of activity. Councils need to know how their services are performing before they can demonstrate they are improving, offer value for money, are competitive and are of high quality.

Performance indicators

60. One of the ways of measuring council performance is through the Statutory Performance Indicators (SPIs). In 2007/08, a total of 57 SPIs were reported and published by 30 September 2008 on the council website and submitted to the council's audit and scrutiny committee. The committee will consider how performance can be further improved.

61. Each year we review the reliability of the council's arrangements to prepare SPIs. We are pleased to conclude that all of the 2007/08 SPIs reported were considered to be reliable. However the quality and timeliness of the supporting working papers varied and we will continue to work with the council to improve the overall arrangements.

Performance reporting

62. The annual public performance report is in the form of a calendar and is distributed to council offices and public buildings where members of the public can obtain copies. Information is easily obtainable, indicates both good performance and areas where improvement is required, and shows recognisable outcomes and targets. It is forward looking detailing developments the council is planning in the future.

Involving users

63. The 2008/09 service plans have a section which outlines any recent or future consultation and engagement with customers. This enables services to build up an understanding of customers' needs, what they expect and how services can be improved. Specific examples of engagement include; satisfaction surveys, informal meetings, public meetings, suggestion boxes, regular contact with community councils and feedback via websites.

Immediate priorities and risks

- ensuring all SPI co-ordinators provide the reported figures within the agreed timescales together with the appropriate supporting documentation.

Risk Management

64. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives and to execute its strategies successfully. Risk management is the process by which risks are identified, evaluated and controlled. Effective risk management is an essential element of good corporate governance which, in turn, supports effective decision making and ultimately contributes to improved performance.

Policy, strategy and procedures

65. To reflect the development of risk management within the council, the risk management policy is currently being re-written and will be presented to the Audit Committee for approval on 6 May 2009.
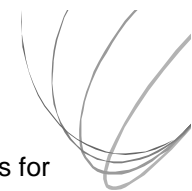
66. As part of the overall risk management effort the council has recently introduced risk health checks for service departments by working with the manager and staff to identify key areas of risk. Following this an action plan is developed containing sustainable solutions for implementation, with the fundamental aim of minimising the level of risk to a manageable degree.

67. Specific risk management training has not been provided. Training packages are organised and delivered on an ad hoc basis to address specific risk management issues. Although a training course for managers and elected members has been developed, the council are still considering whether this should be incorporated and delivered within a planned training programme.

Corporate, departmental and partnership risk management

68. The Risk Management Board is responsible through the Executive Management Team for monitoring and directing the control of strategic and corporate risks. The council's strategic risk register focuses on those areas of risk that can disrupt the strategic planning of the council and/or would have a long-term impact on the Shetland community. The board is currently in the process of reviewing the strategic risk register. The initial deadline for the review has now passed due to resource issues and a revised timescale for completion is yet to be established.

69. The departmental risk registers address service-specific and/or corporate operational risks. Whilst the corporate operational risks are referred to the risk management board, departmental risks are addressed through safety and risk services working with the service concerned.

70. Where departmental risk registers identify issues which impact on a corporate theme the risks are escalated to ensure they are appropriately mitigated. An example of this is stress related risks which feature in a number of departmental risk registers.

71. There is no formal process in place for reviewing key partners risk management arrangements or established risk registers although the safety and risk manager is aware risk registers are in place for some partners, e.g. Shetland Charitable Trust.

72. The council's risk management arrangements will be updated to align corporate and community risks alongside the SOA arrangements. Community planning partners will be invited to share and participate in those activities. However there is no process to report identified risks to the CPB which would strengthen arrangements.

73. There are a range of techniques that can be applied to ensure that risk assessment and management is embedded within the decision making process. While the council has committed resources to the development of risk management arrangements there is no formal process which ensures that risk identification, assessment and management are an integral part of the decision making process.

Integration with corporate processes

74. Within the council, safety and risk services provides a corporate approach to the management of risk across all services, both at strategic and operational levels. Each year a service plan is produced to identify the required resources, analyse and plan for future requirements, monitor service delivery and provide an action plan for service improvements.

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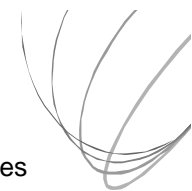
75. The council needs to ensure that it effectively links risk management with other corporate processes such as financial management. There are a number of potential financial risks facing the council in the short to medium term such as the: sustainability of the future capital programme, ongoing pressures on the revenue budget and potential fall in investment income in the current economic climate.

Business Continuity Management

76. The council has contracted with an external provider to achieve an in-depth process to ensure business continuity plans are created, tested and kept up to date. The methodology incorporates the relevant British Standards and builds on the understanding of business continuity across services so future management will be internalised. These plans will be entered into the risk management database and will become a regular item on the risk management board agenda.

Immediate priorities and risks

- the council's risk management policy is out-of date and is currently being re-written

- reviewing and updating the strategic and departmental risk registers to reflect the council's eight priorities identified within the corporate plan and service-specific issues respectively

- ensuring that risk identification, assessment and management are an integral part of the decision making process

- there is no process for the council to report identified risks to the CPB.

Longer term considerations

- there is little evidence of business continuity plans in place across council departments.

Financial Management

77. Councils administer large sums of public money within a complex financial and policy environment, often as key partners in delivering central government and local policy objectives. Financial management is critical to ensuring that significant public monies and assets are applied to meet national priorities and the needs of local communities. Because of challenging constraints on resources, councils must make increasingly difficult decisions to balance demands for improvements in both the volume of services delivered and in the performance of those services.

78. Councils are reporting significant financial pressures in 2008-09 and beyond, including; equal pay and single status, waste initiatives (working towards meeting the EC Landfill Directive, recycling targets and refuse collection), education pressures (including reducing class sizes, free school meals and increasing the quality of school estates), increases in costs above inflation in significant areas e.g. energy and increasing demands and pressures in relation to social care services.

79. There have been a number of events in the global economy and banking system in 2008 that will have significant medium and long term implications for councils. Challenging economic conditions may lead to tighter government funding as the economy slows down, higher demand for certain services as unemployment rises and declining revenues from commercial or charging activities as demand falls.
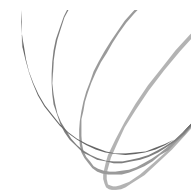
Budgets and budgetary control

80. The council aim to reduce and then maintain the general fund reserves (excluding the earmarked elements) to a minimum threshold of £250 million by 2016. The council's view is this level of reserves will minimise the risk that the council will be unable to fund future capital expenditure on infrastructure development and remain debt free. The council will need to closely monitor both capital and revenue expenditure to ensure financial targets and the reserves strategy are met.

81. During the current financial year separate reports have been made to the council on energy costs where there have been significant rises in the prices for electricity and fuel (approximately £1.5m for a full year). Measures are being put in place to minimise the impact and contain this within existing budgets.

82. The revenue management accounts are presented to Executive Management Team (EMT) on a monthly basis to enable EMT to monitor the council's overall financial position. Monitoring reports are also presented to the council on a quarterly basis to enable members to review the council's financial position.

83. Despite the overall financial pressures, a pattern of under-spending of a number of approved budgets has emerged in recent years, with evidence that this pattern is continuing into 2008/09. In October 2008, the head of finance reported that spending on the general fund for the first 5 months of 2008/09 (including support and recharges) is £3.023m under budget. This is after savings of £1.312m have been taken into account. This is in part due to the number of unfilled vacancies within the council. The education and social care department has been significantly understaffed with approximately 50% of their underspend in respect of employee costs. The majority of vacancies have now been filled which should result in actual spend more closely matching the budget allocation in 2009/10.

84. Despite the pattern of under-spending in recent years, the initial estimates for the 2009/10 budget setting exercise exceeded the planned contribution from reserves. The chief executive and Executive Management Team met with Heads of Service to identify where budget estimates could be reduced and be made more realistic. As a result of these discussions, the 2009/10 budget was set in February 2009 with a proposed transfer from the general fund of £3 million. This is in line with the council's current financial strategy.

85. Although there has been some improvement in the council's budget setting processes, there continues to be a risk that budgets are incremental and budget savings are identified by top slicing without a review of overall priorities and spending needs of the council.

Long term planning

86. The local government sector faces a tight financial situation in the period 2008/09 to 2010/11 including a requirement to freeze council tax levels, develop asset management and continue to deliver efficiency savings. The council's financial strategy is to reduce the demand upon reserves year on year so that by 2012/13 there will be no general fund deficit to be met from reserves. It will be challenging for the council to deliver a medium term financial and efficiency strategy that achieves balanced budgets while maintaining effective service delivery.

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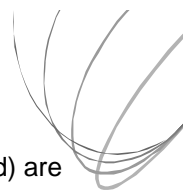
87. Currently the discretionary reserves (Reserve Fund, Capital Fund and Repairs and Renewals Fund) are used to finance any in year deficits on the general fund, to finance the capital programme and to provide funding for the reserve fund planned programme of work.

88. The head of finance reported on the implications of the council's financial circumstances on the discretionary reserves in September 2008. These findings were used to give direction to the budget exercise for the financial year 2009/10. The report concluded that:

- the council's £250 million reserve floor policy should be reaffirmed, to provide sustainable future funding for the general fund capital programme and the reserve fund programmes

- a 2009/10 target be set to restrict the use of the reserves to £30.700 million (£3 million to meet the general fund deficit, £7.700 million to meet the reserve fund programme expenditure and £20 million for the capital programme).

89. The current strategy for the general fund capital programme is to limit the draw on reserves to £20 million per annum, for as long as that can be sustainably supported. Council forecasts suggest that ongoing capital programme funding should reduce to £15 million per annum from 2010/11 onwards.

90. The council has reported that its capital programme includes projects of £112.491 million to be completed or commenced beyond 2009/10 - 2013/14. As part of this programme, expenditure required to complete projects scheduled for 2009/10 and 2010/11 totals £69.866 million (this excludes the revised estimated costs of £49 million for the Anderson High School Project). However the available funding identified is only £33.200 million, resulting in a funding gap of £36.666 million. The capital programme is therefore heavily oversubscribed and there is a risk of slippage or that projects may not be delivered and corporate priorities not achieved.

91. In response to the identification of the funding gap, in September 2008 a report was presented to council which outlined a revised process to the prioritisation of the capital programme. This followed a call by members for the existing point system to be removed and replaced with a system that allows each committee to decide priorities. This proposed process places a responsibility on all Boards and Committees to liaise with the relevant services to identify projects in advance and in good time. The council need to ensure that the revised methodology is robust and transparent to ensure best value is achieved and the long term financial strategy is met.

92. In June 2008 Audit Scotland published a report, Review of major capital projects in Scotland – How Government Works. This report highlighted that the scale of capital expenditure and its importance in supporting the delivery of public services, puts a premium on ensuring capital projects are well managed and provide value for money. To achieve this, a strategic approach to managing the programme of capital projects is required.

93. As noted above the head of finance presented a report on capital project management in October 2008. There have been two further reports presented to the audit and scrutiny committee on this subject matter. The report on 19 November 2008 considered the best way forward in addressing the issues arising from the initial report. This resulted in the head of finance being appointed to chair a senior officer-working group to report back on best practice.

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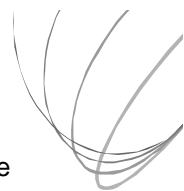
94. On 4 February 2009 a first progress report was presented to the audit and scrutiny committee. The working group acknowledged that there was a lot of combined knowledge on what constituted good capital project management. However it was the fragmentation of knowledge, experience and inconsistency of approach to capital projects that were the most prominent cause of past difficulties. The working group now face the challenge of condensing the knowledge and material into a single best practice council manual for application across all council capital projects.

95. The intention is now to convene a special audit and scrutiny committee meeting which will invite a number of senior officers and councillors to discuss the findings of this report. Any future discussions should consider the recommendations of the Audit Scotland report to ensure a strategic approach to managing the programme of capital projects is developed.

National influences

96. As a result of the events in the global economy and banking system noted above, in recent months the value of investments has fallen significantly. External investments held with fund managers are reflected in the financial statements at a value of £257.266 million for the single entity accounts and £180.800 million for the pension fund. An estimate of the effect of the fall in investment values cannot reasonably be made due to the ongoing volatility within the markets. As noted earlier the council set their 2009/10 budget in line with their current financial strategy. Going forward the council will need to monitor its medium to long term strategy to ensure affordability in the current financial climate.

Joint working

97. As noted above the SCT, the largest trust is closely aligned with the council's aims and there are strong partnership arrangements in place. The SCT is predominantly a strategic funding body. For the most part, it grant aids individuals, community groups and special purpose charities to deliver a range of services for the community. The services are funded mainly from income received on the trust's investments. Given the current financial climate there is a significant risk that the trust may no longer be able to provide the same level of services in the future. The council may have to consider whether it will provide funding to the trust, or whether services will need to be transferred back under the council's control. If this is required, the council will need to review its future spending plans.

Financial Governance

98. In November 2007 the EU Commission issued its decisions on three of the council's schemes, namely 'First Time Shareholders', 'Fishing Vessel Modernisation' and 'Fish Factory Improvement'. These decisions were all negative and required a full repayment to the council of grants paid plus compound interest added from the date of payment. The Commission has addressed its decision to the UK Government and the council is obliged to recover the monies from the beneficiaries within 4 months of the decision although the council have appealed against this ruling. The 'Fishing Vessel Modernisation' scheme has now concluded with no recovery being required following an agreed application of de-minimus regulation retrospectively. Discussions are on going regarding a similar approach on applicability of that approach to the 'First Time Shareholders' scheme. Recovery has been put in place for 'Fish Factory Improvement' scheme and the council is still progressing its appeals through the European Court of First Instance regarding two of the three cases.

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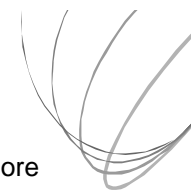
99. To avoid future state aid problems, it is important that all staff understand the principles and the more routine practices of awarding financial assistance under the state aid regulations. The council has recognised this and the head of business development presented a report to council in September 2008. It was recommended and accepted that a state aid manual should be issued to all staff engaged in providing financial assistance for economic activities. The manual is now available to staff and emphasises the methods that can be used to advance projects within the state aid framework.

Introduction of international financial reporting standards

100. The introduction of IFRS to the local government is expected in 2010/11, although elements of this, for example PFI accounting and completion of whole of government accounts, could be introduced earlier. Audit Scotland's recent experience in other sectors indicates that implementation has been problematic. The council should identify a lead officer within finance for IFRS implementation and identify its plan for introducing key elements. This will include increasing awareness and training, establishing a corporate record of untaken leave and flexitime and examining the impact on lease accounting.

LASAAC proposals on pension fund accounting and audit

101. The Local Authority (Scotland) Accounts Advisory Committee issued a consultation paper covering the "support for separate LGPS pension fund accounts" in December 2008. This consultation was prompted by a requirement introduced in England and Wales for local authorities to produce a 'pension fund annual report' in 2008/09. The development of separate pension fund reporting and possibly audit arrangements could lead to changes in existing arrangements that will need to be considered and managed by the council.

Training

102. Key finance staff have attended CIPFA technical updates in the past, however, in the current financial climate, this approach is not considered to be favourable. Each member of staff is therefore responsible for keeping up to date with technical requirements as new guidance is released. However, the council need to ensure that finance staff receive ongoing training and technical updates. Without the provision of staff training there is a risk that the financial statements do not properly address the key changes in the Statement of Recommended Practice (SORP).

103. A number of training sessions have been provided throughout the year for budget responsible officers. Courses include, CIPFA – Introduction to Local Government Finance, Logotech – Asset Management Training and in-house ICT training. A training log has been maintained by the department detailing the attendance at each of the courses.

Immediate priorities and risks

- the challenge of budgeting for no increase in council tax for 2010/2011

- the council should undertake a review of budget allocation to ensure these are properly matched to service need

- reviewing the current capital programme as it is heavily over-subscribed, with a funding gap of £36.666 million identified to 2010/11, before the inclusion of Anderson High School (£49 million)

- ensuring that the revised capital programme prioritisation process is robust and transparent

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- producing a council manual on capital projects to ensure they are well managed and provide value for money

- preparing systems and developing staff for the introduction of IFRS.

Longer term considerations

- there is a risk that the trust cannot sustain its level of service provision going forward and the council will have to fund additional service provision

- there is a risk that reporting and audit arrangements for the local government pension scheme will change in the medium term.

People management

104. Workforce related issues are currently at the forefront of local government business, as councils continue to deal with outstanding equal pay claims including those at industrial tribunal. In addition, a number of councils have yet to implement the single status agreement. Councils also need to implement the age discrimination legislation that was introduced in October 2006 and consider the proposed changes to the local government pension scheme. The financial implications of all these matters are significant and will affect employer/employee relationships.

Single status and equal pay

105. In June 2008, it was reported to council that the failure to meet equalities duties has already cost the council over £3 million in equal pay compensation; the cost for 2007/2008 was over £1 million. Equal pay compensation liabilities will continue to rise until single status is introduced. Significant risks remain while existing pay reward structures are in place.

106. The majority of Scottish councils have now implemented single status or have firm plans in place for implementation. Shetland Islands Council does not expect to implement an agreement until April 2009 at the earliest. Following the rejection of a proposed settlement in March 2007, a single status steering group and project team was formed.

107. Job redesign and job families has offered the council a potential way forward that will deliver pay rises to many staff whilst moderating or eliminating the loss to the remaining staff. New proposals have been developed which deliver these objectives to the majority of staff. However some historic working arrangements for particular groups continue to provide challenges, which have yet to be resolved.

108. The work of the project team has confirmed that delivery of single status pay rises, and the full assimilation of all adversely affected staff to avoid pay losses, will increase the annual pay bill by a projected £4 million. This is in line with the estimates previously reported to council.

109. A further risk has arisen as a result of the introduction of age discrimination legislation from October 2006. This legislation prohibits direct and indirect discrimination on the grounds of age and, as such, linking length of service to pay and benefits could give rise to indirect age discrimination. Until the implementation of a single status agreement, reflecting legislation, there is a risk that the council does not comply with the requirements of the age discrimination legislation and may be open to claims.
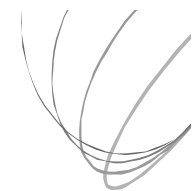
Workforce Management

110. In 2006/07 the council introduced a management development programme to ensure service managers have the relevant skills to drive the council forward and achieve its corporate objectives. The programme involves 360 degree review to ensure a complete view of performance. Succession planning was the driver behind the introduction of this programme to ensure key staff are identified and provided with the necessary management skills for the future. This programme has been successful as recent internal promotions have been made to fill management positions.

111. The ongoing single status review has resulted in a delay in implementing a structured training plan for each member of staff. The council is using single status and job redesign to establish a core skills corporate training plan which can then be built on for each individual group of staff. A 3 year workforce development strategy which reflects and builds on job redesign will be developed by March 2009 and will be implemented over the next 3 years to support single status. A generic job family book and employee booklet have been developed. There is a risk that without a structured training plan in place staff will not have the appropriate skills to undertake the additional responsibilities within their revised job descriptions.

112. The staff survey originally planned for April 2007 was undertaken in May 2008. The council intend to publish the results of the survey on the council's intranet site. Human resources intend to work with managers to review the results and agree what action needs to be taken to increase the response rate and address areas for improvement.

Efficient Use of Resources

113. The council signed up to the National Recruitment Portal for Scottish local authorities in October 2008. Myjobscotland.gov.uk allows participating authorities to advertise vacancies and candidates are able to search for local authority jobs across Scotland. Each council also has a dedicated mini-site where it can publish additional information for candidates, such as council and local area profiles. Key benefits provided by the portal include:

- a single source for council job adverts to improve the candidate experience

- reducing the cost of recruiting for councils

- accessing a wider pool of applicants

- the promotion of local government as an exciting dynamic career option

- an on-line streamlined recruitment administration function.

Absence Management

114. During 2007/08 6.8% of chief officers and local government employees' working days were lost due to sickness absence. The human resources 2008/09 service plan is committed to developing a promoting attendance strategy to reduce the levels and costs of sickness absence within service areas and across the council. Reducing council wide sickness absence continues to be a priority area for 2009/10. A promoting attendance project is in place which includes an early intervention pilot for muscular skeletal injuries and stress related ill-health. Work has also taken place with services to tackle sickness absence hotspots.

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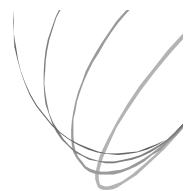
Immediate priorities and risks

- equal pay compensation liability will continue to rise until single status is introduced

- as part of single status implementation training plans for staff need to be developed

- targeting sickness levels within the respective service departments.

Asset management

115. Best value requires councils to demonstrate the sound use of resources covering physical assets as well as financial resources and human resources. Definitions of assets vary, with the focus traditionally being on capital assets such as infrastructure, land and buildings, but the principles of good asset management also extend to other assets such as vehicle fleets, stock and IT.

Strategic Planning

116. In March 2008, we reported the corporate estates management plan was progressing and had plans in place to complete the review of the non housing estate by the end of March 2008. As yet the council has still to complete this review and has advised that due to ongoing staffing issues it is unlikely to be completed prior to March 2010. There is a risk that until the estate management plan is in place, the assets of the council are not being utilised in the most effective way.

117. The housing supply issue in Shetland is worsening. Right to buy cases are diminishing the housing stock and there are increasing homelessness presentations. The council made the policy decision the housing repairs and renewals reserve would be dedicated to achieving increases in housing stock. Since 2006, a range of purchases have been made and more projects are currently in development. However, the council has reported a deficit of £0.597 million on its Housing Revenue Account for 2007/08 which has to be met from the HRA reserves. Should this persist, it will diminish the availability of reserves to invest in extra housing stock with the risk there will be insufficient housing available to meet demand.

118. A report by the head of finance; Council Reserves and Budget Strategy, 2009/10 and beyond was presented to the council on 10 September 2008. This stated that projections based on current trends suggest that the HRA reserve will be exhausted by 2013, after which there will be no means to support either revenue or capital expenditure within the HRA. Should these trends persist, it may have an impact on the council's compliance with the Scottish Housing Quality (SHQ) standard by 2015.

119. The council made a submission to the Executive in May 2008, where it was indicated there should be compliance with the SHQ standard by 2015. Since the submission was completed, the council has undertaken a review across Shetland to obtain an accurate database on the condition of all housing accommodation. The council is currently working on this information and hope to re-run a cost model in 2009. This will then guide the council's work into the future. In the meantime the council is ensuring that any improvement works are to SHQ standard.

120. All major works have been carried out to improve disabled access to council buildings. Where a building cannot be modified for any reason, i.e. it is a listed building, then the actual service is altered or provided from a different building. An annual budget is set for disabled access works, much of which is
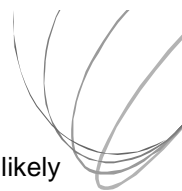
spent on schools. Audits of other council buildings are due to commence later in the year and it is likely that these will pick up minor improvements and smaller areas of work.

Information Management

121. As reported in 2007/08 the council do not have a comprehensive system in place for measuring asset management performance. Whilst work is being undertaken to implement a computer aided facilities management system (CAFM) there has been slippage in consolidating the estates and maintenance records into a single database to improve the availability of information on the council's asset base.

122. The building maintenance section is currently undertaking the first stage of implementation by populating the system with the details of all buildings. Once the system is operating the building maintenance functions it will be extended to the asset and properties unit to cover asset management. It is estimated that it will take three years from first populating the system to become fully operational. With no system in place to monitor asset management performance, there is a risk that council assets are not being effectively utilised.

Systems and Techniques

123. A key part of the prioritisation and option appraisal process should be to undertake post implementation review to determine whether the capital projects met the original objectives and to take forward any lessons learned. The council currently undertake post implementation reviews on an informal basis following the completion of a capital project. The Capital Programme Service (CPS) is currently seeking ISO 2001 accreditation which will require formal post implementation reviews.

124. The (acting) assets and properties manager keeps up to date with technical developments through the RICS continuing professional development scheme. However, no formal asset management training is offered to council officers. The council should ensure there is a clear commitment to asset management throughout the organisation, with elected member and officer roles clearly set out and supported by training.

Immediate priorities and risks

- addressing ongoing financial pressures on the HRA
- introducing a comprehensive system in place for measuring asset management performance.

Longer term considerations

- consolidating the estates and maintenance records to help improve the availability of information on the council's asset base.

Procurement

125. In March 2006, the McClelland Report concluded that public sector procurement processes still had weaknesses in resources, skills, organisation structures and practices. The report stated these issues constrained the ability of public sector organisations, including local authorities, to secure Best Value and cost savings from their procurement activities.
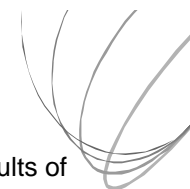
126. In December 2007, the Scottish Local Authorities Chief Internal Auditors' Group published the results of a national review of local authority compliance with best practice procurement arrangements set out following the McClelland Report which reported overall compliance at 50 percent.

Main Issues

127. In July 2007, the council approved a procurement strategy which covered a number of initiatives to progress a more efficient approach to the procurement processes. In June 2008, the waste services manager was assigned to establish a corporate procurement function within the capital programme service and to progress the implementation of the procurement strategy.

128. The report presented to council in September 2008 identified that currently procurement within the council remains largely a devolved area of work amongst all services. Prior to the appointment of the waste services manager there had been no one service or individual with the role to co-ordinate procurement across services, to engage with the national agencies (Procurement Scotland, e-Procurement Scotland and Scotland Excel) to represent the needs of Shetland Islands Council and to assess the benefits of national contracts for Shetland or to seek local collaboration.

129. The council joined Scotland Excel in October 2008. The benchmarking process to date has demonstrated that the council can achieve significant savings (£366,000) through participation with Scotland Excel and Procurement Scotland. The conditions of membership are such that procuring officers would require to have a sound business case for the procurement of goo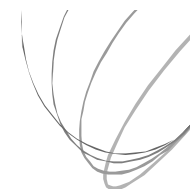ds, work and services not to be sourced via Scotland Excel. One such example where the council has agreed with Scotland Excel that it will not be pursuing national contracts is the purchase of local food.

130. Whilst the council has made positive steps they acknowledge the procurement policy requires to be further developed to realise the potential for significant savings and to fully incorporate the aims of the corporate plan.

131. A review has been undertaken in respect of the current arrangements for the purchase of stationery within the council. The review has identified that the council could make savings of up to £100,000 by requisitioning stationery directly through the Procurement Scotland contract.

Immediate priorities and risks

- the procurement policy requires to be further developed to realise the potential for significant savings and to fully incorporate the aims of the corporate plan.

Information Management

132. Information regarding citizens is a key resource for local authorities to be able to manage services effectively. There is pressure from government to modernise and integrate service support systems to increase efficiency. In the last few years, local authorities have invested in e-procurement, contact centres, better web-sites and improved ICT infrastructure.

133. The Data Protection Act 1998 (DPA), Freedom of Information (Scotland Act) 2002 (FOISA) and other pieces of legislation increase the requirements for effective information management across all aspects of local government. The public and other stakeholders have a need for easy access to information. They also have a higher awareness of data protection and information issues.

Data Handling

134. In 2007/08 we assessed the general governance arrangements in place with regard to the controls relating to data handling. This was in response to the Scottish Government's concerns regarding data leakage in the public sector. The council has embarked upon a programme to improve information governance by reviewing information security which has resulted in the re-issue of the information security policy (ISP), although it is acknowledged this requires to be reviewed annually.

135. There remains scope for improvement in the availability of the security procedures and guidelines and in the training material provided. These issues, together with matters relating to the secure encryption of data, are being addressed by officers and will be followed–up during our 2008/09 review.

Citizen information

136. Within the council services do not share information in a routine manner, with most information being held by services for a single purpose. This in itself does not lead to inefficiency or ineffective delivery of service, but the convergence of data can provide a number of benefits such as avoiding errors in client information.

137. A building block in the efficient use of information is an information management strategy or equivalent linked with the organisations corporate vision and objectives. It was found that although there are policies for the sharing of information there is no over arching information management strategy in place to provide direction and consistency of approach.

ICT investment

138. The council has an ICT Strategy covering the period 2007-2012 and has developed an ICT infrastructure capital budget from 2009 through to 2014. To support the delivery of the vision and projects detailed in these strategic documents the council uses a formal project management methodology, PRINCE. This is to ensure all activities are the subject of authorisation and expected costs and benefits are documented.

139. It is an expectation that investment in ICT systems will provide efficiencies and best value, while complying with national initiatives for e-Government. The council's on-line services have been showing a steady rise in take up over the last 2 years and through public awareness the council aim to continue to increase the volume of on-line transactions.

Legislative environment

140. The council has corporate policies in place with regard to fulfilling its legal and statutory responsibility for data protection and freedom of information. In addition there is an ISP, revamped and re-issued in 2008, to provide a framework and guidance covering operating policies and procedures.

141. While the main headline legislation is mentioned in the security policy, and this includes the Computer Misuse Act, there are now many additional pieces of legislation covering the secure use of ICT and data which should also be recognised and highlighted. These include acts are such as the Regulatory and Investigatory Powers Act (RIPA) and copyright laws.

Government initiatives

142. The council has an appreciation of the main government initiatives currently being pursued in relation to the efficient use of ICT and information, and will comply with national initiatives for matters relating to e-Government when this coincides with local objectives. By way of example, the council signed up to the National Recruitment Portal for Scottish local authorities in October 2008. The council are also involved in the Highlands and Islands Pathfinder project for networking public sector sites, such as schools.

143. Although green ICT is a government priority the council does not have a specific policy in place. There are processes and procedures for matters such as disposal of equipment e.g. PCs; however more focus would be achieved from a specific policy to define targets and measures of success.

Infrastructure

144. The council has an ICT Business Continuity Plan – Update 2007 in place to ensure it is able to respond if service is interrupted by accidental or deliberate threat. This policy is the subject of regular review and is due to be updated. In addition the council have contracted consultants to look at their wider business continuity requirements.

145. With regard to the Civil Contingencies Act communications will feature as a priority and in this context the ICT Unit has responsibility for the council's telephony and has developed a back-up system situated at Lystina House. While there is inbuilt resilience in the telephony system the back-up system has not yet been fully load tested.

Immediate priorities and risks

- establishing an overarching information management strategy

- updating their security policy to recognise all relevant legislation relating to the use and processing of information systems.

Longer term considerations

- The council does not have a green ICT policy in place to measure performance.

Service priorities and risks

Competing Financial Pressures

146. Education and Social Care Services is the largest department within the council, accounting for over half of the annual budget. The department has to cope with competing financial pressures between the two services which are both demand led and face a number of challenges to ensure that the existing service provision can be provided within budget.

147. Following the settlement from the Scottish Government in 2008/09, education and social care received an additional £5 million as part of the 2008/09 budget allocation. This allowed the department to continue to provide existing levels of service. As at the end of August 2008, the budget was £2.953 million underspent. During 2008/09 the department has been significantly understaffed with approximately 50% of the underspend in respect of employee costs. The majority of vacancies have now been filled which should result in actual spend more closely matching the budget allocation in 2009/10.
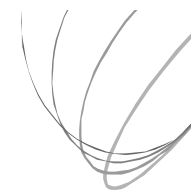
Resources

148. The education department has had difficulty in recruiting Head Teachers. The posts were advertised several times before sufficient candidates could be identified for interview. Social care services faced similar problems recruiting carers; however, a large recruitment drive towards the end of 2008 resulted in a number of the vacancies being filled.

External Scrutiny

149. Her Majesty's Inspectorate of Education (HMIE) and the Social Work Inspection Agency (SWIA) are the main inspectorates in relation to education and social care services. HMIE undertook an inspection of the education service during 2008 and SWIA undertook an inspection of the social work service during 2007. The results of these inspections are discussed below along with our own assessment of these services. The child protection inspection is currently underway within the council.

EDUCATION SERVICES

Model for Education

150. In July 2007, the council's services committee agreed a 4-year service plan linked to the council's Corporate Plan. In relation to the schools service, the plan states: "Shetland schools population projections anticipate a substantial reduction in pupils within a relatively short time frame. The challenge for the authority is, therefore, to develop a modern "blueprint" for the shape of the service across Shetland for 10 years time. This model will consider the educational and financial viability levels for schools, their host communities as well as important associated issues such as transport requirements. It is anticipated that significant capital investment will be required to bring some schools and facilities up to a modern standard".

151. The council are committed to producing a model for education by 2009 that considers the educational and financial viability for schools and communities. At the services committee in January 2008 a report was presented entitled, "Developing a "Blueprint" for the Education Service". The committee agreed to the establishment of a working group, consisting of officers and members, to undertake the 'blueprint' review. The Blueprint working group met in April 2008 and it was decided to have sub-groups to look at quality education and transitions at three stages: Pre-School/Primary, Secondary/Further and for pupils with Additional Support Needs.

152. Within each area of Pre-School/Primary, Secondary/Further/Higher and Additional Support Needs, the working group identified critical issues both national and local, which require further consideration as they will impact on how any blueprint for education in Shetland may look in the future. Specific issues include, the concordat principles, i.e. lower class sizes and free school meals, the increase in hours within the entitlement to pre-school education, the implementation of curriculum for excellence and the proposed changes to the national qualifications framework in Scotland.

153. In order to inform the direction of the blueprint, a programme of consultation was developed to seek the community of Shetland's views on the issues. The results of the consultation exercise, along with any key messages, were presented to a special services committee on 12 February 2009.

154. By taking the results of the consultation into account, the council's broad educational mission is to develop principles based on equality, entitlement, access and quality of delivery to take forward
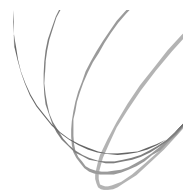
education in Shetland over the next ten years within budget. Action plans are to be prepared in a number of areas based on these principles and will be presented to the services committee in due course. We will monitor progress throughout the year.

Rationalising the School Estate

155. There are a number of schools that could potentially be identified for closure as a means of rationalising the school estate. Some schools are easier than others to identify and it is likely that in some schools a natural point for closure can be identified. Both Mid Yell and Anderson high school have been designed above the current school role to accommodate any future transfers. This is likely to be progressed on a five to ten year timescale.

156. The council faces a number of difficult decisions in relation to the educational service within the current financial constraints. In the past, decisions to close schools have been very unpopular with those sections of the public that are directly affected. There has been some favourable feedback where the public have recognised that these decisions were necessary to provide a better education service to the children. However, with the public generally being against the closure of existing schools, there is a risk that future decisions will be deferred without a conclusion being reached.

157. Officers play a vital part in ensuring that members have the capacity and knowledge to make these difficult decisions. There is a risk that if the council do not address the difficult financial choices required then it will be unable to provide a sustainable educational service.

Specific Capital Projects

Anderson High School

158. The new Anderson High School (AHS) capital project is the largest individual capital investment project within the capital programme. The project is fundamental to the council being able to deliver a quality education provision to more than 800 pupils. It was reported in June 2008 that the project, as currently designed, would be well over the indicative budget of £48 million. In August 2008, members were asked to agree to a revised programme, with a target date for submission of a planning application of March 2009 and amended governance and management arrangements.

159. In December 2008 an external project manager was appointed to support the AHS project. It is expected that the project manager will be key in advising the council as the project develops. At a services committee on 12th February, members agreed to submit a planning application for the project to go ahead on the current site. It is expected that the project can be built within the approved budget; however, a final cost plan will be reported to members at a later date.

160. As discussed earlier, in October 2008 a report was presented to the audit and scrutiny committee which considered the handling of a number of proposed key capital projects. This highlighted that unclear project briefs and delays in approving capital projects have resulted in building projects being deferred. There has also been additional expenditure incurred on these projects because no clear scope was reached at an earlier stage. AHS was one of the three projects outlined in the report.

Mid Yell junior High School

161. Outline designs have been prepared and the project is being taken forward with the preferred bidder to conclude the detailed design and ensure that it is within the £6.8m budget while still achieving a quality

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design and a range of facilities which will enable the school to develop into the future. This period is expected to last between four and six months. At the end of this period the council will be presented with the key information for consideration before a decision is taken on whether or not to proceed to construction. If approved, the project will commence in the next financial year.
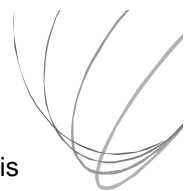
Inspectorate Reports

HMIE Inspection of Education Authorities

162. The education function of the council was inspected in January 2008 as part of HM Inspectorate commitment to inspect and report on the quality of education and to help secure improvement across Scotland. The report by HMIE was published on 8 July 2008.

163. There were ten quality indicators which were examined. Five of these indicators were evaluated as very good, four evaluated as good and one was evaluated as adequate. The schools service prepared an action plan detailing how the main points for action are to be addressed and presented it to the services committee in October 2008. The District Inspector will continue to monitor progress made as part of the agency work with the council.

HMIE Inspection of Community Learning and Development

164. HMIE undertook a review of Community Learning and Development services in May 2007. The inspection covered adult learning; youth services; and community work in Lerwick, North Mainland and Whalsay. The inspection process examined 9 areas based on a 6 point grading system from excellent to weak. Two areas were evaluated at very good, four as good, two as adequate and one as weak. An action plan was agreed in January 2008 to address the recommendations for service improvement.

HMIE Review Inspection of Shetland College

165. HMIE carried out an inspection of Shetland College in December 2005, which was followed up in April 2008. The overall findings of the follow-up review were that: the college has in place effective learning and teaching processes; learners are progressing well and achieving appropriate outcomes; and the college is managing well and improving the quality of its services to learners. Several main points for action were identified and the college are continuing to seek how to make these improvements.

SOCIAL CARE SERVICES

Free Personal Care

166. Since July 2002, all councils have had systems in place to deliver free personal and nursing care (FPNC). People of all ages living in care homes are entitled to free nursing care and people over 65, living in any setting, are entitled to free personal and nursing care.

167. Shetland Islands Council provides one of the highest levels of care at home hours (per head of population) of all local authorities in Scotland (Source – Scottish Government, Home Care Services (2006)). Shetland is the only local authority area that does not levy a charge for care at home services. The actual cost for delivering each hour of personal care is £14.83 and the cost for delivering domestic care is £9.70.
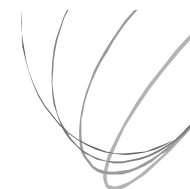
168. The council prioritises services under the following criteria:

- Priority 1 tasks are those which are essential to the client if they are to remain in the community and not be admitted to residential care or hospital.

- Priority 2 tasks need to be done, but the client could cope without harm if the service was not immediately available or had to be reduced to meet greater need elsewhere.

- Priority 3 tasks are a minimum service provided for preventative reasons. If necessary, service could be withdrawn for a long period with no risk to the client.

169. Currently, all Priority 1 clients receive a service and as many Priority 2 and 3 clients as is possible within current staff availability. New clients assessed as not being at definable risk are not receiving new services.

170. The council has acknowledged that delivery of care at home packages are currently close to saturation point. There have been a number of instances recently where clients had to remain in hospital or respite care because it was not possible to put services in place quickly enough. Over the next few years it is likely that demand will increase further for care at home services.

171. As demand increases, there is a need for the council to be more creative about how services can be provided. This includes targeting resources on high priority areas, ensuring that care assessments are based on need and not availability and working more closely and more effectively with partners, i.e. the voluntary sector. The council need to ensure that budgets and service priorities have been fully reviewed to ensure that they reflect the changing service demands.

Inspectorate Reports

172. The Social Work Inspection Agency (SWIA) undertook a performance inspection of the council's social work services in 2007 and the report was published in August 2007. The report gave a positive account of social work services, with seven areas graded 'good' and three areas graded as 'adequate'. However, a number of key areas for improvement were identified. Following the inspection, the council agreed an action plan which was presented to the Services Committee in January 2008 with a progress report presented to the Services Committee in March 2008.

173. SWIA undertook a follow up visit in August 2008 to assess the council's progress in delivering its action plan. Overall, SWIA found that the council "had made good progress. A few recommendations had been implemented in full and for the majority good or steady progress had been made." There was only a few issues identified as requiring significantly more attention. SWIA will maintain an interest in these and other matters in the course of our audit appointment.

Child Protection

174. Recent press coverage of child abuse cases has brought the issue of child protection to the forefront. There is a risk of serious harm if services fail to protect young or vulnerable children, or fail to manage a serious offender well enough – failure here increases the probability of serious incidents.

175. A child protection inspection is underway and the council are currently awaiting the outcome from this. Feedback from the inspection is due in March 2009 and the report is due to be published in April 2009.

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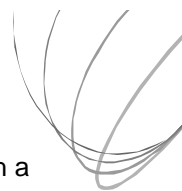
176. Specific training on sex offenders in communities was given to three members to provide them with a better understanding of the various issues and decisions involved. The members found the training to be very worthwhile and it is the intention that the training will be rolled out to the remaining councillors in due course.

Immediate priorities and risks

- coping with competing financial pressures between the two services

- the council needs to address a number of difficult decisions in relation to the educational service within the current financial constraints

- the delivery of care at home packages are currently close to saturation point

- ensuring capital projects are well managed and provide value for money.

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Strategic risk plan
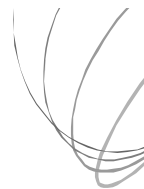
177. This report summarises the key risks facing the council. At appendix A, in our strategic risk plan, we set out the audit work that we propose to undertake in 2008/09 and future years on these risk areas. As the risks included in this report are high level and strategic in nature, they will continue to be relevant to the council for a number of years. Therefore, although our risk analysis will be updated annually, many risks will remain from year to year and the risk analysis will cover a rolling three year period.

178. Our plan reflects:

   - the council's local risks and priorities

   - current national risks relevant to the council's circumstances

   - our responsibilities under the Code of Audit Practice as approved by the Accounts Commission (our annual audit plan 2008/09 sets out more detailed information on our responsibilities, approach, quality control and fees)

   - issues brought forward from last year's audit.

179. The strategic risk themes mirror the topics identified in the Priorities and Risks Framework. In many cases actions are either planned or already underway within the council to manage key risks. Details of the management assurances that we have received against each of the risks and the audit work to be undertaken on identified residual risks are also set out in the plan.

180. Where risks have a possible impact on the financial statements of the council they may have already been reported in our Annual Audit Plan.

181. It is in the nature of risk that the likelihood of occurrence and potential impact are variable – the absence of assurance arrangements does not necessarily mean that identified risks are statements of fact. Councils may also choose to accept, or be unable to mitigate, certain risks.

Monitoring and reporting arrangements

182. Our risk assessment work has confirmed that the council has action plans in place to address many of the risks identified. In these areas we will monitor the progress of the management assurances we have received as specified in the strategic risk plan. Any significant matters which arise from our monitoring activity will be reported on an exception basis and may be included in our annual report on the audit.

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Appendix A
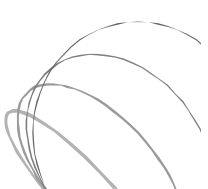
Shetland Islands Council – strategic risk plan

Strategic risk plan - *In this section we identify a wide range of strategic risks facing the council, the related management assurances received and the audit work we propose to undertake in the coming years to secure additional assurance. The management of risk is the responsibility of the council and its officers, with the auditor's role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks. In some instances planned audit work will include ongoing monitoring of risks throughout our audit appointment.*

Vision and strategic direction

Councils that perform well are ambitious and have clear aims and objectives for delivering high quality services that provide Best Value and meet the needs of their local community.

No	Risk	Management assurances	Planned audit action
1.	The council need to ensure there is an overarching action plan that clearly links the single outcome agreement, the corporate plan, the community plan and the best value recommendations. *Risk: there is a risk that the delivery of objectives is not appropriately monitored or reported.*	The council are in the process of aligning monitoring arrangements in order to streamline reporting.	Monitor the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
2.	The council faces ongoing financial pressures, particularly from education and social care services and single status/equal pay. *Risk: As financial pressures build, there is the ongoing risk that the financial strategy for maintaining a sustainable long term financial framework will not be met.*	The council will continue to review budget allocations as part of the 2009/10 budget setting process and beyond. The head of finance will continue to monitor and report the financial position to full council on a quarterly basis.	Monitor the council's financial position during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

No	Risk	Management assurances	Planned audit action
3.	The council needs to ensure that capital projects are well managed and provide value for money. *Risk: there is a risk that without a clear project brief additional expenditure will be incurred and projects will be deferred.*	The head of finance is to chair a senior officer multi-disciplinary working group with the objective of setting out recommendations for best practice on the future management of capital projects. Progress reports from the working group to be reported to the Audit & Scrutiny committee each meeting cycle.	Monitor the council's progress reports during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
4.	The council needs to appoint a suitably qualified candidate to the post of chief executive. *Risk: there is a risk that without an appropriately qualified chief executive in post by May 2009 the council will not have the necessary leadership in place to direct future strategic policy.*	A report was presented to council in February 2009 to commence the process for recruitment and selection of a new chief executive.	Monitor the recruitment progress in the coming months. Provide an update in our 2008/09 annual audit report.
5.	Elected members need to address the difficult decisions to ensure that the council remain within current financial constraints. *Risk: There is a risk that elected members do not address the difficult financial choices required to deliver services or the proposed capital programme within the agreed financial strategy.*	The council will continue to review budget allocations as part of the 2009/10 budget setting process. The council will prioritise the capital programme to reflect corporate aims and objectives.	Monitor the council's decision making process during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

Partnership working and community leadership

Councils work with a range of other agencies and groups, including the community themselves. Many council services are planned and delivered in partnership with other public, private and voluntary organisations, community groups and forums. These partnerships are of particular importance in tackling complex or cross-cutting issues such as inequality.

No	Risk	Management assurances	Planned audit action
6.	To underpin the alignment of community plan outcomes and national outcomes the council need to ensure there is a detailed action plan in place that clearly links the SOA, the corporate plan, the community plan and the BV recommendations *Risk: there is a risk that projects are not properly monitored.*	The council are in the process of aligning monitoring arrangements in order to streamline reporting.	Monitor the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

Governance and accountability

Governance is about direction and control of organisations. It is concerned with structures and processes for decision-making and accountability. Good governance means that the way local authorities operate is based on sound decision-making and an effective process to support it.

No	Risk	Management assurances	Planned audit action
7.	The council should include both Shetland Development Trust and Shetland Charitable Trust within the group entity. *Risk: There is a risk that if the SCT is not recognised within the group entity, the 2008/09 financial statements will again receive a qualified opinion resulting in a further report by the Controller of Audit.*	The council has agreed to include the Shetland Development Trust in the council's group accounts in 2008/09. The chief executive has written to the general manager of SCT requesting the 2008/09 financial statements.	We will also report the updated position on the trusts in our 2008/09 annual audit report. A qualified audit opinion will be included in the council's financial statements if the SCT financial statements are not included within the group entity of the council.

No	Risk	Management assurances	Planned audit action
8.	To ensure that members are fully aware of the implications of any potential conflict of interests a formal training programme should be provided. *Risk There is a risk that a failure to provide adequate training will result in conflicts of interest.*	The council will undertake a refresher exercise to identify any development needs for members. This will include involvement in arms length organisations.	Monitor the training provision during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
9.	The council should prepare an Annual Governance Statement to comply with best practice accounting requirements. *Risk: There is a risk the council will not comply with best practice.*	The council will prepare an annual governance statement for inclusion within the 2008/09 financial statements.	Review the annual governance statement included within the 2008/09 financial statements. Provide an update in our 2008/09 annual audit report.

Performance management and improvement

Effective performance management at both service and corporate levels is essential to achieve intended objectives, and to assist elected members and senior managers to form an overall view of how their council is performing across all areas of activity. Councils need to know how their services are performing before they can demonstrate that they are improving, offer value for money, are competitive and are of high quality.

No	Risk	Management assurances	Planned audit action
10.	The council must ensure that all SPI co-ordinators provide the reported figures within the agreed timescales together with the appropriate supporting documentation. *Risk: there is a risk that if timescales are not met, the statutory deadline for sign off will not be met.*	All SPI co-ordinators will produce required information on time, to ensure that statutory deadline for sign off is met.	Review the 2008/09 SPIs as part of our audit work. Provide an update in our 2008/09 annual audit report.

Risk management

Risk management is the process by which risks are identified, evaluated and controlled. Effective risk management is an essential element of good corporate governance which, in turn, supports effective decision making and ultimately contributes to improved performance.

No	Risk	Management assurances	Planned audit action
11.	The council's risk management policy is out-of-date and is currently being re-written. *Risk: there is a risk that the process and procedures for risk management are not being consistently applied.*	The revised risk management policy will be presented to the Audit Committee for approval on 6 May 2009.	Review the council's updated risk management policy. Provide an update in our 2008/09 annual audit report.
12.	The council is in the process of reviewing and updating the strategic and departmental risk registers to reflect the council's eight priorities identified within the corporate plan and service-specific issues respectively. *Risk: there is a risk that until the registers are updated the council may not identify an imminent risk facing the council.*	Work is ongoing in both of these areas and it is anticipated that all Risk Registers will be updated and entered onto the database by September 2009.	Review the council's updated risk registers. Provide an update in our 2008/09 annual audit report.
13.	There is no process in place to allow the council to report identified risks to the community planning board. *Risk: there is a risk that the community planning board is unaware of risks facing partners resulting in appropriate action not being taken.*	The Safety and Risk Manager will liaise with the Community Planning Board/partner organisations to determine, and subsequently pull together, Risk Management arrangements across all partner agencies in keeping with the aim of the Single Outcome Agreement.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

No	Risk	Management assurances	Planned audit action
14.	There is no formal reporting process which ensures that risk identification, assessment and management are an integral part of the decision making process. *Risk: there is a risk that the decision making process does not consider risk identification, assessment and management.*	The Risk Management Board will consider introducing a new element to the Council's report template incorporating of a 'Risk Management Implications' section which will require authors to detail upside and downside risk thereby leading to a more informed decision making process.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
15.	There is little evidence of Business Continuity plans across council departments. *Risk: there is a risk that business disruption extends beyond tolerable limits and recovery costs are greater than necessary.*	The Council has contracted with an external provider to achieve an in-depth process to work with all Services to ensure BC plans are created, tested and kept up to date. These plans will be entered into the Risk Management database and will become a regular item on the Risk Management Board agenda.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

Use of resources - financial management

Good financial management is about efficiency, effectiveness, best value and tight financial control. Councils need to oversee budgets, monitoring should be ongoing and financial performance reviewed regularly.

No	Risk	Management assurances	Planned audit action
16.	The council faces the challenge of budgeting for no increase in council tax for 2010/2011. *Risk: reserve balances will be used to support general fund expenditure. The target balance of £250 million may not be achieved and maintained.*	The council will monitor general fund expenditure to ensure that overspends are managed and financial targets are met.	Monitor the council's financial position during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

No	Risk	Management assurances	Planned audit action
17.	The council should undertake a review of budget allocation to ensure that these are properly matched to service need. Specific risks have been identified with free personal and nursing care and school estate. *Risk: There is a risk that without a full review the budget allocated to service departments will not reflect current service provision.*	The council will continue to review budget allocations as part of the 2009/10 budget setting process. The chief executive and Executive Management Team are due to meet with Heads of Services to identify where budget estimates can be reduced and make budgets more realistic.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
18.	The capital programme is heavily over-subscribed, with a funding gap of £36.666 million identified to 2010/11. This is before the inclusion of Anderson High School at an estimated cost of £49 million. Current forecasts suggest that ongoing capital programme funding should reduce to £15 million per annum from 2010/11 onwards. *Risk: the capital programme may slip or may not be delivered and corporate priorities not achieved.*	The council will prioritise the capital programme to reflect corporate aims and objectives. Council officers will closely monitor the achievement of the capital programme and report areas of slippage to the council on a regular basis.	Monitor the council's financial position during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
19.	A revised capital prioritisation process was approved in September 2008 with the intention of replacing the existing points scoring system from 2009 onwards. *Risk: If a robust and transparent methodology is not maintained there is a risk the council will not be able to meet its long term financial strategy.*	As a default position, the existing priority list will be used for programming in 2009/10 if the revised system is not fully operational.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
20.	The charitable trust relies heavily on investment income to fund its current service provision. Given the current financial climate there is a risk that the trust cannot sustain its level of service provision going forward. *Risk: the council may have to consider providing alternative funding to the trust, or consider the possibility that some services may have to be transferred back under its control.*	The trust will review its own position and response in respect of events in the investment market. The council will await any outcome of that process and then assess whether the council needs to respond in any way.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

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No	Risk	Management assurances	Planned audit action
21.	International financial reporting standards are to be introduced in 2010/11 and earlier. *There is a risk that significant changes will not be anticipated. This will include establishing a corporate record of untaken leave and flexitime, examining the impact on lease accounting and increasing awareness and training generally.*	The council will identify a lead officer within finance for IFRS implementation. Finance staff will be provided with training.	Review the council's IFRS arrangements. Provide an update in our 2008/09 annual audit report.
22.	The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued a consultation paper covering the "support for separate LGPS pension fund accounts" in December 2008. *There is a risk that reporting and audit arrangements change over the medium term.*	The council will continue to monitor progress in this area and respond to changes as required.	Monitor any changes in the pension fund account requirements.

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Use of resources – people management

No	Risk	Management assurances	Planned audit action
23.	The council has yet to implement single status, it is expected that this will be achieved in 2009. As a result the equal pay compensation liability will continue to rise throughout 2008/2009 and until single status is eventually introduced. *Risk: the council are exposed to continuing risks while the existing pay and grading structure remains in place, for example associated costs cannot be fully quantified and as a result initial and continuing costs may be considerably higher than expected levels.*	The council is to progress the implementation of single status and equal pay agreements.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
24.	As part of the single status implementation it is important that detailed training plans are provided to individual staff members. *Risk: there is a risk that staff will not be properly supported or trained to take on additional responsibilities within the revised job descriptions.*	The project team will ensure that training plans are formalised to support staff during the implementation of single status. A workforce development strategy which incorporates all aspects of job redesign is being developed by the end of March. A generic job family book and employee booklet have been developed.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
25.	The council needs to ensure that they target sickness levels within the respective service departments. *Risk: there is a risk that absence levels remain at an unacceptable level.*	The council has introduced an upgraded payroll/HR system (CHRIS21. This has allowed human resources to review absence levels. The Promoting Attendance project will result in improvements in hot spot areas and will highlight further target areas.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

Use of resources – asset management

Good asset management helps to ensure that frontline services are delivered in the most effective and efficient way. Effective asset management can release resources, generate both revenue and capital savings, and improve value for money in service delivery.

No	Risk	Management assurances	Planned audit action
26.	The council has yet to consolidate the estates and maintenance records to help improve the availability of information on the council's asset base. Until this is in place, clear linkages with the corporate planning process cannot be made. *Risk: there is a risk that the assets of the council are not utilised in the most effective way.*	Data relating to the Council's properties has been gathered from service areas. This data needs to be translated into an Estates Management Plan. The council has advised that due to staffing issues this is unlikely to be completed until March 2010.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
27.	Financial pressures in the HRA have resulted in a deficit in 2007/08 which has to be met from the HRA reserves. *Risk: should this persist, it will diminish the availability of reserves to invest in extra housing stock. Projections based on current trends suggest that the HRA reserve will be exhausted by 2013, after which there will be no means to support either revenue or capital expenditure within the HRA. This could have an impact on the council's compliance with the SHQS standard by 2015.*	The council will monitor HRA expenditure to ensure that overspends are managed and financial targets are met.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
28.	The council do not have a comprehensive system in place for measuring asset management performance. *Risk: there is a risk that the assets of the council are not utilised in the most effective way.*	Work is being undertaken to implement a Computer Aided Facilities Management System (CAFM), however, there has been slippage in consolidating the estates and maintenance records into a single database to improve the availability of information on the council's asset base.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

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Use of resources – procurement

In March 2006, the McClelland Report was published and it concluded that in most areas examined the main public sector procurement processes still had weaknesses in resources, skills, organisation structures and practices. The report stated that these issues constrained the ability of public sector organisations, including local authorities, to secure Best Value and cost savings from their procurement activities.

No	Risk	Management assurances	Planned audit action
29.	Procurement policies need improvement. The council needs to generate efficiency savings through its recent membership to Scotland Excel. *Risk: there is a risk that best value will not be achieved until procurement efficiencies are generated.*	The council will continue to work to further develop procurement policies in 2008/09. The council joined Scotland Excel in October 2008.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

Use of resources - information management

Information regarding citizens is a key resource for local authorities to be able to manage services effectively. There is pressure from government to modernise and integrate service support systems to increase efficiency.

No	Risk	Management assurances	Planned audit action
30.	The council does not have an overarching information management strategy *Risk: There is a risk that there is no consistent approach in sharing information across service departments.*	The council will scope a corporate information management project.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

No	Risk	Management assurances	Planned audit action
31.	There council need to update their security policy to recognise all relevant legislation relating to the use and processing of information systems. *Risk: There is a risk that all legislation relating to the secure use of ICT systems and data is not fully recognised.*		Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

Service priorities and risks

The Scottish Government emphasis on streamlined, better co-ordinated scrutiny means that it is important that audit and inspection agencies understand each others' businesses, be aware of the risks in each others' sectors, and share intelligence to avoid overlap and duplication of scrutiny activity.

No	Risk	Management assurances	Planned audit action
32.	Education and Social Care Services is the largest department within the council, accounting for over half the annual budget. The department has to cope with competing financial pressures between the two services, both of which are demand led. *Risk: As financial pressures build, there is a risk that budgets are not reviewed to reflect these changes, or top-sliced without a review of overall priorities, resulting in an ineffective use of resources.*	The council will continue to review budget allocations as part of the 2009/10 budget setting process.	Monitor the council's financial position during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

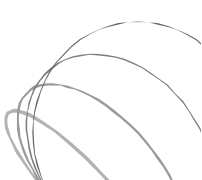| No	Risk	Management assurances	Planned audit action
33.	The council faces a number of difficult decisions in relation to the educational service within the current financial constraints. Sections of the public are against the closure of exiting schools. There is a risk that these decisions will be deferred with no conclusion reached. Officers play a vital part in ensuring that members have the capacity and knowledge to make these difficult decisions. *Risk: If the council does not address the difficult financial choices required then it will be unable to continue to provide a sustainable educational service.*	The council is committed to producing a model for education by 2009.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.
34.	The council has acknowledged that delivery of care at home packages are currently close to saturation point. Over the next few years it is likely that demand will increase further for care at home services. The council therefore need to ensure that budgets and service priorities have been fully reviewed to ensure they address the changing service demands. *Risk: there is a risk that the council will no longer be able to meet the demands of the service.*	The council are aware that the delivery of care at home packages are at full capacity. The council is looking at a number of options to resolve this ongoing issue.	Review the council's progress during the course of our audit appointment. Provide an update in our 2008/09 annual audit report.

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Shetland
Islands Council

REPORT

To: Audit and Scrutiny Committee   6 May 2009

From: Building Standards Manager
Planning
Infrastructure Services Department

SCOTTISH GOVERNMENT AUDIT OF SHETLAND ISLANDS COUNCIL'S BUILDING STANDARDS SERVICE ON 23 AND 24 FEBRUARY 2009

1.   Introduction

1.1   The following report sets out, for Members' information, the results of the external audit carried out by the audit team from the Scottish Building Standards Division on 23 & 24 February 2009.

1.2   A copy of the audit report is available at Appendix A.

1.3   Shetland Islands Council was awarded the position of 'Verifier' of building warrant applications and completion certificate submissions, under legislation passed by the Scottish Government, for an initial period of 6 years commencing on the 1 May 2005.

1.4   The Audit Team looked expressly at the verification process of building warrants and completion certificates submitted to the Building Standards Service.

1.5   Assessment of the Service was conducted against a series of 5 perspectives adopted by the Scottish Government and against the commitments formerly made by the Service in relation to each perspective.

2.   Link to Council Priorities

2.1   The enforcement of the Building (Scotland) Act 2003 and allied legislation is in line with the objective contained within the Corporate Plan '*to maintain and improve the quality of life experienced by people in Shetland*.'

*2.2   The work done within the Building Standards Service   impinges on all four strands of 'Sustainability' listed in the Corporate Plan Vis '*economy, society, environment and organisation.*'*

3. Background

3.1 The former Scottish Building Standards Agency (SBSA) identified 5 main indicators that could be used to determine how effectively and efficiently the verification process was being conducted in each of the 32 Scottish Council areas.

3.2 This audit was the 22nd carried out by the audit team since the audit of Scottish Building Standards Services began in 2006. Evidence was collected by means of examination of recorded statistical evidence and policies established since the introduction of the revised procedures introduced in association with the new Building Regulations which came into force on 1 May 2005 under the Building (Scotland) Act 2003 and allied legislation. Evidence was also taken via individual and group interviews with the audit team. All existing fulltime and contractual members of the Building Standards staff, together with senior management, provided information to the audit team.

The 5 perspectives under which assessment took place were as follows: *Public Interest, Private Customer, Internal Business, Continuous Improvement, and Finance*.

- The Public Interest perspective concerned the establishment of risk management protocols that determine the management of work on building warrants and completion certificates.

- The Private Customer perspective required the adoption of the principles of good customer care.

- The Internal Business perspective required that a formal business (service) plan be developed.

- The Continuous Improvement perspective required that a three-year strategy be in place to demonstrate how the Service would evolve to meet customers' needs.

- The Finance perspective considered how costs related to verification were recorded and managed.

3.3 Five possible grades were available in each of the five perspectives as per the table below:

Excellent	Major Strengths
Good	Strengths outweigh weakness.
Satisfactory	Strengths balance weakness.
Cause for concern	Weaknesses outweigh strengths.
Serious cause for concern	Major weakness.

3.4 Having carried out an audit of the Service against the five perspectives, the audit team reported that there was cause for concern in all five areas.

The Audit Team qualified their comments by noting that:

- The effectiveness of the Service was hampered by a national shortage of qualified staff and by geographical factors.

- The lack of consistent management, with a high labour turnover at both senior surveyor and manager level, had a debilitating effect on the remaining staff.

- Despite a lack of leadership and direction it was noted that the staff had maintained a level of service delivery that was more than commendable under the circumstances.

4. Financial Implications

4.1 The third paragraph of the covering letter, delivered with the audit report, advises that 'Should Shetland Islands Council Building Standards Service fail to achieve the necessary standard after the follow up audit Scottish Ministers will consider its role as verifier.

4.2 It should be noted that Scottish Ministers may appoint individuals or bodies, either public or private, to verify applications for building warrants and completion certificate submissions. At present the only bodies appointed as verifiers are the 32 Scottish local authorities, for all non-Crown building work in their own area.

4.3 Failure to retain the verification status would result in the loss of income from building warrant fees. Annual building warrant fee income for the past three years has been circa £230,000.

5. Policy and Delegated Authority

5.1 In accordance with Section 10.0 of the Council's Scheme of Delegations, the Audit and Scrutiny Committee is responsible for reviewing all aspects of corporate performance, included reports by external inspectorates.

6. Conclusion

6.1 The Service Plan found at Appendix B covers the period from 2009 – 2011 and shows the programme of actions deemed necessary to meet Corporate and Service obligations. This plan covers such issues as:

- Staffing
- Staff Appraisals
- Staff training and development.
- Physical resources.
- Performance Monitoring
- Expenditure on Verification/Non-Verification duties.
- Providing value for money.
- Internal Peer Review
- Customer Service Charter
- Centre of Excellence
- Establishing customer needs.

- Establish Focus Group
- Promotion of the Service
- Workshops
- Addressing complaints and accepting compliments.
- Marketing & Communications
- Benchmarking with other Authorities
- Robust monitoring of Agency staff.
- Re-appointment as Verifier

7. Recommendations

7.1 I recommend that the Audit and Scrutiny Committee note the content and conclusions of the Scottish Government's audit into the Shetland Islands Council's Building Standards Service.

Report No: PL-17-09-F

Shetland Islands Council Building Standards Service

Service Plan 2009 - 2011
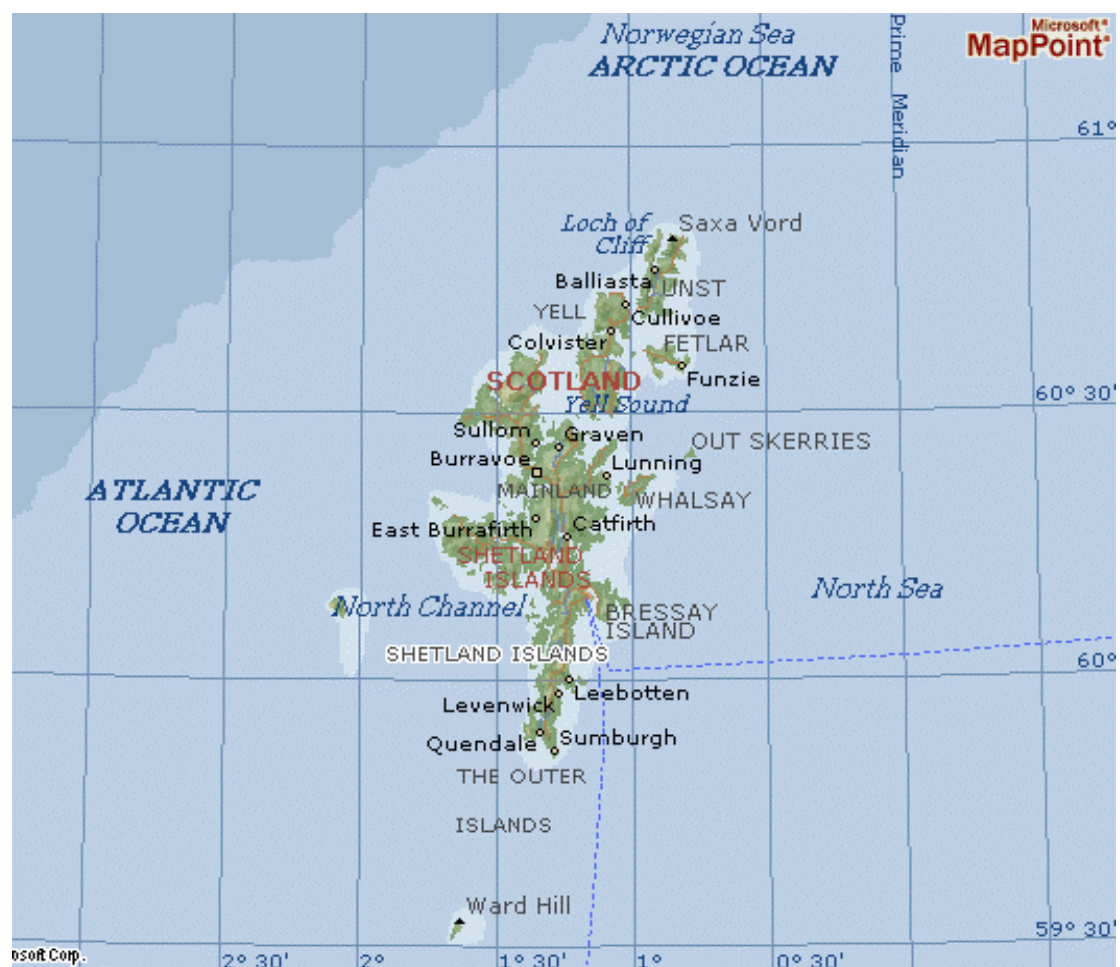
Alan Jarden
Building Standards Manager

Planning Service

Infrastructure Services
Grantfield

Tel: 01595 744820

Introduction:

The Service plan needs to 'pull through' the requirements of the Shetland Islands Council's Corporate Plan. The present Corporate Plan covers the period from 2008 to 2011. It is divided into sections and reports on the general aims of the Council's delivery of services to:

❑ Increase employment opportunities.
❑ Increase average personal and household income.
❑ Increase the supply of housing.
❑ Be internationally recognised for Quality of Life.
❑ Provide equal opportunities for all.
❑ Be world renowned for being clean and green islands.
❑ Increase the population of Shetland to 25,000.

The Council intends, by delivering against these priority areas, and with sustainable finance, to meet the overall objective that is '*to maintain and improve the quality of life experienced by people in Shetland*'.

The Corporate Plan is further expanded by the introduction of Action Areas in the following fields:

❑ *Sustainable Economy*
❑ *Sustainable Society*
❑ *Sustainable Environment and Transport*
❑ *Sustainable Organisation*

The associated text for the action areas listed above describes firstly what the Council will do, then describes the impact that these actions are expected to have in the community.

The interweaving of these actions forms the 'Golden Thread' which links the Corporate aim or mission to the various activities, including those of the Building Standards Service, which will be necessary to achieve overall success for the good of the community.

Each of the areas of sustainability noted above contain many actions that will help secure the sought outcome.

The following table indicates those elements within the Corporate Plan against which the Building Standards Service can relate and thereby add value to the overall process of local governance within the Shetland Council Area.

1

Sustainable Economy	Skills - education and retention. Communication Improve the reputation of Shetland. Promote tourism and accessibility. Promote use of information technology. Promote use of renewable energy. Marketing the Shetland 'Brand' Conducting market research. Using electronic communications. Develop and support events out with Shetland (flying the flag). Building community confidence on the local, National and global stage. Enable individuals and businesses to develop. Maintaining rural community infrastructure. Establish a business gateway. Facilitating knowledge transfer.
Sustainable Society	Establish meaningful dialogue with industries. Redevelopment of schools. Training and retention of staff. Develop centres of excellence. Helping to promote life-long learning. Mental wellbeing. Overcoming barriers to health. Preserving our cultural and built heritage. An inclusive approach to everyone we meet. Safety in the community, home and industry. Reduce fires and fatalities. Reduce Shetland's housing debt. Investigate general/ special housing needs. 100 more affordable houses by 2012. Fit for purpose housing stock.
Sustainable Environment	Energy use. Support for renewable energy generation. Reduce waste from Council buildings. Encourage waste minimisation- *build right first time.* Efficient use of transport for Council duties. Increase the perception that Council services are delivered with quality built-in. External networking/ benchmarking. Emphasising the reliability, affordability and appropriateness of external travel.

2

Sustainable Organisation	Keep to budgets. Keep to mid-term budgets. 20% efficiency savings to be demonstrated. 10% procurement savings to be shown. Single Council campus design @ Lerwick. Remote working environment for employees. Improve staff morale. Reduce sickness levels. Reduce bureaucracy. Add value to the process. Eliminate unnecessary or unproductive tasks. Improve perceptions of public services.

Forming the Service Plan:

The purpose of this service plan is to collate the services, which the Building Standards Service can offer to the community, and to demonstrate how these activities contribute to the corporate goals as embodied in the Corporate Plan.

It is the road map that forms the structure and benchmarks against which service performance can be measured. By using the plan it will be possible to gauge our successes and shortcomings against targets and timelines, which may be set internally or be provided by external agencies or other Government bodies.

Following the revision of Building Standards in Scotland and the consequential introduction of the Building (Scotland) Act 2003 it was necessary for Shetland Islands Council, designated as the verifier under the above Act, to have in place a standardised method of demonstrating their capacity to fulfil that role under the powers granted to them by the Scottish Ministers.

This standardised method is referred to as the balanced scorecard and consists of five sections; each one intended to permit marking against a set of goals involving public safety, customer satisfaction, management, improvement, and value for money.

The five sections of the balanced scorecard are: **Public Interest**, **Private Customer**, **Internal Business**, **Continuing Improvement** and **Finance**.

This Service business plan, presented in the format of the balanced scorecard, provides the structure upon which all actions of the service contribute to the success of the Corporate Plan. The boxed paragraph, under each of the perspective titles, describes the action required of the Verifier by the Scottish Building Standards Division.

3

Perspective 1 - Public Interest:

Verifiers will have in place risk management protocols, which will determine the management of work on building warrants and completion certificates.

The purpose of this element is to ensure that the safety of the public is guaranteed by the use of risk management protocols (policies) which, when properly implemented and monitored, ensure that the right person assesses the plans and work on site at the appropriate times. These policies introduce a level of scrutiny and provide confidence that buildings and related construction work will be; in so far as it can be controlled, safe, adequate, accessible, in compliance with agreed minimum standards (Building Regulations), for the benefit of people who work and live in buildings and for those who have reason to access buildings.

Task	2009	2010	2011
Assessment of quality of application received *(* See also under continuous improvement).*	Carry out quality control of applications regarding content and submission of adequate information.	Promotion of prompt consideration for applications of lower value.	Promotion of First Time Approvals.
Assessment of staff competency to permit correct file allocation linked to management of change.	Carry out Employee Review and Development Assessment (EDRA) to ascertain current skills sets.	Continuation of EDRA.	Continuation of EDRA.
Monitoring of workloads of individual officers.	Introduce performance monitoring and random sampling to ensure quality and consistency between officers.	Performance monitoring developed into self-monitoring with overview.	Self-monitoring of staff, each with own Area of Responsibility.
Analysis of content of First Assessment letters for removal of unproductive/ unnecessary comments. *(* See also under continuous improvement –peer review).*	Obtain information from internal audit of comments. Provide mentoring and training. Monitor outgoing letters at intervals for concise content & quality of letters.	Maintain review of comments to ensure consistency between staff & ensure recognition for new methods of construction.	Maintain review of comments to ensure consistency between staff and ensure recognition for new methods of construction.
Inspection of works on site.	Review of current practices. Timeliness, Relevance, Area focus, Appointment booking.	Look for added value from on-site inspections. Area Focus.	Look for added value from on-site inspections. Area Focus.
Risk Management	Assess need for Specialist officers for large-scale projects.	Develop new staff skills for large projects.	Maintain staff skills.

4

Perspective 2 - Private Customer:

Verifiers will have in place the principles of a customer charter, which encompasses areas such as:

- Guidance to stakeholders.
- Accessibility of service.
- Measurable performance targets.
- Customer views.

Whilst the Building Standards Service lies within the Planning Service of Infrastructure Services, which has it's own customer charter, it is agreed that the Service should reflect the unique requirements of the Building Standards customer. To understand the customer's needs and wants regarding service delivery it is necessary to find out what these are.

To properly service the individual customer's needs we need to know:

1. What those needs are, and
2. what the customer's expectations are regarding how he/she expects his/her needs to be satisfied?

Examples might be "How long does it take to get a building warrant?" and "How much will it cost?"

Other aspects might require a bespoke service when considering an intricate proposal that may require input from all members of staff, including Planning officers, in order to reach a satisfactory consensus.

Given that there are often various ways in which the applicant can satisfy the many Building Regulations it will be necessary to ascertain the degree of competency which the applicant has in relation to the matter and provide the answer in terms which are easily understood.

Whilst we live in an age where equality demands that everyone is treated the same and our customer charter clearly identifies the minimum standards that we expect to achieve it is unlikely that the same answer will suit every occasion. Every customer is different has different needs and wants. They should be encouraged to believe that their application will receive individual attention.

The following table sets out the tasks that need to be addressed by the aspect of Private Customer and the actions, which the Service intends to action over the next three years needed to ensure a consistent, transparent, focused, and accountable approach to the Building Standards function.

5

Task	2009	2010	2011
Develop specific charter for the needs of our customers.	Identify customers and interested groups. Provide initial charter based on Corporate practice and proposed method of Service delivery.	Update charter in line with changes to service.	Update charter in line with changes to service.
Determine customer perspective and requirements.	Gather evidence of requirements through face-to-face enquiry, & invitation to comment.	Develop customer focus groups.	Maintain customer focus groups.
Amend charter to reflect customers' wishes from feedback received.	Determine how feedback will be obtained and used to mould service delivery to customer need.	Feed comments back into service to meet customer expectations where possible.	Review of customer/council service charter and it's effectiveness.
Provide an accessible and inclusive service.	Charter to be available in a variety of formats: Paper & electronic, audio or Braille, as required/requested.	Be aware of the need for multiple languages. Sites for display. Wider audience possible.	Review the accessible nature of the service charter.
Promotion of performance targets.	Advise customers of out targets by openly displaying service limits and showing how these are met or exceeded.	Openly displaying service limits. Showing current performance.	Proactive advertising of Building Standards operations.
Providing transparency in our work.	Maintenance of the electronic register and providing access to information to interested parties.	Maintenance of the electronic register and providing access to information to interested parties.	Maintenance of the electronic register and providing access to information to interested parties.
Addressing Complaints and accepting compliments.	Promotion of & adherence to the Councils corporate complaints procedure.	Promotion of & adherence to the Councils corporate complaints procedure.	Promotion of & adherence to the Councils corporate complaints procedure.
(continued)	Analysis of the nature of the complaint & feedback to ensure that we learn from our mistakes.	Analysis of the nature of the complaint & feedback to ensure that we learn from our mistakes.	Analysis of the nature of the complaint & feedback to ensure that we learn from our mistakes.
Marketing	Fresh Service style Front of house image Articles in local press Profile B/Standards.	Build relationships	Maintain relationships

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Perspective 3 - Internal Business:

The verifier will prepare a formal plan for the internal business perspective for the next financial year.

This section describes the short-term plan for the Building Standards Service. The requirement is for a rolling three-year plan that can be used to structure and refine the Service, dependant upon internal resources and customer demands.

Task	2009	2010	2011
Setting the Service position.	Establishing B/Stds as an equal partner in the Planning Service.	Encouraging interaction with Planning staff re future forecasts of work.	Looking ahead and considering possible change in legislation re Verifiers status.
Staffing	Retention of staff Making a better work environment.	Combining skills to form working groups.	Team away days.
Physical resources Buildings IT infrastructure.	Review of the Service resources Replacement of Fastcontrol suite.	Review of the Service resources.	Review of the Service resources.
Staff Appraisals	Individual appraisal of staff in line with Corporate statement.	Individual appraisal of staff in line with Corporate statement.	Individual appraisal of staff in line with Corporate statement.
Performance expectations (See also under Continuous Improvement).	Establish/ Monitor internal performance targets.	Monitor internal performance targets.	Monitor internal performance targets.
Staff development & training.	Ensure that training is provided relative to the task.	Ensure that training is provided relative to the task.	Possible outsourcing of courses.
Consultancy management.	Establish performance criteria.	Establish performance criteria.	Establish performance criteria.
Point of contact.	One stop shop for Planning and B/Stds.	Cooperative approach between Planning & B/Stds.	Integrated e-Portal between Planning and B/Standards.

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Task	2009	2010	2011
Corporate best fit (Centre of excellence).	Work with elected members to increase understanding of B/Stds Service.	Work with elected members to increase understanding of B/Stds Service.	Work with elected members to increase understanding of B/Stds Service.
Marketing and reputation (*see also under continuous improvement).	Aim to get at least one B/Stds article published either in-house or externally every quarter.	Build up contact with local press and professional publications.	Local Directory Handbook for Building Standards.
Community development.	Involvement with specialist groups such as Shetland Disability regarding forthcoming projects. Membership of Access Panel & Encourage feedback from community groups. CPD forum available to visiting speakers/ presenters from out with the Council.	Establish dialogue with local industries through mail-shots, and press opportunities. Maintain contact with specialist groups. Rotate staff through Access Panel. Establish contact with local industry.	Participation in community schemes where B/Stds has had an input. Maintain contact with specialist groups. Rotate staff through Access Panel. Maintain contact with local industry.
Re-appointment as Verifier	Work within SABSM to promote the reappointment process. External networking to promote the reappointment process for Highlands and Islands regions.	Work within SABSM to promote the reappointment process. External networking to promote the reappointment process for Highlands and Islands regions.	Work within SABSM to promote the reappointment process. External networking to promote the reappointment process for Highlands and Islands regions.

8

Perspective 4 - Continuous Improvement:

The Verifier will have prepared a three-year strategy from 2009-2011 for continuous improvement

Text

Task	2009	2010	2011
Performance expectations.	Establish/ Monitor internal performance targets.	Monitor internal performance targets.	Monitor internal performance targets.
Internal Peer Review	Highlight need for consistency and monitor for same.	Highlight need for consistency and monitor for same.	Highlight need for consistency and monitor for same.
Customer Relations	Establishing focus group for Shetland Agents Establishing minimum standards expected for applications. Accessibility of data.	Maintaining focus group activity & Monitor any improvement in applications Develop standard details or adoption of robust detailing.	Maintain lines of communication with customers; Press, leaflets, face-to-face contact, lunch-time talks.
Advance notification of changes (Internal and External).	Lecturettes Leaflets Internal Meetings Briefings to Elected Members.	Lecturettes Leaflets Internal Meetings Briefings to Elected Members.	Lecturettes Leaflets Internal Meetings Briefings to Elected Members.
Education & Training	Individual Assessments Measurement of competency Establish Training needs Reworking of Career Grades.	Individual Assessments & Mentoring of staff.	Individual Assessments & Mentoring of staff.
Benchmarking with other Authorities through Northern Area Consortium (NAC) & Scottish Association of Building Standards Managers (SABSM).	Re-establish membership of and attendance at NAC/SABSM meetings by at least one officer per session.	Peer review of Council projects and problem areas. Attendance at NAC/SABSM meetings by at least one officer per session.	Peer review of Council projects and problem areas. Attendance at NAC/SABSM meetings by at least one officer per session.

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Perspective 5 - Finance:

The Verifier shall have systems in place to record costs and the management of costs against income streams for the verification process

Text

Task	2009	2010	2011
Measurement of time/ expenditure spent on verification/ non-verification duties.	Introduce / monitor time management system. Gather & collate information Report on findings.	Maintain time management system. Establish the correct level of autonomy for officers re areas of responsibility.	Maintain time management system. Roll out of areas of responsibility.
Determining value for money for the customer.	Establish fees revenue against expenditure.	Aim to return % of profits into Service.	Aim to retain majority of revenue within Building Standards.
Establishment of budget and control of same.	Establish resources needed to achieve Service aims for reclassification as Good or Excellent by SBSD.	Monitor budget requirements against increased legislative burden.	Assessing future budget requirements.
Resources	Review resource need and prepare Action plan on which to base bids for additional resources.	Monitor resources and establish future trends and needs.	Monitor resources and establish future trends and needs.

The Way Forward – Objectives

The preceding tables represent the areas and tasks that need to be tackled to provide a first-class customer based service. This will require substantial investment in many areas.

There are three main objectives:

1. To make the Service fit for purpose in order that the people of Shetland can be confident that their applications will be dealt with in a professional manner.

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2. The service delivery should match or exceed advertised performance levels, as displayed in our customer charter.

3. The service delivery should be commensurate with the charges levied, to demonstrate value for money.

Action Plan

To achieve each of the above objectives it will be necessary to address the shortfalls noted in the external audit report.

The tables shown under each perspective list a number of tasks against each year. Those under the current year are considered to be those necessary to bring the Service to an acceptable standard when re-audited late 2009 – early 2010. The actions under the following years indicate work required to show continuing improvement within the Service and a forward looking approach to possible changes such as the introduction, by Scottish Ministers, of external verifiers.

Conclusions

Since the external audit work has been underway on a number of fronts and successes have already been gained in such areas as improved communication with agents and applicants through the promotion of better quality applications.

Improved standards of applications will result in faster turnaround times for the applicant, and a better experience for everyone involved in the process.

The Service now has a Customer Charter that provides transparency in our work in providing a comprehensive Building Standards service to the community.

Officers are receiving training in a number of subjects in line with their duties and responsibilities. Employee development appraisals will be completed before the end of May 2009 to ensure that training is targeted to individual and corporate needs.

Improved Service delivery will come about through improvements in staff training, staff retention, promotion of the Service, better use of performance measurement, understanding the needs of the customer, and promotion of benchmarking standards that are recognised throughout Scotland.

This Service Plan is a living document and as such is subject to modification in line with the policy of continuous Service improvement.

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Scottish Government
Audit
of
Shetland Council's Building Standards Service

23 & 24 February 2009

The Scottish Government

INTRODUCTION

1. This is the report of an audit of the verification function of Shetland Islands Council's Building Standards Service (the Service) carried out in February 2009. This audit was at the behest of the Head of Service, Shetland Islands Council's Infrastructure Service. The lack of stable consistent management within the Service, over the last number of years (3 Building Standards Managers (BSMs) and 2 interim BSMs within the last 3 ½ years), has led to internal turbulence. Therefore, with the appointment of a new Building Standards Manager in early February 2009 this was an opportune time for audit.

2. The new Scottish building standards system came into force on 1 May 2005. The system is intended to ensure that building work on both new and existing buildings results in buildings that meet reasonable standards. The standards are set out in the building regulations, which are, in the terms of the Building (Scotland) Act 2003, intended to:

  • secure the health, safety, welfare and convenience of persons in or about buildings and of others who may be affected by buildings or matters connected with buildings;

  • further the conservation of fuel and power; and

  • further the achievement of sustainable development.

3. The new system also introduced the role of a verifier. Verification is necessary to protect the public interest by providing an independent check of applications for building warrants to construct or demolish buildings, to provide services, fittings or equipment in buildings, or to convert buildings.

4. The Act also provides for a variety of verifiers should this be required, but at present Scottish Ministers have only appointed the 32 Scottish local authorities as verifiers, each covering their own geographical area. Verifiers have been appointed for a period of 6 years until 30 April 2011.

5. With the introduction of the new system a method of determining performance of verifiers was necessary. Scottish verifiers agreed with the former Scottish Building Standards Agency now the Scottish Government, Building Standards Division (BSD) a balanced scorecard of five perspectives. These are: public interest; private customer; internal business; continuous improvement; and finance. For each perspective the Scottish verifiers have identified their own actions under each of the broad perspective descriptions and provided any additional supporting information. As part of the process the BSD, on behalf of Scottish Ministers, has been appointed to audit the Scottish verifiers approved under Section 7(1) of the Act on their effectiveness. The audit has regard to the individually agreed balanced scorecards and representations made to the BSD by users of the system.

6. As part of the ongoing balanced scorecard process every verifier, on an annual basis must submit a revised scorecard. This provides commentary on progress the Service has made in the previous year and should also detail specific achievement against identified actions. In May of 2008 the Service submitted a revised balanced scorecard. This revised scorecard was not accepted as the Service had not

demonstrated satisfactory progress against their actions in the previous balanced scorecard (2007-08).

7. The majority of verification audits previously undertaken have been an assessment of how a verifier has performed in relation to their submitted balanced scorecard and associated actions. However as the Service did not have an acceptable balanced scorecard in place at the time of audit it was assessed in relation to the original aims of each individual balanced scorecard perspective.

8. The audit process consisted of:
   a. The Service's unaccepted 2008-09 submission of a balanced scorecard incorporating five perspectives,
   b. The Service's submission of evidence to support the balanced scorecard,
   c. Building Standards Division (BSD) review of supporting evidence,
   d. BSD on-site assessment including interviews with key staff, inspection of administration systems and random sampling.

9. The on-site assessment took place at the Service's Headquarters, Lerwick, Shetland on 23 and 24 February 2009.

10. The report is structured under the 5 headings of the balanced scorecard

   1. Public Interest;
   2. Private Customer;
   3. Internal Business;
   4. Continuous Improvement; and
   5. Finance.

Under each is the grey box with the perspective description agreed with the 32 verifiers in 2005. Then are recorded the audit findings, concerns and overall marking. Each of the 5 headings have been graded on the same markings used in all previous verification audit reports.

Excellent	-	**Major strengths**
Good	-	**Strengths outweigh weakness**
Satisfactory	-	**Strengths balance weakness**
Cause for concern	-	**Weaknesses outweigh strengths**
Serious cause for concern	-	**Major weakness**

11. In previous audits if any of the five areas was graded 'serious cause for concern' or two or more gave 'cause for concern' a follow-up audit would be undertaken within three months. The follow-up audit might possibly be conducted by a different team depending on availability. However, it was expected that immediate corrective action was taken on any area graded 'serious cause for concern'. If one

area gave 'cause for concern' a follow-up audit would be undertaken within six months.

12. The following information was provided to describe the Service.

You will find the Building Standards Service of Shetland Islands Council located in the Grantfield region of the town of Lerwick, Shetland. This town serves as the main conurbation and the port of entry for ferry passengers from the rest of the UK and from Europe.

The Shetland Islands represent the most northerly tip of the United Kingdom. Surrounded by the North Sea the full compliment of 100 islands, of which 15 are inhabited, lie approximately equidistant at approximately 200 miles from Aberdeen to the South West, the Faeroe Islands to the North West, and Bergen in Norway to the East.

With a total length in excess of 900 miles the jigsaw shaped Shetland coastline contains examples of rock strata laid down over 2,700 million years ago; others date from the Devonian period, some 370 million years ago, and harbour both fish and fern fossils that predate the evolution of flowering plants, insects, birds and most land animals.

The Shetland culture has a uniqueness of its own, strongly shaped by its Nordic past. Visitors are served by an excellent ferry service and may access the Shetland Islands via frequent flights from the 4 main Scottish airports.

The present Council structure sees the Building Standards Service lying within Infrastructure Services under the remit of the Executive director and the Head of Planning and overseen by the Building Standards Manager. A dedicated clerical officer provides service support to 3 Building Standards Surveyors; technical back up is available from the Council's IT service for the current Fastsuite software administration package.

Visitors to the Grantfield office will find it accessible, and with friendly, competent staff available to answer any queries they may have regarding how the Scottish Building Standards system is implemented in Shetland.

Much emphasis has been put on the recruitment of staff from within the island community in order to preserve available talent and a strong commitment exists to provide the best training possible for all staff.

A flat service structure exists with both technical and business support staff reporting directly to the Building Standards Manager. Officers are proactive within their own area of responsibility in offering a community based service.

Duties covered include the processing of applications for building warrants and inspection of related works. Additional duties include reporting on dangerous structures, licensing enquiries, property certificates, and enforcement of statutory powers where a proactive approach has failed to secure compliance with Regulations.

Professional links are maintained via the membership of the Grampian Liaison Group. All current technical officers are members of the Association of Building Engineers (ABE) at Corporate, Technician or Associate level.

PERSPECTIVE 1 – Public Interest

Verifiers will have in place risk management protocols that will determine the management of work on building warrants and completion certificates.

1.1   The role of the verifier is to protect the public interest by providing an independent check on the building warrant process. This perspective is therefore both wide ranging and the key to assuring quality of verification. Before a building warrant is granted for a project and prior to accepting a certificate of completion for a building a verifier must ensure that the design and construction satisfy the building regulations. As this perspective is the core element of the verification function it is expected that a verifier will have in place robust risk management protocols that determine the management of work on building warrants and completion certificates. Ideally staff should have been involved with the development of these protocols and they should be easily understood and embedded in the building standards service delivery. The protocols should identify elements such as management systems and allocation of workload as they relate to project complexity and staff competencies to ensure that verifiers are competent and consistent in their activity.

Audit Findings

1.2   The Service has been at the stage of developing formal written risk management protocols over the last few years. Implementation of the protocols has only just commenced in the last few months.

1.3   The building warrant protocol is still in its infancy and has not yet been widely and consistently used. It has been developed to various stages by previous building standards managers over the last few years.   The protocol was recently consolidated by the interim Building Standards consultant (appointed May 2008). As the opportunity for staff to provide feedback was restricted the protocol does not reflect the specifics of the Building Standards verification service for Shetland.

1.4   The building warrant application allocation management is based on a two staged process:

    1.   Classification based on application complexity
    2.   Allocation to appropriately competent surveyor

1.5   Application complexity is determined by the BSM and is recorded on the application file. Surveyor competency levels have only been informally ascertained by the interim management rather than being formally identified and recorded. As this is based on limited knowledge there is a potential risk of inappropriate allocation.

1.6   There is evidence to support that the revised written protocol for completion certificates is beginning to work in practice. This builds on the existing informal good practice for dealing with the reasonable inquiry completion process and building standards site inspections.   File sampling also evidenced that properly dealing with

certification (both design and construction) forms a routine part of the verifiers building standards process.

1.7   Both building warrant and completion certificate management protocols are contained within a handbook alongside additional protocols, policies and technical instructions. However, there is some confusion as to what is a protocol, policy or a technical work related instruction e.g. 'Protocol for Inner Rooms'. Whilst all staff were given copies of the Protocol Handbook there was no evidence that these additional protocols were agreed, or are being used at this time. Several of these were also confusing and lacked clarity of intent for example the protocol for 'Dispensations' based on the principles of previous legislation.

1.8   The newly recruited BSM (early 2009) demonstrated a good understanding of the importance of protocols and given time has the opportunity (in conjunction with his colleagues) to review, improve and embed the workings of these protocols

Concerns/Actions

Formalised protocols have been drafted with very little staff input. There is limited ownership of the protocols and they are not currently fully fit for purpose. Robust management of the protocols should be implemented.

Building standards surveyor competency levels need to be formally assessed.

Protocols need to be separated from technical and procedural policies. A greater understanding of what constitutes a protocol is required.

OVERALL MARKING – CAUSE FOR CONCERN

2.1   The Service undertook to have in place by 30 September 2006 the principles of a Customer Charter which would set out their intended actions in relation to: customer guidance information; performance targets and their measurement; customer views and satisfaction analysis; details on accessibility of the service; complaints system; stakeholder engagement; user forums; and promotion of the Service.

Audit Findings

2.2   A partial customer charter exists within a wider Planning Service Charter 2006. Due to the fact that it is embedded within this charter and not documented in its own right it is difficult for customers to locate and use. The Charter lacks specifics regarding Building Standards Service contact details, opening hours and accessibility. It also includes a specific service commitment that is not currently measured.

2.3   Accessibility to the Service is available to customers in a number of ways including face-to-face meetings by appointment or drop-in during office hours, by telephone or by email.

2.4   There appears to be a lack of formal analysis of customer profile, customer needs, customer expectations or satisfaction levels. This hinders the process of developing a better customer experience of the Service.

2.5   There is limited information in relation to customer Key Performance Indicators (KPIs) and confusion over the accuracy of those available. Customers are currently unaware of the level of performance achieved. A desk top analysis, undertaken by the Audit Team, identified that the performance regarding first response to building warrant is well within the Service's quoted target to such an extent that that target should be reviewed and tightened in the spirit of Continuous Improvement.

2.6   In respect to gaining customer insight and feedback, there appears to be no formal or structured process. There was a lack of evidence of customer questionnaires or focus group activity. What is in place are Development Forums, although the principle focus for these is technical in nature to impart information and

awareness. There has been an intention to gain customer feedback at these forums with limited success.

2.7   There is no recorded evidence of poor service either reflected in the KPIs or through the Service's formal complaint system. However, there is evidence of over bureaucratic correspondence relating to building warrant processing. This correspondence with customers while not leading to formal complaints, has allowed customers to express dissatisfaction indirectly through individual conversations with surveyors. There is a general lack of awareness of customer satisfaction or dissatisfaction levels.

2.8   The Service has a range of guidance leaflets which are both available at the Service reception and on the Council's website.

2.9   There have been some improvement actions identified in the past by the building standards surveyors but these were not readily supported by previous management. Other actions more recently re-implemented such as the creation of duty officers demonstrates an intention to expand the accessibility of the service.

2.10   The new BSM communicated a clear expectation of the customer experience he hopes to achieve, displayed a good understanding of customer service and was able to describe elements of a service vision and greater service promotion.

2.11   The BSM's vision combined with a strong desire, by the staff, to provide good customer service should allow an improved team approach to Service development and better customer engagement.

Concerns/ Actions

The Service needs to develop a more fit for purpose Building Standards Service Charter.

The Service should implement processes to better understand their customer needs and satisfaction levels.

Appropriate customer KPIs need to be developed to reflect the customer needs.

Customer service KPIs need to be used routinely in the performance management of the Service.

OVERALL MARKING – CAUSE FOR CONCERN

PERSPECTIVE 3 – Internal Business

Verifiers will have prepared a formal plan for the internal business perspective for the financial year 2006-2007 by 30 September 2005.

3.1   Under this perspective Scottish Ministers expects each verifier to have in place a formal business plan. The business plan should clearly identify how the Service is organised, structured and how it fits into the other Council plans (including the Council's corporate plan). A number of verification business plans will have the balanced scorecard incorporated into them. If not there should be very clear linkage between the two documents.   All staff within the Service should have some knowledge and understanding of the business plan as a minimum. The business plan can also highlight the business processes that the relevant service utilises to conduct its business.

Audit Findings

3.2   The Service has failed to develop a specific Building Standards Internal Business plan. What is in place is a brief reference to actions for 2008-09 within the wider Planning Service Plan.   This does not constitute the requirements of a business plan for Building Standards, and does not provide the BSM with the corporate alignment (from the Corporate Plan) nor gives the direction to run this Service.

3.3   The Council has a clear staff performance management process. However, this has not been cascaded through the planning service into the building standards team for some time.   Staff have not been appraised or had expectations set and agreed. As a consequence the process of staff development and delivery has not been adequately managed.   Despite this lack of process the Building Standards team (BST) have proactively, through their own motivation, driven their own development (including formal education and maintaining CPD) and maintained their own performance levels. This has allowed the BST to maintain a service.

3.4   The Service has recently employed a consultant building standards surveyor as their interim resource solution.   While it has been fairly common practice to employ such consultants there was no evidence provided of consultancy management within the planning service or robust selection procedure for such consultants.

3.5   In terms of communication there are a number of meetings that take place. These include BST meetings and Service management meetings. While the Service management meetings continue there has been a drop off in BST meetings. In terms of these meetings the agenda has been broad but business performance has not been regularly discussed. This evidence supports the finding that there is a general lack of business performance management.

3.6   Where there has been an opportunity for information to be cascaded either from internal or external sources this does not appear to be adequately happening eg feedback from SABSM meetings rarely happens.

3.7   In order to maximise the effectiveness of communication and delivered service when out of the office the BST have access to, blackberry phones, remote email, and can apply for approval of home-working setup.

3.8   The ineffective use of the IT system is hindering the BST's ability to efficiently and effectively manage their Service.   There is no manual system of the management of data.   An example of this is the inability to extract consistent management data, performance data and associated reports.

3.9   In addition to the recently appointed BSM an additional experienced Building Standards Surveyor has been appointed as part of the ongoing organisation structure review.   The Service still has outstanding building standards surveyor vacancies although these are currently being reviewed.

3.10   The dedicated administrative support for the Service is strong.   However as this has been identified as a critical element to providing the Service and there is only one dedicated administrative position this has been identified as a concern.   There is a need to have good desk instructions in place to support the activity of this key post.

3.11   The new BSM recognises the need for a Business Plan and robust performance management processes to provide the foundation for his Service. He demonstrated a strong people focus, a desire to work as a team and to coach and mentor his staff. Even at this early stage, this was evidenced in the interactions with his supporting officers. There has been a recent training needs analysis carried out which is still work in progress but shows the correct intentions towards staff development.

Concerns/Actions

A priority for moving the Service forward is the development of an Internal Business plan and the development of an acceptable balanced scorecard.

The lack of people management processes eg staff appraisals, performance management and development reviews need to be addressed.

There should be robust procedures in place for the engagement and contract management of building standards consultants.

There should be a more structured approach for dissemination of information to all staff in the Service.

The lack of effective IT software is hindering the BST in maximising the effectiveness and efficiency of the Service.

OVERALL MARKING – CAUSE FOR CONCERN

PERSPECTIVE 4 – Continuous improvement

Verifiers will have prepared a three-year strategy for 2006-2009 for continuous improvement by 30 September 2005.

4.1   Continuous improvement is the review of the way in which a service is delivered and the use of that information to improve performance. It is normal to see a structured and meaningful review of how the Service is delivered. This would possibly include external review in the way of customer focus groups, customer surveys, benchmarking activity and seeking examples of good practice from other organisations. Internal review should also be undertaken on performance indicators and making proactive use of the complaints system and staff survey information to drive forward service improvement. By using this information to do something about the Service and demonstrating how it is improving in an upward spiral is referred to by the Audit Commission as "the golden thread of service improvement".

Audit Findings

4.2   The Service does not have a 3 year strategy for continuous improvement and did not demonstrate a strong understanding of the principle of continuous improvement eg an inadequate awareness of the importance of performance measurement in driving an improvement agenda. This is evident from the lack of focus given to establishing actual performance and discussing performance failures as a team. In addition the existence of performance targets that are being well exceeded has not triggered a tightening of the KPI in the spirit of continuous improvement.

4.3   In addition there have been few examples of implemented suggestions, ideas or improvements identified over recent times. However, going forward the BST have now identified some future improvements that they are determined to follow through eg the FastSuite IT Replacement system which will give them better data management capability with which to drive an improvement agenda.

4.4   Currently the Service is a member of the Northern Consortium Group and the Grampian Liaison Group for benchmarking and networking purposes. There is no evidence that anyone, within the Service, is actively benchmarking or networking within these groups.

4.5   The building standards surveyors however confirmed their enthusiasm from attending forums such as Association of Building Engineer (ABE) events and have benefited in the past from networking out with Shetland. These networking forums should be encouraged when economically viable.

4.6   The creation of a robust and appropriate balanced scorecard will provide the agenda and direction for a continuous improvement plan to be developed.

Concern/Actions

A 3 year strategy for continuous improvement is not in place.

A culture of continuous improvement in terms of improvement activity or performance management has not been demonstrated.

There is a need to align targets with actual performance levels in order to maintain improvement.

There should be more active engagement such as benchmarking to inform the Service of best practice.

OVERALL MARKING – CAUSE FOR CONCERN

PERSPECTIVE 5 – Finance

Verifiers shall have systems in place to record costs and the management of costs against income streams for the verification process by March 2007.

5.1   Underpinning all the perspectives should be the efficient and effective resourcing of the verification service. The Finance perspective should develop a system that can record and identify the management costs of running the verification function. It should also identify the income received from building warrant application fees. Verifiers should be able to establish these costs to ensure customers receive value for money. This perspective is also intended to allow Scottish Ministers, for the first time, to identify how much the verification service across Scotland costs to run, and therefore at what level warrant fees should be set.

Audit findings

5.2   The Service does not have a system in place to record the management costs of running the verification Service. However the Service can identify building warrant fee income. The fee income for 2007-08 was £263k.

5.3   Although it was identified, in the 2007-08 balanced scorecard, that the use of an excel spreadsheet would be in position as an interim solution to identify management costs this has not materialised.

5.4   There are financial governance arrangements in place regarding budget setting and monitoring. It is the intention to devolve the financial governance budget setting and monitoring arrangements to the new BSM. Budget monitoring is undertaken on a monthly basis and discussed at the Head of Service's management team meetings.

5.5   It appears to be a financially well resourced Service where the BSM has the ability to make a business case for additional financial resource if necessary. Currently the BSM has provision within his budget to recruit additional staff.

Action/Concern

A priority is the development of an appropriate time recording system to identify verification management costs.

OVERALL MARKING – CAUSE FOR CONCERN

CONCLUSIONS

1. Having carried out an audit of the Service against the five perspectives within the balanced scorecard there is cause for concern in all five areas.

2. Lack of leadership and direction experienced by the Service has caused a period of stagnation with the staff feeling undervalued and demoralised. Some of the interim management solutions have caused further turbulence which has compounded the lack of existing management practice. This affected the fragility of the Service during this period. Despite this the staff have maintained a service delivery which is more than commendable under the circumstances.

3. The Service now needs a period of stability under new management to take ownership and begin delivering against a 3 year business plan, associated balanced scorecard and continuous improvement agenda to move it forward. Support and commitment will be required from the Head of Planning.

4. Public interest protocols need to be reviewed, made fit for purpose and implemented. Staff competency levels need to be formally assessed. This will support a more consistent approach to service delivery going forward.

5. Despite this period of instability there is no evidence provided at audit that customer service has adversely suffered. However there was no factual evidence regarding customer satisfaction levels. There are no formal processes in place to measure customer satisfaction. As a result the Service needs to better understand their customers in terms of their needs and satisfaction levels. They need to ensure these needs are reflected in their customer measures and the service they provide.

6. The Service needs to use its performance KPIs in a more disciplined manner to manage and monitor the delivery of the service. In particular external KPIs need to be promoted and shared with their customer base. In relation to a key KPI being exceeded, in January 2009, there has been a failure to promote this to customers and gain the appropriate recognition.

7. The Service were unsure of the costs of running the verification Service. Therefore no judgement can be made as to whether the fee paying customer is being provided with value for money.

8. In terms of the balanced scorecard there has been little development or engagement over the last 3 years. The consequence of this is that reliable processes to support delivery of the service are missing. Fortunately, due to the existence of a competent committed BST and a manageable level of workload, service has not been detrimentally affected. There is an urgency for a material review of their balanced scorecard.

Next steps

When an audit finds two or more 'cause for concerns' with any of the five perspectives it would normally be expected that a follow-up audit would be undertaken within three months. However, due to the nature of the audit findings, BSD are presently in discussion with the Service regarding the way forward. It is therefore probable that any follow-up audit will be delayed to provide the Service with the opportunity to put in place an action plan for improvement and for such improvements to begin to take effect.

CONTACT DETAILS

Further information about the verification process can be found on the Scottish Government's web site at www.sbsa.gov.uk. The site contains information about the work of the Division and includes a list of contacts covering key areas of work.

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Building Standards Division
Denholm House
Almondvale Business Park
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EH54 6GA

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EXECUTIVE SERVICES

Cost Centre	Code Description	Legal and Admin	Finance	Capital Projects Unit	Chief Executive	TOTAL
GCB6002	Office Accommodation Strategy	151				
SRB2200	Committee Services	120				
SRB3200	Legal Services	3,577				
SRB4000	Service Manager - Insurance & Risk	3,013				
SRB4100	Risk Management	- 7				
SRB4200	Safety	198				
SRB4400	Insurance	565				
SRB6000	Assets Service	4,417				
SRB7000	Contract Standards	2,142				
SRF0100	Finance Office Services		1,931			
SRF2200	Rents & Benefits		5,512			
SRF2300	Income & Recovery		6,001			
SRF2900	Local Taxation		2,341			
SRF3500	Exp Manager (inc payroll/pensions)		25,191			
SRF3600	Payments		2,726			
GCK2000	Feasibility Studies			305		
SRK1000	Capital Projects Unit			1,586		
SRX0150	Chief Executive Office				13,107	
SRX0202	Messenger Svs				2,133	
SRX4100	Personnel P/A/S				9,683	
SRX4101	Psnl-Job Evaluation				829	
SRX4302	ICT Operations				20	
SRX4303	ICT Ntwrk & Technicians				2,949	
SRX4304	ICT Elec Technicians				8,068	
SRX4307	ICT Technicians				9,683	
TOTAL EXECUTIVE SERVICES		14,176	43,701	1,892	46,473	**106,242**

PORTS

Cost Centre	Code Description	TOTAL
PRM0150	Ports Canteen Service	40
PRM2110	Marine Officer	11,087
PRM2111	Launch Crews	10,416
PRM2112	Towage Crews	344,984
PRM2200	Blacksness	8,966
SRM0100	Port-Support Services	512
SRM2000	Port-Ops Management	12,188
VRM3200	Port Engineering Service	35,939
TOTAL PORTS		**424,132**

ECONOMIC DEVELOPMENT UNIT

Cost Centre	Code Description	TOTAL
GCD1570	Wind Farm Development	- 24
SRD0000	EDU Management and Administration	615
SRD1000	Head of Business Development	766
SRD1020	Marketing Support	3,369
TOTAL ECONOMIC DEVELOPMENT UNIT		**4,726**

EDUCATION & SOCIAL CARE SERVICE

Cost Centre	Code Description	Comm Care	Schools	Childrens Services	Housing & Housing Trading	Criminal Justice	ED&SC Directorate (incuding leisure/ library)	Adult Learning/ Train Shetland/ Com Wk	SCOFE	TOTAL
GRA4100	CCFW	2,162								
GRA4110	Health Service	59								
GRA4120	Mental Health Officer	449								
GRA5200	ILP - Project Manager	648								
GRA5210	ILP - Central	3,938								
GRA5220	Stocketgaet	322								
GRA5250	Mental Health Community Support Svs	728								
GRA5600	Banksbroo	6,427								
GRA5620	Newcraigielea	49								
GRA6100	Taing House	44,665								
GRA6110	Viewforth	8,462								
GRA6120	Edward Thom Hs	3,310								
GRA6130	Handypersons	814								
GRA6141	Central - Care at Home	301								
GRA6300	Freefield	36								
GRA8100	North Haven	277								
GRA8110	Overtonlea	1,932								
GRA8120	Wastview	534								
GRA8130	Fernlea	727								
GRA8140	Isleshavn	243								
GRA8150	Nordalea	484								
SRA0000	Head of Community Care	3								
SRA4112	Training	1,783								
SRA5000	Adult Service Manager	824								
GCE1304	AHS Term Dev 2		1,770							
GCE1315	Mid Yell Phase 2		81							
GRE0108	Education Maintenance Allowance		3,090							
GRE1105	Brae Nursery		460							
GRE1121	Mossbank NS		1,355							
GRE1204	Bells Brae PS		11,522							
GRE1210	Dunrossness PS		8,738							
GRE1216	Hamnavoe PS		7							
GRE1217	Happyhansel PS		744							
GRE1221	Mossbank PS		4,063							
GRE1232	Sound Primary		3,887							
GRE1237	Whiteness PS		2,307							
GRE1251	Primary Supply		1,039							
GRE1301	Aith Secondary		4,636							
GRE1302	Anderson HS		29,161							
GRE1303	Baltasound SS		6,371							
GRE1305	Brae Secondary		22,682							
GRE1320	Mid Yell SS		2,569							
GRE1328	Sandwick SS		12,873							
GRE1329	Scalloway SS		3,989							
GRE1334	Whalsay SS		7,746							
GRE1351	Secondary Supply		129							
GRE1360	Halls of Residence		11,771							
GRE1412	Staff Development		110							
GRE1415	School of Ambition	-	15							
GRE1444	Inter Educ		18							
GRE1522	Blueprint		217							
GRE3462	Additional Support Base		1,325							
GRE3470	Support for Learning		150							
GRE3471	AHS ASN		59							
GRE3473	Bells Brae ASN		80							
SRE6901	Admin Education		407							
SRE6902	Catering Support		10							
VRE4002	AHS Catering		159							
VRE4028	Sandwick School Catering		26							
VRE4029	Scalloway School Catering		326							
VRE5016	Hamnavoe School Cleaning		44							
VRE5029	Scalloway School Cleaning		851							
VRE5032	Sound School Cleaning		7							
VRE6002	Public Conveniences		151							
GRG1003	Additional Support Team			6,751						
GRG1004	Blydehaven Nursery			38						
GRG2001	Laburnum			1,655						
GRG2002	Leog			640						
GRG2004	Windybrae			1,144						
GRG2009	Fostering			628						
GRG3001	Family Support			16,336						
GRG5004	Youth Workers			2,007						
GRG5013	NEET			- 26						
GRG6002	Chld Care Strategy			3,216						
GRG6004	Family Centre Services			5,392						
GRG6008	Out of School Care			466						
SRG6000	Family Support Management			3,124						
GRH2094	Support People				7					
SRH2000	Business Support				- 4					
HSH2200	Tenant Part Worker				151					
TRH6001	Trading Revenue Housing				141,749					
GRI0001	Offender Service					2,125				
GRJ1002	Data Sharing Project						668			
GRJ3101	Islesburgh						41,132			
GRJ3107	Parks General						22,578			
GRJ3120	Sports Development						37			
GRL4410	Library						2,148			
SRJ2100	Information						7			
SRJ2200	Staff Management						2,070			
SRJ2300	Administration						- 232			
GRL4121	Evening Class							388		
GRL4125	Adult Literacy Plan							145		
URL5100	Student Service								1,619	
URL5101	IT Technicians								1,176	
URL5103	College Canteen Service								182	
URL5340	Health & Care								171	
URL5391	Emp Engagement								223	
	TOTAL EDUCATION & SOCIAL CARE SERVICES	79,175	144,917	41,371	141,903	2,125	68,408	533	3,372	**481,804**

INFRASTRUCTURE SERVICES

Cost Centre	Code Description	Environment	Transport	Infrastructure Directorate	Roads	Planning	Trading Building Svs	Trading Roads	TOTAL
GRY5101	Landfill Disposal	38,089							
GRY5102	Waste to Energy	28,656							
GRY5104	M.Recycle Facility	835							
GRY5113	Burial Ground Operations	12,149							
GRY5131	Kerb Scheme	2,817							
GRY5133	Glass Re-use	3,678							
GRY5201	Public Toilets	19,929							
GRY5211	Street Cleaning General	24,233							
GRY5221	Refuse Coll General	25,129							
GRY5224	Skip Contract	5,610							
GRY5225	Community Council Skip Contract	230							
GCY5137	Landfill Phs 2	969							
SRY5200	Cleansing Service	3,560							
SRY5400	Environmental Health	2							
SRY5501	Tch/Mn Sup-Building Services	14,371							
GRY7207	Tingwall Airstrip		9,732						
GRY7209	Baltasound Airstrip		58						
GRY7232	Bus Service Whalsay		4,511						
GRY7233	Lerwick Bus Station		13,154						
GRY7253	Special Needs School Transport		6,412						
GRY7254	Social Work Transport		7,793						
GRY7601	Bressay Service		69,184						
GRY7602	Fair Isle Service		6,627						
GRY7603	Fetlar Service		7,580						
GRY7605	Papa Stour Service		7,803						
GRY7606	Skerries Service		35,893						
GRY7607	Unst Service		38,945						
GRY7608	Whalsay Service		112,401						
GRY7609	Yell Service		103,069						
GCY7212	Bressay Link		3,082						
SRY7200	Transport Management		4,252						
SRY7600	Ferry Ops Manager		25,648						
SRY7699	Ferry Book Service		4,191						
SRY0400	Infrastructure Admininstration			2,560					
GRY6711	Surveys & Inspections				15,207				
GRY6721	Winter Service				6,264				
SRY6100	Roads Network				1,889				
SRY6200	Roads Design				7				
SRY6300	Maintenance				13,156				
SRY8200	Development Management					5,487			
SRY8400	Heritage					3			
TRY2301	Maintenance Sch/Bldn						291,533		
TRY2302	Maintenance Street Lighting						12,891		
TRY2342	Cunningsburgh Canteen						- 6		
TRY2344	Care Homes-Fire/Upgrade						8,210		
TRY2345	Baltasound JHS						18,576		
TRY2600	Gremista store						9,075		
TRY9101	Maintenance Surface Dressing							2,609	
TRY9102	Maintenance Winter Gritting							77,902	
TRY9103	Signs Manufacture							355	
TRY9104	Miscellaneous Contracts							14,124	
TRY9106	Maintenance Contract							13,099	
TRY9107	Capital Maintenance Contract							11,836	
TRY9108	Non-Competitive Work							12,205	
TRY9199	Highways DLO Overheads							27,151	
TRY9216	Whitenss Cemetry							49	
TRY9217	N Voe Whalsay							905	
TRY9218	Mid Yell JHS							362	
TRY9301	Small Plant							4,114	
TRY9402	3 Way Tipper Crane							6,678	
TRY9403	16 Tonne Truck							3,894	
TRY9405	Foden Unibody							3,615	
TRY9408	Seddon Unibody							13,274	
TRY9409	Gritting/Tanker Truck							1,048	
TRY9420	Road Rollers							68	
TRY9424	Bmg Rlr L885HPS							322	
TRY9426	Dynapac Roller							678	
TRY9440	JCB 3S							485	
TRY9451	Truck Excavator-11t							1,501	
TRY9453	Case WX90 Excavator							869	
TRY9454	N/Holland Excavator							1,140	
TRY9461	Truck Sprayer							560	
TRY9462	Bitmac Pavers							584	
TRY9463	Biteeli Planer							172	
TRY9464	Chipping Spreader							397	
TRY9471	Johnston Sweeper							1,055	
TRY9499	Transport Man							5,697	
TRY9500	Scrod Quarry							11,359	
TRY9501	Scord Quarrying							1,012	
TRY9502	Scord Crushing							12,592	
TRY9503	Scord Mixing							11,088	
PRM0150	Ports Canteen Service								
PRM2110	Marine Officer								
PRM2111	Launch Crews								
PRM2112	Towage Crews								
PRM2200	Blacksness								
SRM0100	Port-Support Services								
SRM2000	Port-Ops Management								
GCD1570	Wind Farm Development								
SRD0000	EDU Management and Administration								
SRD1000	Head of Business Development								
SRD1020	Marketing Support								
VRM3200	Port Engineering Service								
VRY7295	Fleet Management Unit		82,774						
VRY7695	Ferries Engineering Service		39,404						
	TOTAL INFRASTRUCTURE SERVICES	180,258	582,511	2,560	36,523	5,490	340,279	242,799	**1,390,420**

Shetland
Islands Council

REPORT

To: **Audit and Scrutiny Committee**   **6 May 2009**

From: **Head of Finance**
Executive Services Department

Report No: F-012-F

OVERTIME EXPENDITURE 2008/09

1.   Introduction

1.1   At the Audit and Scrutiny Committee on the 19 November 2008, Members requested information on overtime expenditure. The purpose of this report is to provide Members with this breakdown.

2.   Links to Corporate Priorities

2.1   It is a Corporate Improvement Plan aim that we will further develop Member engagement in systematic performance reporting, review and scrutiny. This report contributes to that aim.

3.   Summary of 2008/09 Actual Overtime

3.1   The following table shows a summary of overtime incurred by the Council in 2008/09. The total costs amounts to £2,407,324 out of a total employee cost of £86,658,858. As you can see from Table 1 Infrastructure Services incurs the majority of overtime.

Table 1 Summary of Overtime by Department	2008/09 Actual £
Executive Services	106,242
Education & Social Care Services	481,804
Infrastructure Services	1,390,420
Ports & Harbours	424,132
Economic Development Unit	4,726
TOTAL	**2,407,324**

3.2 Table 2 below, shows in more detail the service areas where overtime is incurred.

Table 2 Overtime by Service Area	2008/09 Actual £
Administration & Legal Services	14,176
Finance	43,701
Capital Projects	1,892
Chief Executive (inc. Organisational Development)	46,473
Total Executive Services	**106,242**
Community Care	79,175
Schools	144,917
Childrens Services	41,371
Housing	154
Housing Trading	141,749
Criminal Justice	2,125
ED &SC Directorate (inc. leisure svs/library)	68,408
Adult Learning/Train Shetland/Community Work	533
Shetland College	3,372
Total Education & Social Care Services	**481,804**
Environment	180,258
Transport	582,511
Infrastructure Directorate	2,560
Roads	36,523
Planning	5,490
Trading - Building Services	340,279
Trading - Roads	242,799
Total Infrastructure Services	**1,390,420**
Towage Service	344,984
Engineering Service	35,939
Other Ports Services	43,209
Ports & Harbours	**424,132**
Economic Development Unit	**4,726**
TOTAL	**2,407,324**

3.3 Explanations have been provided by the Heads of Service where overtime has been undertaken and is over £50k.

Chief Executive (including Organisational Development)
The overtime worked in this area is mainly split into 3 parts, firstly Town Hall stewards incur overtime to manage functions in the Town Hall outwith normal working hours (£12,819), secondly the Human Resource service has been working additional hours to undertake single status activities over and above normal workload (£10,512) and finally ICT technicians need to work outside

normal working hours to carry out systems upgrades and project work at weekends/nights to minimise disruption to users (£20,720).

Community Care
The overtime expenditure of £79,175 is due to the inability to recruit in all areas of activities, both in management/administration and in care staff, to allow the continuation of service provision.

Schools
The majority of overtime relates to janitors in schools (£120,895). School janitors work overtime when the school is open for after school and evening activities. Most schools also have janitors working overtime at the weekend if there are building works being done in the school. In addition, the Janet Courtney Hostel staff is required to work overtime at the weekend when there are pupils present (£11,770).

Housing Trading Services
The Housing DLO (£141,749) is required to deliver repairs to Council houses outside of office hours. This repair period includes, evening, nighttime, weekend and holiday periods. These repairs are usually repairs of an emergency or statutory nature.

Education & Social Care Directorate
Islesburgh Complex - The overtime costs for Islesburgh in 2008-09 was £41,132, which is £8,518 lower than the previous financial year.

The reason for this level of overtime is that Islesburgh Community Centre is open for a minimum of 105 hrs per week, 7 days per week, 50 weeks per year. Therefore to maintain this level of opening hours and service, a minimum of two shifts of staff are required each day. During periods of staff absences, vacancies or annual leave, where no relief staff are available then existing staff are required to work overtime to maintain service levels, particularly in areas such as the Café, reception, cleaning and stewarding.

Islesburgh Community Centre also hosts a number of large annual festivals such as the Shetland Folk Festival, which require the centre to be open for almost 24 hours a day. Therefore, to accommodate these festivals large amounts of overtime are required of staff. However, this overtime cost is more than compensated for by the additional income that is generated over these weekends. As an example, the Shetland Folk Festival in 2008 generated an income of over £17,000 for Islesburgh, from room hires, cafeteria income and hostel bookings, where as a normal weekend might generate no more than £3,500.

Parks Staff - Overtime cost - £22,578 - During the main outdoor activities season from April to September each year, parks staff are required to maintain all Sport and Leisure Service outdoor areas e.g. Clickimin, Seafield, Gilbertson Park, Knab Golf Course and Jubilee Flower Park etc. All of this work is done during the normal working day from 7.30am to 3.30pm, Monday to Friday. However, virtually all of the use of these facilities is at night times and at the weekends. Therefore, parks staff are required to work overtime to be in attendance when the various facilities are being used by the public e.g. to set up and take down

goals, supervise the changing rooms and use of the facilities, and to be available in the event of an emergency.

Environment

The Landfill is open to contractors for 50 hours a week whereas standard working week is 37, Staff also have to work occasional evenings and weekends to meet ongoing site development works.

Overtime at the Energy Recovery Plant relates to cover for sick leave, additional maintenance when shut down and there is contracted overtime as part of shift pattern.

Overtime in burial grounds relates to grass cutting particularly in the summer months and in response to funerals as and when required.
Overtime is scheduled for street cleansing particularly at the weekends in Lerwick.

Some refuse collection routes on particular days incur overtime to complete the routes. Vehicle safety checks are carried out during overtime by drivers to ensure collection of refuse is carried out by crews during normal working hours.

Transport

Tingwall Airstrip (£9,732) - Staff contracted for 37 hours per week but the airport is open 42.5 hours per week on winter and 53 hours per week in summer. All out of hours emergency flights incur overtime as they do unscheduled inter island flights at weekends in winter. Cover for periods of leave, sickness, training, etc incur overtime costs as Fleet Management Unit (FMU) Garage staff are used to provide cover and overtime is needed to deliver duties of the Garage. This is under review as part of the Transport Service Redesign.

Bus Service Whalsay (£4,511) – Overtime incurred in covering leave, sickness, training, etc. Viking Bus Station (£13,154) - only one permanent member of staff so overtime incurred covering leave, sickness, etc. At the moment cover is provided by a range of staff including Engineers from the FMU. This is an expensive way to provide cover and is under review. Special Needs School Transport and Social Work Transport (£14,205) – Overtime paid to cover leave, sickness, training and cover out of contracted hours.

Ferry Crewing on all routes (Total £381,502). We incur overtime when any of the crew not available for leave (incl. compassionate. leave, medicals, etc), sickness, training, vacancies (there have been several long term vacancies which we weren't able to fill due to lack of applications), breakdowns, dockings and hires. We cannot sail a vessel shorthanded so have no option (other than tie up the vessel). Having said that, as part of the Transport Service Redesign the entire manning system for the ferries is being reviewed. Ferries Engineering Service (Shore based maintenance team & apprentices) (£39,401) Overtime incurred in covering dockings and breakdowns on the ferry fleet.

Transport Mgt (£4,252) – Overtime to cover the high number of public meetings and high workload due to staff shortage in the service. This is being addressed through the Transport Service Redesign. Ferry Ops Manager (£25,648) – Overtime incurred to cover the 4 months that the post of Engineering Superintendent was vacant and to cover dockings (the working day is generally

longer than contracted hours) and breakdowns. Also overtime for callouts and to provide cover to support Transport staff in Lerwick while three post vacant (two posts still vacant). Ferry Booking Service (£4,191) – Staff are contracted to work 32 hours per week but have to work 34 hours therefore 3 staff get paid 2 hours per week at overtime rates. Contracts have now been drafted to put these staff on the same contractual basis as all staff working 34 hours per week therefore overtime payments will no longer take place.

Fleet Management Unit – There have need two lengthy unfilled vacancies in the Garage. The service also has to provide cover for the airport, ASN drivers and cover callouts for services operating vehicles outside normal working hours. Once the Service Manager post that manages this area of the service is filled, one of the main early pieces of work to be carried out is to rationalise this area of the service.

Trading Services - Building Services
The overtime worked by the Technical/Management section was to cover for 3 vacant posts and while this budget was overspent overall there was an underspend on employee costs on this cost centre of about £20,000.

The overtime worked by the stores personnel was to cover the service from 8am to 5pm Monday to Thursday, to 4pm on Friday and 8am to 1pm on Saturday to meet customer service requirements. Stock checks are also done in overtime hours to avoid disruption to other services.

Overtime working by operational staff on the trading account is required to:
- meet services demand, e.g. peaks in workload such as work during the school holiday periods, capital projects, external redecoration, electrical testing, etc.;

- ensure adequate safety controls are in place, e.g. isolate power supply for electrical works;

- provide an emergency call-out service;

- improve efficiency by reducing mobilisation/demobilisation costs; and

- ensure economy by spreading overhead costs over more productive hours hence reducing the unit cost of Crafts employees.

Work is ongoing in consultation with Payroll, Human Resources and Finance services to review overtime in this area, with a view to redefine overtime criteria, explore annualised hours, shift arrangements and increase staffing levels. This will be particularly significant as hourly rates increase and terms and conditions change post single status.

Trading Services - Roads
The overtime total for the Trading Account – Roads in the table above is £243,000. The largest single reason for overtime by Roads staff is to provide the Winter Service, which accounts for about £87k of that figure.

The next largest is the Scord Quarry which accounts for a further £36,000. The operational hours of the quarry are somewhat dictated by customer demand, for example to be able to start mixing bitmac or to send out materials before the normal start time of other staff so that they can be available on site in time for

other staff starting. There is also a need to carry out essential maintenance outwith normal working hours to avoid impacting on production.

There are various reasons for overtime outwith normal hours, for example doing work that requires the road to be restricted or closed at times to minimise traffic disruption, or at times to minimise the disruption to shops or businesses.

Towage Service

Overtime within the towage operation has always been high due to the current:-
- service level,
- staffing arrangements,
- remuneration of the staff and
- rate of overtime payable.

The towage operation currently operates with 4 tugs and maintains a service 24 hours a day for 365 days a year. The manning levels are se by the Maritime and Coastguard Agency. Each Voith tug has a crew of 4 whilst in harbour limits, however, if the tug proceeds beyond the harbour then the manning level increase to six, two of which are on overtime. The older tug Stanechakker is occasionally used to cover for maintenance periods, when it is in use it has a crewing level of six, (2 of which are on overtime). If any of the duty crew is absent, the only option available at present is to cover with overtime. A tug with a crew of three cannot sail.

The staff onboard the tugs are still under TUPE terms and conditions and currently enjoy more favourable recompense than an individual on a standard SIC contract (e.g. overtime is paid at 2 times the average hourly rate which alone counts for approximately an extra £86,000). Long term illness and a vacant post during a lengthy disciplinary procedure accounts for approximately 38% of the towage overtime budget. The dry-dock period (2 tugs this year) accounts for approximately 13%, with the remainder of overtime a result of compassionate leave, maintenance, training, union meetings and additional manning on the Stanechakker.

3.4 To provide you with further detail Appendix A shows overtime expenditure by cost centre.

3.5 Overtime is evenly split between staff types, ATP&C £1,212,406 (50.3%) and manual workers £1,194,919 (49.7%).

4. Financial Implications

4.1 There are no financial implications arising from this report.

5. Policy & Delegated Authority

5.1 In accordance with Section 11.0 of the Council's Scheme of Delegations, the Audit and Scrutiny Committee is responsible for reviewing all aspects of corporate performance.

6. Recommendation

6.1 I recommend that the Audit and Scrutiny Committee note the information contained in this report.

Report No: F-012-F

Ref: Accountancy/HKT   Date: 23 April 2009

Shetland
Islands Council

REPORT

To: **Audit and Scrutiny Committee**   **6 May 2009**

From: **Head of Finance**

Abstract of Accounts and International Financial Reporting Standards
Report No: F-016-F

1. Introduction

1.1 Section 96 of the Local Government (Scotland) Act 1973 requires the Council to prepare an Abstract of Accounts.

1.2 Section 12 of the Local Government in Scotland Act 2003 places a statutory duty on the Council to observe proper accounting practices in preparing its accounts and refers to such practices contained within published codes.

1.3 The Council's Abstract of Accounts follows the accounting practices contained within the Code of Practice on Local Authority Accounting in the United Kingdom, generally referred to (at the moment) as the SORP.

1.4 This report explains to Members how the basis on which the SORP is prepared is changing due to the adoption of International Financial Reporting Standards, the consequent effect on the Council's Abstract of Accounts and the transitional process.

2. The SORP

2.1 In preparing its accounts, the Council is first required to follow statutory requirements, then guidance issued by Scottish ministers and finally proper accounting practices as set out in the SORP.

2.2 The SORP is prepared by the CIPFA/LASAAC Local Authority Accounting Board. CIPFA is the Chartered Institute of Public Finance and Accountancy, an accountancy body with a specific focus on the public sector. LASAAC is the Local Authority (Scotland) Accounts Advisory Committee and it promotes proper accounting practice in local government in Scotland. Its members are drawn from the various accounting institutes, the Scottish Government and Audit Scotland.

2.3 The SORP is currently based on the private sector accounting standards used in the United Kingdom. A fuller explanation of the bodies and standards involved is shown in Appendix A.

2.4 In 2009/10, Central Government will be basing its accounts on the International Financial Reporting Standards (IFRS) and local government will be following in 2010/11. As these standards are set by a different body, there is a new system for preparing the SORP. An explanation of it is shown in Appendix B.

3. Transitional Process

3.1 As noted in 2.4, the Council's accounts for 2010/11 will be the first prepared under a Code of Practice that is explicitly based on international reporting standards.

3.2 The Council's accounts for 2008/09 and 2009/10 will be prepared under the current SORP which is based on UK accounting standards. However, the recent UK accounting standards have been consistent with their equivalent international counterparts and so the SORP and the Council's accounts are already partly based on international accounting standards.

3.3 One of the requirements of International Financial Reporting Standard 1 (IFRS1) is that prior year comparatives should also be provided on the same basis. Therefore our 2010/11 accounts should include comparatives for 2009/10 based on the international standards.

3.4 In order to provide 2009/10 comparatives, it will be necessary to restate the balance sheet as at 31 March 2009, the year end just passed, and also restate the balance sheet that will be prepared for 31 March 2010.

3.5 In short, the Council will in effect have to prepare two sets of accounts for 2009/10; one on the current UK SORP basis and one on the international standards.

4. Effect on the Council's Accounts

4.1 The new draft Code (previously SORP) based on international standards is currently under preparation with a target completion date of September 2009. Some sections of the draft Code have already been released.

4.2 As the final Code is not yet available, it is not possible at the moment to predict the entire effect on the Council's accounts. However, from information already made available, there are some areas that may be subject to considerable change. As an example, three possible changes are discussed in the following paragraphs.

4.3 The basis of valuation of the Council's fixed assets will change as, under the international standards, assets are valued at 'fair value'. Although in some cases this will not actually change the valuation of assets, the Council's valuer will need to assess all fixed assets on the new basis.

4.4 Leases will be treated on a different basis with a split being required between the lease of land and the lease of buildings, with each element being separately classified as either a finance or operating lease. There is also potentially a different recognition of income where the Council leases out a property.

4.5 Staff leave not taken at the balance sheet date may also have to be identified and valued as a potential liability to the Council. This would clearly involve the collection of a great deal of data across the Council.

5. Resource Implications

5.1 It is important to stress that this will not purely be a Finance project but will also impinge on other services of the Council. As indicated in paragraphs 4.3 to 4.5, staff in Legal and Administration and Human Resources are likely to be affected and others may be identified as the final effect on the Council is determined.

5.2 At the moment, Finance staff are working on the accounts for 2008/09 and there is limited capacity to make progress on this issue.

5.3 After the Council's accounts are submitted at the end of June and the audit process is completed by early September, the intention is then to assess more fully the effect on the Council of the change to the international standards and to plan for its implementation. The final Code of Practice should also be available at that time.

5.4 As the private sector has already converted to international standards and Central Government and its agencies are also following a year ahead of the Council, there is already considerable experience and expertise available that the Council could call on, subject to identifying available budget to pay for it.

6. Policy and Delegated Authority

6.1 The Audit and Scrutiny Committee has responsibility for monitoring the completion of the Council's Abstract of Accounts and providing commentary on it to the Council.

7. Conclusions

7.1 The adoption of international accounting standards will affect both the form and content of the Council's accounts.

7.2 The production of the accounts in 2010/11 under these standards will require contributions from a number of Council services.

7.3 The transitional requirements for 2009/10 will require extra work to not only assess and plan for but also to complete without jeopardising the submission of the Council's Abstract of Accounts to the statutory deadline.

8. Recommendations

8.1 I recommend that the Committee note the contents of this report.

Our Ref: DAH/DS/A/9/31
Date: 27 April 2009

Report NO: F-016-F

Appendix A

Accounting Standards Board (ASB)

The ASB is the body that sets accounting standards for the United Kingdom. These standards are called 'Financial Reporting Standards' (FRS) and there are currently twenty-nine of them. All the FRSs since FRS20 are consistent with the standards set by the International Accounting Standards Board.

The ASB also adopted the standards set by its predecessor body, the Accounting Standards Committee, and these are called 'Statements of Standard Accounting Practice' (SSAP). There are currently six of these that haven't been superseded by FRSs.

Urgent Issues Task Force (UITF)

The UITF is a committee of the ASB which issues abstracts on specific accounting issues where conflict in or more than one interpretation has emerged of the FRSs. There are currently thirty five UITF abstracts.

Committee on Accounting for Public-Benefit Entities (CAPE)

The CAPE is a committee of the ASB and is responsible for advising on SORPs for different areas, including local government. The ASB, through CAPE, provides a negative assurance that particular SORPs do not appear to contravene general accounting principles.

CIPFA/LASAAC Local Authority Accounting Board

The body that creates the local authority SORP. It consists of the accounting body CIPFA, the Chartered Institute of Public Finance and Accountancy, and LASAAC, the Local Authority (Scotland) Accounts Advisory Committee.

SORP Setting Process

The SORP is set by the CIPFA/LASAAC Board with reference to the accounting standards set by the ASB and its committees and following consultation with the accounting profession and SORP users. The completed SORP is authorised by the ASB through CAPE as being consistent with accounting principles.

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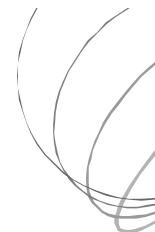# Shetland Islands Council

Annual Audit Plan 2008/09

AUDIT SCOTLAND

January 2009

Shetland Islands Council

Annual Audit Plan 2008/09

Contents

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Summary plan

Summary of planned audit activity

Based on our analysis of the risks facing Shetland Islands Council, our planned work in 2008/09 includes:

- an audit of the financial statements and provision of an opinion on whether:

    - they give a true and fair view of the financial position of the council as at 31 March 2009 and its income and expenditure for the year then ended

    - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2008 SORP

- reporting the findings of our audit risk assessment process in a strategic audit risk analysis, highlighting the key risks being faced by the council, the action under way or planned in response to these and the work we plan to undertake in relation to these. Our risk assessment work is informed by the Priorities and Risks Framework published by Audit Scotland and work undertaken to identify issues and risks which are unique to the local situation

- a review and assessment of the council's governance and performance arrangements in a number of key areas including: capital accounting, pension investments, pension payments and contributions, investments, internal audit, statutory performance indicators, Best Value follow-up, statement on the system of internal financial control and prevention and detection of fraud (including National Fraud Initiative)

- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts.
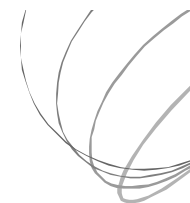
Introduction

1. Our audit is focused on the identification and assessment of the key challenges and risks to the council in achieving its business objectives. We also assess the risk of material misstatement or irregularity in the council's financial statements. This report summarises specific governance and other risks that may affect the financial statements of the council, and sets out the audit work that we propose to undertake in 2008/09 to address these. Our annual audit plan reflects:

- the risks and priorities facing the council

- current national risks relevant to local circumstances

- the impact of changing international auditing and accounting standards

- our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland

- issues brought forward from previous audit reports.

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2. In addition to this annual audit plan, the first audit report of the year we will prepare is a strategic audit risk analysis which will focus on the key perfomance risks being faced by the council, along with other governance risks highlighted through our work. The analysis will identify the action under way or planned in response to these risks, and the work we plan to undertake in relation to these. This risk assessment work is informed by the Priorities and Risks Framework (PRF) published by Audit Scotland, along with work undertaken to identify issues and risks which are unique to the local situation.
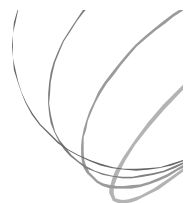
Our responsibilities

3. Our responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

4. Audit in the public sector goes beyond simply providing assurance on the financial statements and the organisation's internal control environment. We are also required to provide a view on performance, regularity and the organisation's use of resources. In doing this, we aim to support improvement and accountability.

5. In carrying out our audit, we seek to gain assurance that the council:

   ▪ has good corporate governance arrangements in place which reflect the three fundamental principles of openness, integrity and accountability

   ▪ has systems of recording and processing transactions which provides a sound basis for the preparation of financial statements and the effective management of its assets and interests

   ▪ prepares financial statements which give a true and fair view of the financial position at 31 March 2009 and income and expenditure for the year then ended, in accordance with the Local Government (Scotland) Act 1973 and other applicable laws and regulations, including the 2008 'Code of practice on local authority accounting in the United Kingdom – A statement of recommended practice' (the SORP)

   ▪ has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption

   ▪ complies with established policies, procedures, laws and regulations

   ▪ proactively manages and reviews its performance in line with its strategic and operational objectives

   ▪ has made proper arrangements for securing best value in its use of resources and is complying with its community planning duties.

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Our approach to the audit of the accounts

6.   Our audit approach is based on an understanding of the characteristics, responsibilities and principal activities, risks and governance arrangements of the council, and identification of the key audit risks and challenges in the local government sector generally. This approach includes:

  ▪   understanding the business of the council and the risk exposure which could impact on the financial statements

  ▪   assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements

  ▪   identifying major transaction streams, balances and areas of estimation, understanding how the council will include these in the financial statements and developing procedures to audit these

  ▪   assessing the risk of material misstatement in the financial statements, in conjunction with our evaluation of inherent risk, the control environment and control risk as part of our risk assessment

  ▪   determining the nature, timing and extent of our testing programme to provide us with sufficient appropriate audit evidence as to whether the financial statements are free of material misstatement.

7.   Through this approach we have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2008/09 includes:

  ▪   comprehensive closedown procedures for the financial statements accompanied by a timetable issued to all relevant staff

  ▪   clear responsibilities for provision of accounts and working papers being agreed

  ▪   delivery of unaudited accounts to agreed timescales with a comprehensive working papers package

  ▪   completion of the internal audit programme for 2008/09

  ▪   management representations on key areas of the financial statements

  ▪   representations from the auditors of the council's associates and subsidiaries within the group boundary.

8.   Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. We seek to rely on the work of internal audit wherever possible and, as part of our planning process we carry out an early assessment of the internal audit function. Internal

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audit is provided by an in-house team within the council. Based on our review of internal audit we plan to place formal reliance on the areas of work set out in Appendix D.

9. Our approach to the audit of the financial statements is based on an integrated assessment of risk across the Code of Audit Practice responsibilities in relation to governance, performance and opinion.

10. At the completion of the audit we will provide the Chief Executive with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Responsibility for the preparation of accounts

11. It is the responsibility of the council and the Head of Finance as Accountable Officer to prepare the financial statements in accordance with the SORP. This means:

   ▪ acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority

   ▪ maintaining proper accounting records

   ▪ preparing financial statements timeously which give a true and fair view of the financial position of the council as at 31 March 2009 and its expenditure and income for the year then ended

   ▪ preparing an explanatory foreword

   ▪ reviewing the main components of the system of internal financial control, including the arrangements for internal audit and group entities. This should include consideration of issues identified as part of the audit process.

Format of the accounts

12. The financial statements should be prepared in accordance with the SORP which constitutes proper accounting practice for the purposes of section 12 of the Local Government Scotland Act 2003.

13. The council prepares a Whole of Government Accounts (WGA) consolidation pack annually for the Scottish Government under the requirements of the Government Resources and Accounts Act 2000. The Act requires the council to prepare its accounts using common accounting principles and standard formats for summarisation.

Audit issues and risks

14. This annual audit plan focuses on governance and other risks specific to the financial statements of the council. Our strategic audit risk analysis will provide a broader analysis of wider risks and issues

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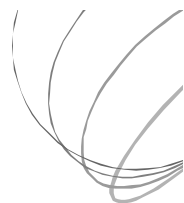
the council faces, setting out our planned work in relation to performance and other governance issues in more detail.

15. Based on our discussions with staff, attendance at committee meetings and a review of supporting information, we have identified the main financial statements risk areas for your organisation.

Financial management

16. For the council to maintain its reserves at £250 million, whilst ensuring sustainability and quality of services, a comprehensive policy led approach to budgeting is required. This would demonstrate which of the council's objectives could be delivered within the resources available each year. It would provide the information needed by the council to prioritise its objectives if the council's reserves were at risk of falling below the target level in the longer term. Although there has been some improvement in the council's budget setting processes, there continues to be a risk that budgets are incremental and budget savings are identified by top slicing without a review of overall priorities and spending needs of the council.

17. Despite the pattern of under-spending in recent years, the estimates for the 2009/10 budget setting exercise exceeds the planned contribution from reserves. The intention is that budgets will be resolved at officer level and there are currently no plans to re-establish the Finance Review Panel (FRP). The Chief Executive and Executive Management Team have met with Heads of Services to identify where budget estimates can be reduced and how budgets can be made more realistic. The expectation is that this will lead to a satisfactory result on the 2009/10 budget exercise.

18. The single status agreement between local government employers and trade unions has been in place since 1999 and involves harmonising the pay and working arrangements for APT&C and manual employees. Job redesign and job families has offered the council a potential way forward that will deliver pay rises to many staff whilst moderating or eliminating the loss to the remaining staff. New proposals have been developed which delivers these objectives to the majority of staff. However some historic working arrangements for particular groups continue to provide challenges, which have yet to be resolved. With the exception of the latter groups, the council remains hopeful that agreement will be reached by the end of the 2008/09 financial year for the majority of staff. The work of the project team has confirmed that delivery of single status pay rises, and the full assimilation of all adversely affected staff to avoid pay losses, will increase the annual pay bill by a projected £4 million. This is in line with the estimates previously reported to council. The council must ensure that these costs are factored into their financial planning. Until the agreements are implemented the council is at risk from unquantifiable equal pay claims.

19. In March 2006, the council agreed a points scoring system to prioritise capital projects. However, in February 2008 the council requested a seminar to review the process and in September 2008 a report was presented to council which outlined a revised process. This was implemented to address members' concerns over their involvement in the points scoring system. This revised process places
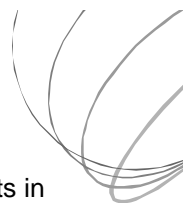
a responsibility on all Boards and Committees to liaise with the relevant services to identify projects in advance and in good time.

20. The council has reported that its capital programme includes projects of £112.491 million to be completed or commenced beyond 2009/10 - 2013/14. As part of this programme, expenditure required to complete projects scheduled for 2009/10 and 2010/11 totals £69.866 million (this excludes the revised estimated costs of £49 million for the Anderson High School Project). However the available funding identified is only £33.200 million, resulting in a funding gap of £36.666 million. Therefore the council need to ensure that the revised methodology is robust and transparent to ensure best value is achieved and the long term financial strategy is met.

Accounts presentation and disclosure

21. We issued a qualified opinion on the financial statements of the council for 2007/08. The 2007 SORP required group accounts to be prepared by local authorities where they have interests in entities meeting the definitions of subsidiaries, associates and joint ventures. Group financial statements are required to present fairly a full picture of the authority's activity and financial position. The council's group accounts did not include the Shetland Development Trust (SDT) and the Shetland Charitable Trust (SCT), and their related subsidiaries. In our opinion, the substance of the council's relationship with these bodies represents a significant interest and their omission resulted in a material mis-statement of the group accounts.

22. In January 2008 a revised structure for the SDT was proposed by the chief executive. In March 2008 the SDT was directly placed within the council's governance structures and the council has stated that the results of the SDT will be included in the group accounts for 2008/09. A report by the Controller of Audit to the Accounts Commission under section 102 (1) of the Local Government (Scotland) Act 1973 was issued in December 2008. The Commission expects the council to take appropriate action without further delay to resolve this situation during the 2008/09 financial year. There is a risk that if the SCT is not recognised within the group entity, the 2008/09 financial statements will again receive a qualified opinion resulting in a further report by the Controller of Audit.

23. In addition to the group accounts issue noted above, the prior year audit of financial statements also highlighted a number of matters to be addressed this year. These issues were reported in a management letter, issued at the conclusion of the financial statement's audit. The council should review the 2007/08 letter as part of the current year's planning process to ensure all relevant issues from the prior year have been addressed. The main issues to be addressed include:
 Fixed Assets

- There were a number of errors identified in the manner in which the council accounted for the disposal of assets. Specifically, these were in relation to the entries within the revaluation reserve and capital adjustment account, and the calculation for the loss or gain on disposals.

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Investments

- It is necessary to formally calculate an effective interest rate where a bond has been purchased at a premium or discount to ensure that the premium/discount is amortised over the life of the bond. The council did not apply this method for inclusion within the financial statements.

- A year end assessment should be made of whether there is evidence that any financial asset or group of financial asserts may have suffered a decrease in its value. The council did not carry out a review of its assets to consider whether an impairment review was necessary.

24. As well as issues identified in last years audit, a number of changes are required by the 2008 SORP which need to be actioned by the council for the 2008/09 financial statements. These changes include:

- changes to reflect amendments made to FRS 17 Retirement benefits. Additional disclosures are required including:

    - the principle actuarial assumptions used at the balance sheet date

    - an analysis of opening and closing scheme liabilities and scheme assets

    - an analysis of scheme liabilities into amounts arising from schemes that are wholly unfunded.

- pension fund requirements have been amended in line with the updated Pension SORP. The main changes include amended and increased disclosure requirements

- clarification that councils can use the direct or indirect method when preparing cashflow statements

- following the publication of CIPFA Guidance *Delivering good governance in local government* references to the statement on internal control have been amended to refer to an annual governance statement. The expectation is that the council will be in a position to move to an audited annual governance statement within the 2008/09 financial statements, subject to resources.

Summary assurance plan

25. Within these identified risk areas there is a range of more specific risks and these are summarised at Appendix A. In most cases, actions to manage these risks are either planned or already underway within the organisation. Details of the sources of assurance that we have received for each of these risks and any audit work we plan to undertake is also set out in Appendix A. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues.
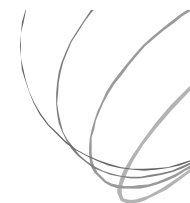
Materiality

26. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

27. International Standard on Auditing 320 states that, *"information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of item or error judged in the particular circumstances of its omissions or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."*

28. When considering, in the context of a possible qualification, whether the misstatement of an item, or a number of items taken together, is material in terms of its monetary value, we use professional judgement, experience and internal guidelines from peers as broad guidance in regard to considering whether the results of tests of detail are material.

29. An item may be judged material for reasons other than its monetary or quantitative value. An inaccuracy, which would not normally be regarded as material by amount, may be important for other reasons. When such an item affects a critical point in the accounts, its materiality has to be viewed in a narrower context (for example the failure to achieve a statutory requirement, an item contrary to law, or areas affected by central government control). Again we use professional judgement, experience and internal guidelines from peers to determine when such matters would fall to be covered in an explanatory paragraph, rather than as a qualification to the audit opinion.

Reporting arrangements

30. Under the Local Government (Scotland) Act 1973, there is a requirement for unaudited financial statements to be presented to the council and the Controller of Audit within 3 months of the financial year end i.e. 30 June. The non-statutory target for audit completion is 30 September. To achieve this target, it is critical that a timetable for the audit of the accounts is agreed with us. An agreed timetable is included at Appendix B of this plan, which takes account of submission requirements, planned audit committee dates and audit resources.

31. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant service manager to confirm factual accuracy. Responses to draft reports are expected within four weeks of submission.

32. A copy of all final agreed reports will be sent to the Chief Executive, Head of Finance, relevant senior manager, the internal audit manager and Audit Scotland's Public Reporting Group.

33. We will provide an independent auditor's report to the council and the Accounts Commission for Scotland that the audit of the financial statements has been completed in accordance with applicable statutory requirements, including an opinion on those financial statements. An annual report to members and the controller of audit will also be produced to summarise all significant matters arising from the audit and overall conclusions about the council management of key risks.

34. All annual reports produced by Audit Scotland are published on our website: (www.audit-scotland.gov.uk).

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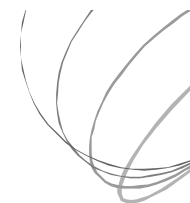
35. The full range of outputs to be delivered by the audit team are summarised below:
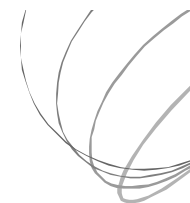
Planned outputs	Target delivery date
Governance	
Strategic Audit Risk Analysis	31 March 2009
Management Letter on Internal Controls	31 May 2009
Performance	
PRF position statements	28 February 2009
Statutory Performance Indicators	31 August 2009
Financial statements	
Financial statements management letter	31 August 2009
Report to Audit Committee in terms of ISA 260 (Communication of audit matters to those charged with governance)	20 September 2009
Independent auditor's report on the financial statements	28 September 2009
Annual report to the Members and the Controller of Audit	30 September 2009
Audit opinion on Whole of Government Accounts	31 October 2009
Grants	
Audit opinions on DWP/Scottish Government grant claims	As required

Quality control

36. We are committed to ensuring that our audit reflects best practice and demonstrates best value to the council and the Accounts Commission. We operate a strong quality control framework that seeks to ensure that your organisation receives a high quality service. The framework is embedded in our organisational structures and processes and includes an engagement lead for every client; in your case this is, Fiona Mitchell-Knight, who is responsible for ensuring that our work is carried out on time and to a high quality standard.

37. As part of our commitment to quality and continuous improvement, we may periodically seek your views. We would be grateful for any feedback on our services.

Fees and resources

38. Our agreed fee for the 2008/09 audit of the council is £258,620 comprising a local audit fee of £196,020, a fixed charge of £62,600. Our fee covers:

▪ all of the work and outputs described in this plan

▪ a contribution towards the costs of national performance studies and statutory reports by the Controller of Audit and the work of the Accounts Commission
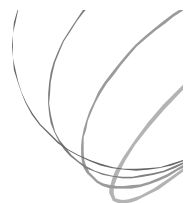
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- attendance at the audit and scrutiny committee and full council (as appropriate)

- access to advice and information on relevant audit issues

- access to workshops/seminars on topical issues

- travel and subsistence costs.

39. In determining the agreed fee we have taken account of the risk exposure of the council, the management assurances in place, and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of the draft accounts and working papers by 30 June 2009. If the draft accounts and papers are late, agreed management assurances are unavailable, or planned internal audit reliance is not achieved, we reserve the right to charge an additional fee for further audit work.

40. An additional fee will be required in relation to any work or other significant exercises not within our planned audit activity. An additional fee will also be charged for work on any grant claims or returns not included in the planned outputs noted previously.

41. Lynn Bradley, Director, Audit Services (Local Government) is the appointed auditor for all local authorities audited by Audit Scotland. In practice, this operates by delegating management and certification responsibilities to Assistant Directors. For the council the Assistant Director is Fiona Mitchell-Knight.

42. The local audit team will be led by Mark Ferris, who will be responsible for the day to day management of the audit and who will be your primary contact. Details of the experience/skills of our team are provided at Appendix C. The core audit team will call on other specialist and support staff, as necessary.

Independence and objectivity

43. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships within the audit team.

44. We comply with ethical standards issued by the Auditing Practices Board and with Audit Scotland's requirements in respect of independence and objectivity, as summarised at Appendix E.

Client engagement across Audit Scotland

45. Due to the wider scope of public sector audit, business groups in Audit Scotland other than Audit Services Group, such as Audit Strategy, the Performance Reporting Group and Best Value teams, may have studies ongoing in your organisation in the course of the audit year.

46. The planned national studies that are relevant to the council over the next year (with expected reporting dates) include:

- review of expenditure on drugs and alcohol services (March 2009)

- asset management in councils (April 2009)

- mental health overview (April 2009)

- review of civil contingencies planning (May/June 2009)

- strategic procurement (spring 2009)

- leisure services (physical recreation)(late 2009 / early 2010).

- roads maintenance follow-up (the study is likely to involve collection of a small amount of information from all 32 councils around summer / autumn 2009 and be reported in 2009/10)

- looked after children in a residential setting (2009/2010)

- delivering efficiencies (2009/10)

- best value and resource management series: topic 1 (spring 2010)

- managing unit costs (spring 2010)

- management of local government pension funds (summer 2010).

47. Further details of the proposed studies can be found on Audit Scotland's website (http://www.audit-scotland.gov.uk/work/forwardwork.php).

48. As part of our move to a more streamlined audit process, your Assistant Director for the local audit in their capacity as the Audit Scotland engagement lead will keep you informed of all Audit Scotland planned audit projects at the council. These are in addition to the audit work described in this annual plan.

49. If you have any queries on any planned work by Audit Scotland in any area, please contact Fiona Mitchell-Knight or Mark Ferris who will coordinate a response to your queries with colleagues as appropriate.

AUDIT SCOTLAND

31 January 2009

Appendix A

Summary assurance plan

In this section we identify a range of governance and other risks that may affect the financial statements of the council, the related source of assurance received and the audit work we propose to undertake to secure additional assurance. The management of risk is the responsibility of the council and its officers, with the auditor's role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.

| Risk	Source of assurance	Planned audit action
Financial management		
Service needs require a policy led approach to budgeting. Incremental budgets and savings that are top sliced incur the risk that budgets will not reflect service need.	▪ well established financial monitoring procedures ▪ systematic budget setting processes in place.	▪ monitor the effectiveness of the budgetary control process ▪ detail results in the annual report to members.
There are significant financial pressures in the council and efficiencies need to be monitored to ensure financial targets and the reserves strategy is met.	▪ efficiency strategy to deliver the required level of efficiencies ▪ efficiency savings have been specifically identified in the 2009/10 revenue budget.	▪ monitor how the council measures efficiencies ▪ detail results in the annual report to members.
The council is exposed to continuing risks while the existing pay and grading structure remains in place where associated costs cannot be fully quantified.	▪ well established financial monitoring procedures ▪ ongoing review of implications of equal pay and single status settlements ▪ budget provision made for settlement.	▪ monitor the effectiveness of the budgetary control process ▪ detail results in the annual report to members.
The council's capital programme is heavily over-subscribed. There is a risk of slippage or that projects may not be delivered and corporate priorities not achieved.	▪ well established financial monitoring procedures ▪ budget provision made for major capital projects such as Anderson High School. ▪ the Head of finance is to chair a senior officer multi-disciplinary working group with the objective of setting out recommendations for best practice on the future management of capital projects.	▪ monitor the effectiveness of the budgetary control process ▪ detail results in the annual report to members.

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Risk	Source of assurance	Planned audit action
Accounts presentation and disclosure		
The council are of the view that the results of the charitable trust should not be included in the group accounts for 2008/09. Audit considers the omission as a material mis-statement of the group entity.	▪ discussions are ongoing between the SCT and the Office of the Scottish Charities Regulator (OSCR). ▪ the council will undertake the required annual review to determine its interests in other bodies for group accounts purposes.	▪ early financial statements planning meeting. ▪ consider the annual review by the council of its interests in other bodies for group accounts purposes.
Financial closure planning process does not take account of additional requirements of 2008 SORP.	▪ review of SORP and updating of closure programme ▪ revised accounts template developed.	▪ early financial statements planning meeting ▪ agreed timetable of early work ▪ report in financial statement management letter.
Fixed asset register		
In both the 2006-07 and 2007-08 financial statements audit identified there were a number of errors in respect of accounting for depreciation and classification of asset additions and revaluations.	▪ the council are to review the accounting practices in place for the compilation of the fixed asset figures.	▪ undertake governance work on the capital accounting systems within the council ▪ review issues during the final accounts work.
Investments		
There is a risk that by not applying the effective interest rate methodology there will be a material mis-statement within the financial statements.	▪ the council are to review the accounting practices in place for investments.	▪ undertake governance work on the investment work within the council ▪ review issues during the final accounts work.

Appendix B

Financial statements audit timetable

Key stage	Date
Testing and review of internal control systems and transactions	31 May 2009
Provision of closedown procedures to audit	31 March 2009
Meetings with officers to clarify expectations of detailed working papers and financial system reports	31 March 2009
Planned committee approval of unaudited financial statements	30 June 2009
Latest submission of unaudited financial statements with working papers package	30 June 2009
Progress meetings with lead officers on emerging issues	As required during audit process
Latest date for submission of management letter on financial statements audit	31 August 2009
Latest date for final clearance meeting with head of finance	31 August 2009
Agreement of unsigned financial statements for audit committee agenda, and issue of report to the audit committee on the audit of financial statements (ISA 260)	20 September 2009
Audit committee date	28 September 2009 (TBC)
Independent Auditors Report signed	28 September 2009
Latest date for submission of unaudited whole of government accounts return to external audit	14 September 2009
Latest date for signing of WGA return	31 October 2009
Annual report and certified accounts presented to Council	31 October 2009

Appendix C
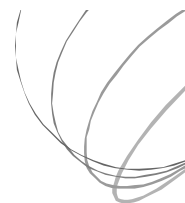
Audit team

Summarised curricula vitae for each core team member are set out below:

Lynn Bradley BSc CPFA CA
Director

Lynn took up post as Director of Audit in January 2005. Originally trained as an auditor with National Audit Office, Lynn has worked in various senior posts in the public and private sectors in Scotland and England. She spent several years working with local authorities on housing and regeneration projects. Before joining Audit Scotland, she was the Section 95 officer in a Scottish Council. Lynn was the co-author of CIPFA guidance on audit committee principles. She is currently a CIPFA council member and the past chair of CIPFA in Scotland.

Fiona Mitchell-Knight BA (Hons) FCA
Assistant Director

Fiona took up post as Assistant Director of Audit in August 2007, following six years as the Senior Audit Manager for a number of local authority clients including Glasgow City Council. Fiona trained as an auditor in the private sector in England, and has 16 years experience of public sector audit with Audit Scotland, covering local government, health and the further education sectors.

Mark Ferris BA FCCA
Audit Manager

Mark has 16 years experience of public sector audit with Audit Scotland, covering local government, health and the further education sector. Mark is involved in a number of working groups within Audit Scotland including leading the Learning and Development group which helps ensure that all staff continue to keep up to date with professional and technical standards. Mark also undertook a joint project in Uganda, with the National Audit Office to develop their approach to local government audit and sits on the International Steering group.

Lynn Brown BA (Hons) CPFA
Senior Auditor

Lynn has almost 4 years experience of public sector audit with Audit Scotland, covering the local government sector. Prior to joining Audit Scotland, Lynn spent two and a half years in an accountancy role within Strathclyde Police.

Carole Grant BSc (Hons) CPFA
Senior Auditor

Carole has 7 years experience of public sector audit with Audit Scotland, covering local government, health and the further education sectors. Carole is a key member of Audit Scotland's professional standards group and learning and development team.
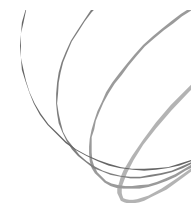
Keira Shepperson BSc (Hons) CPFA
(Senior Auditor)

Keira joined Audit Scotland in October 2001 as a professional trainee and qualified in January 2005. Keira has worked on various audits in the health, local government and central government sectors. Keira has recently returned from secondment to our public reporting group where she helped to produce national reports on free personal care, asset management and the NHS overview.

John Jordan BSc PGDip
Auditor

John joined Audit Scotland in 2008, having previously worked as a contract compliance officer in the criminal justice sector. John has been involved with a number of council audits in 2008 and intends to progress his studies this year to obtain the CIMA qualification.

Allan JG Lapsley BA (Hons), MSc
Auditor

Allan joined Audit Scotland in 2008, having previously worked for a small private metal fabrication company as part of the management and sales team. Allan is currently studying towards his CIPFA qualification.

Pauline Thompson BSc (Hons)
Auditor

Pauline joined Audit Scotland in August 2008 after gaining experience as a property administrator in the private sector, researcher for major charity, policy support for the Northern Constabulary and as a member of the GHA finance team. Pauline is in her first year studying towards the CIPFA qualification.

Adrian Kolodziej MA
Auditor

Adrian joined Audit Scotland in August 2008, having worked previously as a volunteer for Citizen Advice Bureau. Adrian is currently studying towards the CIPFA qualification.

Neil W Robb
Senior Auditor (ICT)

Neil has 16 years experience of public sector ICT audit with Audit Scotland, covering local government, health and the central government sectors. Over the past 3 years Neil has provided technical assistance for data analysis, to support the automated housing benefit grant claim methodology. Prior to working for Audit Scotland, Neil spent 19 years in various IT management, security and operational roles in financial services.

Appendix D

Reliance on internal audit

Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function. Our review of the internal audit service concluded that the internal audit service provided by the in-house team operates in accordance with the CIPFA code of practice for internal audit in local government. We therefore plan to place reliance on the work of internal audit in the following areas:

- statutory performance indicators (partial)

- *payroll*

- *debtors*

- *creditors*

- single *status review*

We will establish internal audit coverage in each area and confirm that testing has addressed the key controls.

Appendix E

Independence and Objectivity

Auditors appointed by the Auditor General for Scotland are required to comply with the Code of Audit Practice and standing guidance for auditors, which defines the terms of appointment. When auditing the financial statements auditors are also required to comply with the auditing and ethical standards issued by the Auditing Practices Board (APB). The main requirements of the Code of Audit Practice, standing guidance for auditors and the standards are summarised below.

International Standards on Auditing (UK and Ireland) 260 (Communication of audit matters to those charged with governance) requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of the fee that the auditor has charged the client

- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the audit and scrutiny committee. The auditor reserves the right to communicate directly with members on matters which are considered to be of sufficient importance.

Audit Scotland's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. Appointed auditors and their staff should avoid entering in to any official, professional or personal relationships which may impair their independence, or might lead to a reasonable perception that their independence could be impaired.

The standing guidance for auditors includes a number of specific requirements. The key requirements relevant to this audit appointment are as follows:

- during the currency of an appointment, auditors should not perform non-audit work for an audited body, consultancy or otherwise, without the prior approval of Audit Scotland

- the appointed auditor and key staff should, in all but exceptional circumstances, be changed at least once every five years in line with Audit Scotland's rotation policy

- the appointed auditor and audit team are required to carry out their duties in a politically neutral way, and should not engage in high profile public party political activity

- the appointed auditor and audit team must abide by Audit Scotland's policy on gifts and hospitality, as set out in the Audit Scotland Staff Code of Conduct.

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MEMO

To: Head of Legal and Admin	**From:** Head of Organisational Development
	If calling please ask for
	John Smith
	Direct Dial: **4513**

Medium: E-mail   **Date:** 29 April 2009
Our Ref: IS/JS
Your Ref:

Committee: **Audit and Scrutiny Committee – 6 May 2009**

Subject: **Audit Scotland Annual Audit Plan 2008-09**

Report No: **CE-15-F**

I enclose a draft report for presentation to the above mentioned committee subject to the comments of the above addressees.

This report does not contain exempt information.

Head of Organisational Development

Enc

Shetland
Islands Council

REPORT

To: **Audit and Scrutiny Committee**   **6 May 2009**

From: **Head of Finance**

CAPITAL PROJECT MANAGEMENT: BEST PRACTICE METHODOLOGY
Report No: F-014-F

1. INTRODUCTION

1.1   The Audit and Scrutiny Committee approved a report on Capital Project Management (F-035-F) at the meeting on 19 November 2008 (Min. Ref. 39/08) which called for the development of best practice guidance for the conduct of capital projects in the Council.

1.2   An officer Working Group was set up to assist me with this task, and it was agreed by the Committee on 4 February 2009 (Report F-005-F, Min. Ref. 01/09) that the Working Group would meet informally with the Committee to discuss this report before its presentation to today's meeting. That informal meeting took place on 23 April 2009, and the findings of that discussion are reflected in this final version of the report.

2. LINKS TO THE CORPORATE PLAN

2.1   This report seeks to continue the scrutiny of capital project management, with a view to promoting best practice. This contributes to the Corporate Plan aim of seeking to ensure the Council is sustainable in everything it does.

3. BACKGROUND

3.1   The subject of capital projects and programmes has been much debated recently, with a wide range of issues and concerns in circulation.

3.2   This report will not deal with the following issues, for the following reasons:

3.2.1   Policy Formulation: this was identified in Report F-035-F as a vital component of developing programmes and projects within a framework which matches aspirations with available resources. This is a wider matter for the Council to attend to through Community and Corporate Planning processes, as well as through service planning and Committee business.

3.2.2   Programme Management and Prioritisation Processes: The Council has struggled with a variety of approaches over a long period of time to find effective ways of managing programmes and on deciding how to allocate finite resources across disparate services to specific projects. At present

the Finance Working Group is working on advice to the Council on this subject, so it won't be covered here. The Finance Working Group will be looking to include best practice in the Council (e.g. STAG) for larger projects.

3.2.3 Another issue, which should be separately addressed in detail is the use of consultants versus the use of in-house expertise. I have stated my view that the Council should employ sufficient expertise to cover all the professional disciplines (including engineering, architecture, quantity surveying, legal, finance) to meet ongoing levels of available work, on the basis that in-house provision will almost always be better value for money. It follows that consultants should only be employed to meet occasional peaks in workload or for specialisms, which cannot be permanently maintained in the Council because the ongoing workload would not fully utilise those resources. Application of this approach would open up the question of whether in-house technical services should be focused into a central corporate team (the old Design and Technical services model) or split between Capital Programme service and devolved into service teams (the current model). Given that this is a big subject, and given that the Finance Working Group is looking at programme management issues, my view is that this should be a matter for that Group to take forward and I will suggest that to them at the next opportunity.

3.2.4 Specific Project Investigations: misgivings have been expressed regarding the history of particular projects, and these concerns have to some degree been met in a variety of forums. For the record my view is that, on the basis of evidence before me from a number of different explorations of a number of projects, I am not aware of any wrongdoing by either officers or Members that would warrant either Internal Audit or me taking these issues further without a proper instruction to do so from the Council. The remit set by the Committee on 19 November 2008 expressly placed the emphasis on developing best practice project management for the future, and that is where the focus will be for the remainder of this report.

3.2.5 Areas Where Guidance Applies: there is a debate to be had over whether this guidance should apply beyond specific capital projects to capital rolling programmes and revenue repairs and maintenance budgets. A very large amount of discretionary spending takes place in these areas, but it is subjected to much less scrutiny than specific capital projects, which in my view is unsound, especially when resources are severely constrained as at present. This is, perhaps, another matter where the Finance Working Group should provide advice to the Council, so it is not covered in this report.

3.3 This report will therefore confine itself to best practice in the management of individual capital projects, from inception to post-completion review.

3.4 The proposals for best practice are drawn from many sources (project management is a well developed subject, and there is no need to re-invent the wheel), but the main ones are the Council's own "Capital Projects Procurement Guidance" (November 2003) and "Managing Successful Projects with PRINCE2" (2005). It is my view that the biggest improvements

in project management in the Council will be achieved by the consistent application of a clear and well understood prescription of how a project should be managed, rather than through new and complex arrangements, which may be variably applied in practice.

4. **CAPITAL PROJECT MANAGEMENT: THE MAIN ELEMENTS**

4.1   The main elements of a system of project management are:

4.1.1   the **stages** that a project should go through from the birth of the idea to the review of the outcome of that project (these stages are addressed in **Section 5** and summarised in a Project Flowchart in **Appendix A**);

4.1.2   the **officers** involved in a project, and the **management structures** within which they operate (the officers and structures are addressed in **Section 5** and summarised in **Appendix B**);

4.1.3   the **roles** and **responsibilities** assigned to officers and bodies within a project (these are addressed in **Section 5** and summarised in **Appendix C**);

4.1.4   the **involvement** of the **Council and Councillors** in project decision making (this is addressed throughout Section 5, but is also addressed separately in Section 6).

5. **PROJECT STAGES, OFFICERS, ROLES AND RESPONSIBILITIES**

5.1   **Project Initiation**

5.1.1   Project ideas may come from a variety of sources. They could be generated by members of the community, statute, regulation, community planning, the Corporate Plan, individual Councillors, committees or particular officers. Wherever they come from, ideas should be referred in the first instance to the relevant member of Executive Management Team, who will be the Project Controller responsible for overall management of the project idea on behalf of the Council.

5.1.2   The first job of the Project Controller will be to assess the project idea against service needs, measuring the idea against statutory and policy priorities to determine whether it could proceed or not. This will involve consultations with officers, Members and other interested parties, but will not involve significant expenditure.

5.1.3   If it is decided that the idea has merit (in terms of service need, statute and/or policy) and could proceed then the Project Controller should determine which options for meeting the service need should be considered. This option appraisal stage should *inter alia* consider what type of infrastructure is required, what sites may be appropriate, what timescale should be applied. As with all aspects of project initiation, costs should be minimised and drawn from existing service budgets at this stage.

5.1.4   The next stage is to develop a business case for the project, which will be done in consultation with the Capital Programme Service to ensure that its proposals are compatible with the capital programme as a whole.

5.1.5   Project initiation will conclude with a report to the relevant Committee and Council seeking outline approval for the project idea and specific approval of a development budget to see the project through the next stage.

5.2   Project Development

5.2.1   Following approval of the project development budget the Project Controller should establish a Project Board to monitor and control the project on behalf of the Project Controller. A Project Board Chairperson (usually the Head of Service for the relevant service area) will be appointed, whose first job will be to develop a Project Brief, which defines the project and the membership of the Project Board and Project Team who will implement it. A key appointment at this stage will be the Project Manager, who will usually be drawn from the Capital Programme Service or Information and Communication Technology teams and will require to have been trained in project management techniques.

5.2.2   It will then be up to the Project Board Chairperson and the Project Manager to lead the Board and Team through a thorough evaluation of project options (usually referred to as a feasibility study), with a view to identifying and recommending a preferred option.

5.2.3   Once the preferred option is identified the Board and Team should develop a procurement strategy, identifying the optimum means of delivering the project (covering issues such as contract structure, contractor selection process, and contractor management) in consultation with other units/departments such as Legal and Administration.

5.2.4   Having identified a preferred project option and a strategy for procuring the project, it will then be for the Board Chairperson to advise the Project Controller on a report to Council seeking outline approval of the project option, budget and procurement strategy, and detailed approval of a design budget for the project. Alternatively, the report might recommend that the project should be rejected.

5.3   Project Design

5.3.1   The next stage is for the Project Manager to work with the Team to generate a detailed design for the project which covers the whole life cycle and cost of the project (both capital and revenue).

5.3.2   If the Project Board Chairperson is content that the project is ready to proceed, he or she will report to Council recommending a revised outline budget and seeking approval to move to project procurement.

5.3.3   With that done, the Project Manager will generate the necessary documents for the procurement process (advertisements, tender documents, contract documents), and will recommend the design and documentation to the Project Board.

5.4   Project Procurement

5.4.1   The Project Manager will now initiate the procurement stage, advertising the contract in accordance with Council Standing Orders and relevant EU procurement regulations. This requires to be progressed in consultation with Legal and Administration.

5.4.2   After the stipulated period the Project Manager will assess all valid responses to the tender process, and will make a recommendation to the Project Board.

5.4.3   The Project Manager will consider the contract proposals and will recommend contract award or otherwise to the Project Board, along with any further amendment to project budget. A report to Committee or Council will only be required if there are significant budgetary and/or technical constraints.

5.5   Project Implementation

5.5.1   The Project Manager will then advise the Project Board on the award of the contract to the successful contractor.

5.5.2   This will be followed by the main stage of the project, namely the implementation or construction stage. The detail will be in the hands of the Project Manager, with assistance from the Project Team, but accountable at all times to the Project Board. The Project Board Chairperson will, in turn, be fully accountable to the Project Controller, who will be accountable to the Committee/Council.

5.5.3   Once implementation is complete the Project Manager will inform the Project Board that it is ready for handover to the service who will be responsible for managing the facility or system in everyday use.

5.6   Project Review

5.6.1   After handover the Project Board and Team will review the project outcome, starting by gathering in feedback on how the project turned out from all relevant consultees.

5.6.2   The Project Manager will report to the Board on the findings of that consultation, and the Board will report to the Project Controller.

5.6.3   The Project Controller will then make a final report to Council recommending any future changes which arise from lessons learned, and to note the closure of the project.

6. COUNCIL AND COUNCILLOR INVOLVEMENT

6.1 There are several key decision stages within a project at which the Council is directly involved.

    6.1.1 Project initiation concludes with the Council being asked to approve the project business case, and to approve a project development budget.

    6.1.2 Project development concludes with the Council being asked to approve a particular project option, outline budget and the procurement strategy already developed by the Project Board, and to approve a project design budget.

    6.1.3 Project design concludes with the Council being asked to approve a revised outline project budget, and to give approval to the procurement process.

    6.1.4 Project procurement concludes with the Council being asked to note the contract award and to approve the revised overall project budget should this apply.

    6.1.5 Project implementation ends with the Council being asked to note that implementation is complete, and to note handover of the project to service managers.

    6.1.6 Project review ends with the Council being asked to approve recommendations relating to lessons learned from the project, should these apply and to note closure of the project.

6.2 In addition to these formal involvements in the management of the project, the Council will also be involved in the relevant decision points and monitoring arrangements for Capital Programme Management as well (which will be dealt with in the detailed advice to Council from the Finance Working Group).

6.3 And in addition to that it is incumbent upon the Project Controller to engage the relevant Committee, Committee Office Bearers and local Councillors in all the consultative stages (option identification, option appraisal, detailed design) as appropriate.

6.4 Project management success is dependent on successful communication and involvement of the Council and Councillors at all relevant stages of the project, and this is acknowledged as an area where greater care and attention is required in future. It is also critically important that at the key decision points Councillors receive and are satisfied that they have all the necessary information and advice before them, such that they are able to make firm and final decisions, which will only need to be revisited and amended where what is proposed does not accord with the previous Committee/Council decision. A key lesson is that where decisions are ambiguous or subject to amendment projects are likely to lose their way, with a real risk of significant waste in terms of time, money and other resources.

7. **FUTURE WORK REQUIRED**

7.1 The key output from this report will be whether the Audit and Scrutiny Committee wishes to recommend the ideas on project management best practice in this report to Council for implementation. If the Committee so recommends, and the Council accepts that advice, officers will need to work up the detail of project management processes (this report is a necessary abridgement of hundreds of pages of detailed project management guidance and practice). My view is that this is work which should be done by the Capital Programme Service in conjunction with the Finance Working Group (who are already working on Capital Programme Management, which is a closely related subject).

7.2 Another key challenge will be to integrate project management processes with programme management processes, which again should be a challenge for the Capital Programme Service working with the Finance Working Group to offer advice to the Council.

7.3 A question not specifically addressed in this report is whether different approaches are needed for different scales and types of projects. My preference is for applying the same generic approach to all projects (whether large or small, capital or revenue, creating new infrastructure or repairing or renewing existing infrastructure), only adapting the generic approach to a particular project as appropriate (perhaps combining some roles or design stages for smaller projects. I know, however, that this view is not universally shared, and almost certainly needs further work, probably also in the context of the work programme embarked on by the Capital Programme Service and the Finance Working Group.

8. **POLICY AND DELEGATED AUTHORITY**

8.1 As described in Section 10.0 of the Council's Scheme of Delegations, responsibility for scrutiny of Council policy, implementation, practices and processes (including those for project management) stands referred to the Audit and Scrutiny Committee. It is ultimately for this Committee to make recommendations for change to the Council and its Committees, who have ultimate responsibility for these matters.

9. **CONCLUSIONS**

9.1 This report attempts to set out clear and simple best practice methodology for future project management in the Council, initially with regard to capital projects but possibly with wider application to other projects as well. It is concluded that the consistent application of such an approach to project management will best meet future needs and challenges.

9.2 There is more work to be done, particularly concerning programme management and how that will integrate with project management, and that work is underway at the Finance Working Group.

9.3 It is therefore concluded that the Audit and Scrutiny Committee should consider the contents of this report, and if so minded pass it on to the Council

and the Finance Working Group as advice to be considered and integrated into their work.

9.4　It will then be up to the Committee to keep all of this under review as a vital part of the Committee's scrutiny role.

10. RECOMMENDATIONS

10.1 It is therefore recommended that the Committee should:

10.1.1　approve as best practice the methodology on project management contained in this report; and

10.1.2　forward the advice in this report to Council and the Finance Working Group to assist them in their work on Capital Programme and Capital Project Management;

10.1.3　keep the subject of capital programme and project management under review as a key part of its scrutiny work.

Date:　28 April 2009　　　　　　　　　　　　　Report No: F-014-F
Ref:　GJ/DS/F/1/1

PROJECT FLOWCHART

Stages	Sub-Stages	Description	Responsible Officer
STAGE 1: INITIATION			
	1.1 Idea raised	Gather in ideas from officers, members, external parties	Project Controller
	1.2 Identify service needs	Review against statute and policy	Project Controller
	1.3 Option appraisal	Decide which options will need to be considered	Project Controller
	1.4 Business case	Develop case for or against project	Project Controller
	1.5 Approve for development	Report to Committee/Council to/not to seek development budget	Project Controller
STAGE 2: DEVELOPMENT			
	2.1 Project Brief	Prepare project outline and management structure	Project Board Chair
	2.2 Feasibility study of options	Full evaluation of options, leading to recommendation	Project Board Chair
	2.3 Procurement strategy	Develop approach to procurement for approval	Project Board Chair
	2.4 Approve for design	Report to Committee/Council to/not to seek design budget and set indicative budget for the project	Project Controller
STAGE 3: DESIGN			
	3.1 Whole life design	Detailed design of chosen option (capital and revenue costs identified)	Project Manager
	3.2 Contract preparation	Create documents for procurement process	Project Manager
	3.3 Approve for procurement	Report to Committee/Council to/not to seek procurement authority	Project Controller
STAGE 4: PROCUREMENT			
	4.1 Expressions of interest	Advertise contract	Project Manager
	4.2 Tender process	Assess responses, leading to recommendation	Project Manager
	4.3 Approve for implementation	Report to Committee/Council to/not to seek implementation and budget	Project Controller
STAGE 5: IMPLEMENTATION			
	5.1 Contract award	Complete contract documentation with approved contractor	Project Manager
	5.2 Contract period	Project implementation/construction phase	Project Manager
	5.3 Handover	Report to Committee/Council to/not to seek handover approval	Project Controller
STAGE 6: REVIEW			
	6.1 Feedback	Gather in opinions on project outcome	Project Manager
	6.2 Lessons learned	Draw conclusions and consider changes for future	Project Manager
	6.3 Approve/revise processes	Report to Committee/Council to seek closure/future changes	Project Controller

Councillor involvement

Monitor
Monitor
Consultee
Monitor
Council decision to/not to develop

Monitor
Consultee
Monitor
Council decision to/not to design

Consultee
Monitor
Council decision to/not to procure

Monitor
Participant at tender opening
Council decision to/not to implement

Monitor
Monitor
Council decision to/not to handover

Consultee
Monitor
Council decision to close project/seek future changes

PROJECT OFFICERS

Body and Membership	Who	Accountable to
Project Controller	EMT member	EMT, Council/Committees, Capital Programme Service
PROJECT BOARD		
Chair	Head of Service	Project Controller
Project Manager	CPS/ICT or other trained officer	Project Board Chair
Senior User	Service Manager	Project Board Chair
Other Parties (as appropriate)	Senior representatives of other interested services	Project Board Chair
PROJECT TEAM		
Project Manager	CPS/ICT or other trained officer	Project Board Chair
Practitioners	Section Heads	Project Manager
Users	Practitioner representatives of other interested services	Project Manager
Consultants	External/internal professional specialists	Project Manager
Contractors	External/internal contractors	Project Manager

PROJECT ROLES

Body and Membership	Role
EMT/Council	To provide a corporate counterbalance to projects, take a broader view of projects rather than a parochial view
Project Controller	Recommends project to Council, liaises with Capital Programme Service, and accountable to Council for project implementation and outcome
PROJECT BOARD	Responsible for overseeing project on behalf of Project Controller, and for supervising Project Team
Chair	Chairs Project Board, and accounts for it to Project Controller
Project Manager	Manages Project Team, and accounts for it to Project Board
Senior User	Provides service perspectives to Project Board
Other Parties (as appropriate)	Provide other relevant perspectives to Project Board (useful for "gate review" of project)
PROJECT TEAM	Responsible for implementing project on behalf of Project Board
Project Manager	Manages Project Team, and accounts for it to Project Board
Practitioners	Provides service perspectives to Project Team
Users	Provide other relevant perspectives to Project Team
Consultants	Provide professional specialisms to Project Team
Contractors	Provide construction or supplier expertise to Project Team

Shetland
Islands Council

REPORT

To: **Audit & Scrutiny Committee**   **6 May 2009**

From: **Head of Organisational Development**

Report No: CE-19-F

Discussion Paper on "Governance" and Shetland Islands

1   Introduction

1.1   This paper is a contribution to the Audit & Scrutiny committee's discussions about the "Governance" of Shetland Islands Council.

1.2   It tries to explain something about what "Governance" means, and its main features.

1.3   It goes on to give some commentary from the Policy Unit on how "Political Governance" operates in Shetland Islands Council at the moment, and discusses some of the issues around possible improvements.

1.4   Appendix 1 to this report is a further discussion paper on this topic provided by Cllr. Wills.

2   Background and Link to Corporate Priorities

2.1   Good governance arrangements are perhaps the most significant factor in any organisations performance, its ability to learn and its capacity for improvement. It was a key feature examined in the Best Value Audit in 2003, and continues to be a key area for external audit scrutiny. I have no doubt it will be an even more significant focus of BV2, the next round of Best Value audits.

3   What does "Governance" mean?

3.1   The term "Governance" is generally accepted to cover how organisations (businesses, Councils, Governments or any other organised body) decide what to do, what resources to spend and how to check on what has been achieved.

3.2   The word has its roots in Greek, and it literally means "to steer". In a maritime community I think that gives us a pretty good idea about its real meaning.

3.3   Both Councils and Ships have to decide on destinations; that gives you an overall direction to steer. They have to decide on a specific course; which gives a detailed route and the relevant compass bearing or GPS co-ordinates to check progress against.

3.4   Governance, like steering a ship, can be complex. Choices between destinations can be hard to make. The shortest course to harbour is not always the quickest, safest or most comfortable. Sometime squalls blow up or the tide changes, and you need to change course temporarily. You might have to replot your course to get back on track to the destination; sometimes you might have to abandon a voyage altogether to save the ship and crew.

3.5   The key questions you should ask at the end of any voyage are.

- Did we choose our destination well,
- Did we plan our course properly and follow it.
- Did we deal with problems along the way; but arrive in one bit, with crew, boat and cargo intact, and reasonably on time.
- Did we learn how to make the journey better another time.

3.6   The fundamental purposes of governance are ;

- agreeing a vision,
- getting organised to deliver it,
- checking progress, and fixing things when they are going wrong
- learning for next time

3.7   The idea of "Governance" can be made to seem complicated and theoretical (so can steering a course), but I don't think it really needs to be.

4   What's the difference between Political Governance and Management?

4.1   Essentially it's the distinction between those responsible for planning the voyage, and those who have to make it.

4.2   Political Governance sets the destination, the general route and determines the size and overall crewing of the ship. Management looks after the detailed course, tacking, changing sails, the speed of the engines and the specific duties for the crew.

4.3   The two groups must know their jobs, and by and large leave the other group to get on with theirs. They should have an interest in each other's responsibilities, and may well be able to offer useful advice. However they must know when they should not interfere. The "Governors" have a key interest in whether the journey was completed successfully, and if not why not. They should never take the helm personally.

4.4   In this paper I am concentrating on Political Governance rather than Management. A new "Captain" is being appointed by Shetland Islands

Council shortly, it is their job to sort out the details of the crew we need. They should be able to explain why they need what they want; but they should expect to be allowed to get on with their job without undue interference.

4.5   Political Governance and Managerial Governance do overlap; there are blurred lines from time to time, especially in a small community (like on a small ship). Ultimately a professional approach from everybody is the best solution to managing the overlaps; rather than any obsession with rules and procedures.

5   What are the key elements for Good Governance?

5.1   There is lots of theoretical and academic analysis in this area, and a number of "best practice" guidelines offered by bits of Government, COSLA, SOLACE, CIPFA etc. etc. etc.

In short they generally summarise Governance into three key areas;

- Leadership and Vision
- Decision Making and Allocation of Resources
- Performance Management and Accountability

5.2   If Shetland Islands Council is doing a good job in each of these areas, then Political Governance is working; if we are not then we should look at how we could be doing better.

6   Leadership and Vision.

6.1   Any successful organisation must have an idea of what it wants to achieve, a "vision". Leadership is about how the many, many alternative, and often competing, goals and aspirations of a community like Shetland, are drawn together into a clear and ambitious view of what we want to achieve.

6.2   It's not enough to write down everything that anybody wants on a long list. It's got to be about listening to all views, but then bringing that together, making choices, negotiating compromises and winning support for a coherent programme. There will always be more alternative destinations than can ever be visited. Leadership is about understanding the complexity of the myriad suggestions, linking them in a coherent and engaging story, then telling it effectively.

6.3   There is no doubt that the leadership challenge is growing for Shetland Islands Council. National government is increasingly requiring the local vision to set the agenda through Community Planning and other partnership activity. They have removed many of the historic restrictions on local choice by removing ring fenced funding and other regulations. The pay back for this is that Councils have to be seen to deliver "Community Leadership" and will be challenged regularly on how well that is being done.

6.4 There are Community and organisational strategies like the Shetland Single Outcome Agreement, the Councils Corporate plan and other strategic documents for the Shetland Economy, Transport, Community Care, Education, Housing etc. etc. The contents of these seem to offer leadership. They also usually offer many more elements to the vision than can be delivered. They also often seem to be pretty much ignored by the Council when serious decisions about "real business" are being made.

6.5 In the past the Council has tried to create "leadership" structurally by the creation of bodies like the "Executive Committee", basically charged with the development of vision and leadership to ensure its delivery. Those attempts at the formal allocation (or restriction) of leadership authority have been unpopular within the Council, and within the wider Community, ultimately they have failed to deliver their objectives and have been abandoned.

6.6 Party politics, with some shared vision among party members and at least some discipline in its pursuit, has also failed after a fairly short experiment locally. There are currently no signs that it will emerge again anytime soon.

6.7 If leadership cannot be created structurally, which I think it cannot, then we must accept that we have a broad "leadership" comprising all elected members. I think that is pretty much what the Shetland community wants, and believes we should have. All members are elected equally; they should all share the leadership challenge.

6.8 If we still want to improve the delivery of leadership then there are only really two other alternatives for improvement. Either through some general change in culture, or a better use of "systems", the way we organise ourselves to get things done.

6.9 Changing cultures is profoundly difficult. "If only we all agreed to just work together better, then everything would be solved". It sounds simple enough, and intuitively sounds like the right thing to do. However in reality it hardly ever works for anything other than the very, very short term. On a number of occasions national governments and opposition in Westminster and Edinburgh have "agreed" on a new dawn of politics to rise above the adversarial mud slinging approach. It has never lasted more than a few weeks because the very nature of an adversarial political system ultimately overwhelms anyone's good intentions. The "system" drives behaviour, as it is the enduring force. Maybe a desperate crisis that overrides all other issues would make it happens; thankfully we are not faced with that.

6.10 My opinion is that using and improving the systems we have already got is far more likely to achieve something. We already have ways to consult about, debate and even agree Shetlands priorities; we just don't take them very seriously. We have ways to provide leadership in the community; we don't always use them well. All it may really need is some hard work to understand how the systems we have got work,

some training and practice to get used to their operation, then some commitment and discipline to follow them through.

6.11 You can't read a chart and plot a course without some training (quite a lot actually). You will never get good at navigation unless you practice a lot. Also you have to be serious about using the charted course to actually guide your journey, or you will probably never even bother taking readings and doing the plotting.

6.12 Leadership isn't about telling people what to do; it's about helping people do the right things for themselves. It's about recognising the key approaches, and the key systems that help to make things happen successfully. Then it's about explaining to people again, and again and again how respecting and using those systems well works for everyone.

6.13 Leadership is also about practising what you preach. If leaders can't be bothered to take the important activities seriously, or won't do things properly, then how can anyone else be expected to.

6.14 Agreeing a vision across a whole community is challenging. Shetland culture is not going to happily hand that job over to one or a few individuals through party politics. Neither is the community ready to allow structures to be created which concentrate power in the hands of just a few members. For the foreseeable future Shetland Islands Council will have a broad based participation in leadership across all members, and any effective Community Planning arrangement will have to do the same. That is a reality, and its actually one of our strengths.

6.15 To make leadership work, leaders should understand that they must respect the systems they are using. They have to really learn how they work, then be disciplined and committed in using them effectively. This will be far more effective in improving community leadership than restructuring without clear purpose.

6.16 At the end of the day using a "system" is just another description for being organised. Ships and Councils both need them. You don't shoot and haul your nets randomly. It's an organised activity where people know the sequence of events and their roles, a "system". Once you've got a good one you stick with it (improving as you go), but you can concentrate on the other keys for success. You know that when you find the fish, your fishing "system" will get them aboard successfully.

7 Decision Making and Allocation of Resources.

7.1 Even if there is a very clear, widely accepted and effectively communicated "Vision" for an organisation or community, that does not actually change anything unless it gets translated into action. This means taking decisions about what to do, and what not to do. It also means allocating the necessary resources to make sure those decisions get implemented.

7.2 The analysis of how our political governance arrangements support that decision and resource allocation activity has many similarities to the discussion around leadership. The same cultural factors can be observed. We have a strong tendency to value a broad based involvement of all Council members and an unwillingness to delegate significant decisions to restricted groups, or indeed to officers.

7.3 The difficulties that approach creates in vision and leadership become even worse when the time comes to make decisions. Because we have many alternative destinations available, the choices and complexity in planning courses to all of them can become overwhelming. The vast over subscription of the Capital Programme is a prime example. It would be equally problematical for any ship's Captain if they had to plan how to get to 100 alternative destinations, and had to prepare 5 routes to each for someone else to choose between.

7.4 I do not believe there is any real likelihood of structural changes improving this situation unless they are specifically addressing particular shortcomings. I see little more chance of enduring cultural change just happening. If things are to get done better it will be by refining the decision support systems we already have, accompanied by a commitment to understand how these systems really work, and a determination to use them the best we can.

7.5 In politics you inevitably get robust debates between alternative interests. However you don't have to repeatedly dismantle and undermine the systems because they occasionally appear to be an obstacle to meeting a specific goal, or don't provide support for the view of a particular group. It never makes sense to throw the compass over the side because some people want to steer West rather than East.

7.6 The allocation of resources is perhaps the most striking example of the current limitations of decision making in support of priorities. The Council has the Shetland Community Planning Partnership's shared priorities and targets right at the top of its Corporate Plan, and central to its Single Outcome Agreement. On the face of it these three prime policy documents give us a clear and agreed direction to head in. However the reality is that the resources actually allocated to deliver these priorities are very limited. Indeed that limited resource allocation has probably reduced since the priorities were developed and endorsed by the Council.

7.7 One conclusion that could be drawn is that agreed "priorities" are not actually taken very seriously as the way to get "real business" done. This is debilitating to the organisation, and undermines decision-making and transparency generally.

7.8 The other key feature of effective "Political Governance", particularly around decision-making and resource allocation, is the need to make the key enabling decisions, and then leave management to get on with delivery. Agree the course, provision the ship but don't try to micro-

manage and control every change of sail, or change of heading. Again that is really achieved through respect for the "system" of delegation rather than any changes to structure.

8 Performance Management and Accountability.

8.1   Performance management and accountability are the areas of political governance where the absolute need to operate systematically is most obvious. Fundamentally there are four questions that need to be asked, and answered, regularly,

- are we still on course to our destination,
- are we on time,
- are we on budget and
- what can we learn for later, or next time.

8.2   All these can be asked during the journey and at the end. They can also be asked in any structure. The important thing is whether they are being asked regularly, being asked seriously, and that something is going to be done with the answers. It's another challenge of understanding the process, training and learning about how to do it well, then doing it consistently and determinedly.

8.3   It's an activity that needs to become important, but it is not simply made important by reports appearing periodically at "important" meetings. The full Council can, and regularly does, approve performance reports on its most significant strategic documents, such as the Corporate Plan and Single Outcome Agreement, without much debate. Respect for the importance of systematic activity is the key. If the outcome of a voyage in irrelevant to the people who caused it to be made, there is really little reason why the crew or officers should care either.

8.4   Leaders also need to be willing to be accountable and subject to performance management themselves. If all questions and responsibility are directed at staff, without leaders participating on an equal footing that will discredit the activity. If the journey was to the wrong destination then that must be accepted, if inadequate resources were provided, or if no one was interested in progress that must also be acknowledged. Expeditions are always a shared activity, not only when they are successful ones.

9.   Policy and Delegated Authority

9.1   Part of the remit for the Audit & Scrutiny committee is *"Carrying out a corporate scrutiny role to evaluate the effectiveness of the Council as an organisation, and ensure that effectiveness is actively monitored and measured" (Scheme of Delegations – Section 10)*.

10   Conclusions

10.1   I have used the parallel between the Council and a ship and its voyages in this paper to try to demystify governance a bit, prompted by the literal derivation of the word. This is not meant to trivialise the issue, or suggest it is not complex. It's an attempt to show that actually "Governance" is mainly about being organised.

10.2   I believe that Shetland Islands Council operates leadership the way it does mainly because the Council is actually a very good reflection of the Shetland community. However I also believe that it has let some of the valuable characteristics of consensus based decision making, and the admirable respect we have for wanting everyone to have an equal say, hinder it from being effective in an increasingly complex world.

10.3   Historically, Shetland communities had few choices at most decision points because of their limited resources. When they did have choices, they usually had a very limited range of options, or they were desperately trying to respond to a severe economic or social crisis, typically starvation, depopulation or the collapse of a primary industry. That background allowed a relatively informal style of leadership, decision making and performance management arrangements to work ok. Most answers emerged through a process of extended community debate, because there were only a few stark answers among which to choose.

10.4   Things have changed a lot recently; there are many more choices, much more complexity, far greater resources, and few true "crises". One of the most insightful observations of the 2003 Best Value Auditors, was that an "intuitive management approach" that had maybe worked ok in the past was now increasingly inadequate, and had to be replaced by a much more systematic approach. That new approach has begun and many of the foundation stones have been laid. We have never really accepted it yet, have not worked hard enough at it, or got good enough at doing it to reap the benefits.

10.5   Extended community debate is still very valuable and necessary, but I believe it has increasingly left Shetland and the Council paralysed by inactivity; often torn between two or three competing options and failing to do anything. We do want to hold onto our strengths of co-operation and consensus, we don't want to empower an elite to "lead" us without our active involvement, but we also know we have to get things done, must respond to change and must prepare for an even more complex future.

10.6   I think we need more discussion and debate on how we do that most effectively. My analysis suggests that concentrating on changes to structures distracts us from the real challenge, and actually sets us back rather than moving things ahead. I think that real improvements are far more likely to come from a discussion of how to build on, respect, value and sustain the systems we already have for deciding;

- where we want to go,

- charting how to get there,
- checking whether we are on course and
- learning how to do it even better the next time.

11 Recommendations

11.1 I recommend the Audit & Scrutiny Committee should consider this paper, and the accompanying appendix, as part of the discussions about the strengths and weaknesses of our Governance arrangements, its performance and potential for improvement.

Date: May 2009
Our Ref: JRS

Report No: CE-19-F

Discussion paper for SIC Audit & Scrutiny Committee by Cllr. J. Wills

Is this really the best way to run our council?

We trained hard… but it seemed that every time we were beginning to form up in teams, we would be reorganised. I was to learn later in life that we tend to meet any new situation by reorganising, and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralisation.

Petronius Arbitor, Governor of Bithynia (died 65AD)

When looking at new and more effective ways to run Shetland Islands Council, it's a good idea to keep in mind this warning from poor old Petronius who, it is said, came to a sticky end after getting on the wrong side of one of Nero's acolytes during a major office reorganisation of the Roman Empire[*]. On the other hand, our council's present structure and ways of working largely result from a reorganisation which, to this former outsider, at least, can look like the sort of corporate snakes and ladders game that an ambitious private sector CEO might have devised in the late 1990s to ensure his board of directors and shareholders gave him as little trouble as possible. The solution to faulty structures and unsatisfactory practices is obvious: improve them; the problem is how to ensure the improvements are real rather than illusory.

What follows is written in hope of promoting an open debate about the way the council's run and how it could be better. The obvious forum for this is the Audit & Scrutiny Committee. In trying to improve things, we have to start by looking at what isn't working as well as it might. So if the following seems unduly negative, let me say that I'm well aware of this council's achievements, notably in education, social care and the environment, where we're some way ahead of most British councils and in some instances are world leaders. I also recognise the extraordinary array of talent and conscientious commitment among the council's staff. We have some very good brains working with us. That's why we need to make sure we're making the best use of them. The last time I was involved in an exercise like this, in 1994, some very senior people who felt threatened by criticism deliberately misrepresented my comments as an attack on council staff. That was not then and is not now my intention. If criticisms are valid, then the fault must lie with elected office bearers, not with the staff, even in the few cases where

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[*] I'm indebted to m'learned friend Jan Riise for this excellent quote, which I'd seen and enjoyed many years ago but subsequently lost track of. It may be apocryphal but it's still apt.

the staff are not up to it (in which case councillors should not have appointed them).

Since returning to the council a year ago, after a break of 13 years (during which, I must admit, I paid less attention to its daily doings than I perhaps should have done), I've noticed the following problems in our own little empire:

1. The political leadership of the council appears to consult much more with senior officials than with senior elected colleagues. For example, there seem to be no regular meetings of office-bearers to discuss the issues of the day, the week or even the month, and to come up with proposals for dealing with problems such as the looming financial crisis. In other words, we have no effective political management team to challenge, monitor and direct the executive team of paid managers and directors. No-one is suggesting that decisions should be taken in private by a cabal – decisions can only be taken by properly constituted meetings - but the political executive ought to be keeping a much closer eye on things. What seems to me to be happening instead is that this function is carried out informally by the Convener and Chief Executive in almost daily conclave, with little involvement of other senior office bearers. This is one of the worst features of our "non-political" system in this council. It is surely not necessary to split into party groups or factions in order to have a functioning political executive.

2. Democratic organisation is weak to non-existent, allowing a powerful Chief Executive and/or Convener (whoever he or she may be from time to time) to dominate the agenda and to exclude most councillors from serious involvement in policy formulation. What seems to be happening is what is known in the trade as "chaos management" where everything is in a constant state of flux and no-one except the centre knows exactly what's going on. This allows a quick-witted Head of the Paid Service (and we've had a few of those) to dominate the agenda and "do it his way" (always his, so far).

3. Agenda management is still quite rigid, making it difficult to have unpopular or unfashionable ideas put on the agenda and, more seriously, creating a façade of official unanimity so that quite serious policy disagreements between senior officials and the executive are not aired at committee as they should be, thus limiting the range, quality and frankness of the advice

available to councillors. The pursuit of corporate efficiency can sometimes result in petty tyranny, to be frank about it.

4. Committee chairs do not seem to have authority to request reports and put items on the agenda without it being cleared with the Chief Executive. Perhaps we need to amend the administrative regulations to give chairs more authority to take the initiative. The recent example where for many months the Chair of Services was effectively bypassed over discussions concerning the proposed new Anderson High School seems to me a particularly deplorable case.

5. There is confusion about the roles of elected members, with no clear distinction between the functions of civic head and political leader and some overlap between chairs and spokespersons. Does this matter? I will argue that it does, particularly where there is no party system in operation.

6. There is even more confusion (in the public mind, at least) over the roles and remits of a complicated network of council committees, sub-committees, boards, joint boards, short-term working groups, informal working groups, panels, forums, seminars and trusts. Whatever happened to KISS (Keep It Simple, Stupid)?

7. The two executive directors have responsibility for such wide areas of council activity that it's probably impossible for anyone to do all their work effectively. Maybe we don't need directors, just managers in charge of the council's different functions, reporting to a chief executive with one or more well-qualified deputies. Or maybe we need four or five directors with fewer responsibilities, as is normal in other councils.

8. There's an assumption that, just because two departments of the council have areas of work where they must co-operate with other departments (for example, Education and Social Care when arranging support for school leavers who need support), it follows that they must be jointly managed. It doesn't. What they need to do is work together when necessary. Joint management has created an unwieldy fiefdom where the director, however intelligent and energetic, is accountable for such an extraordinarily wide range of topics that she cannot possibly have knowledge of everything under her control – yet she must carry the can when things go wrong. The same applies to the truly gigantic and clumsily named Infrastructure empire.

We risk creating a bureaucratic Gulliver (like Visit Scotland after its recent reorganisation along the lines of a petrochemical corporation) instead of an effective working partnership for the benefit of the public.

9. The council has an extraordinarily complicated hierarchy of management job titles – far too many. Like the plethora or different committees and sub-committees, it needs simplifying.

10. The remarkable mismatch between the list of projects on the capital programme and the funds available to pay for them is the result of a) poor political leadership, b) a reluctance to take unpopular decisions and c) the astonishing decision last year to do away with the points system for evaluating projects and listing them in order of priority.

11. Although the council has clear policies on how to manage large capital projects and has had for many years, these do not always seem to have been followed: elementary steps such as setting a budget, agreeing a brief, making a rigorous appraisal of the options, selecting a site and identifying a source of funds have not always been taken in the right order.

12. Council correspondence and papers are littered with corporate jargon that looks designed more to display the power, knowledge, professional qualifications and experience of the writer than to communicate in plain (not necessarily simple) language. This causes problems: messages can become confused (and/or the recipients can doze off); and an almost military pyramid of rank and authority is reinforced, excluding (or, at the least, disparaging and discouraging) dissenters and/or original thinkers. Sloppy language leads to sloppy thinking and it's doubtful indeed whether you really can have what a normal person would describe as a 'thought' when using management jargon intended to impress and intimidate rather than to communicate. We need to stamp out this corporate twaddle – even if much of it does originate with our paymasters in Holyrood - and insist on plain speaking and writing. No, I'm not being snobbish or asking for Pulitzer Prize scripts about ferry fares, just making a plea for clarity (and brevity – but I wouldn't know much about that side of things, as you can see).

13. There have also been some fairly embarrassing grammatical and syntactical deficiencies at the highest level. This does not always impede understanding and communication (because we usually know what they

really mean) but it does make the council look silly. We have a right to expect fluent literacy in senior management.

14. I detect an air of injured innocence about the bad press the council often gets. I know most of our local media representatives personally and while my opinions of them vary I can honestly say I don't detect any systematic bias against the council. Their job is to report news and sometimes news is what we don't want to get out. A bad press is almost always the result of our incompetence – either getting things so badly wrong that the media are bound to portray the council in a bad light or being so useless at communications that even our achievements are ignored or sidelined. I'm not talking about the stream of Town Hall press releases about good news, large and small – they're mostly adequate although it would help if they were more newsy and better written in plain language with the jargon stripped out. Nonetheless, busy newsrooms often use this "rip 'n read" copy almost verbatim.

15. What concerns me is our dull-witted, lumbering, amateurish response to a crisis. Some council political leaders need to sharpen up their performance in newspaper interviews, radio appearances and online (where we hardly exist). Want an example? Why was the highly critical Audit Scotland report on "Strategic Risk Analysis" sat upon (presumably on instructions from the Town Hall) for almost three weeks and only released to councillors a week after the local newspaper had published a useful summary? How embarrassing was that for members? How do we explain it to constituents? How do we look? Did someone think if we hid it for long enough it would just go away? Why wasn't the council leadership out front immediately, saying: "Look, this report we've just received is bad. Yes, it's very bad. That's why we're going to do something about it – and here's what the Convener will be proposing to the next council meeting." Yes, I know that scenario sounds bizarre. And that's the problem. Our media relations are not very good and we don't need a PR agency to deal with it – we have to do it ourselves. We already have quite a good communications strategy, on paper. Why aren't we putting it into effect?

This is by no means an exhaustive list of the problems I've noticed. I have three other part-time jobs so it's hard to find time to read all I should about council business. But the possible remedies I think we should discuss in our

review of the council's administrative arrangements (or "governance") include the following:

1. go back to having an executive committee, composed of senior office-bearers, along the lines of the old Policy and Resources Committee;

2. ensure there are regular informal meetings of senior office-bearers to discuss the issues of the day with senior officials;

3. ask the Convener and Vice-Convener to decide which of them is the civic head and which is the political leader. Both need to spend more time talking to individual members;

4. make provision for annual election or reconfirmation of office-bearers, to allow challenges between elections, in view of the absence of the political checks and balances which would normally be provided by the interaction of party groups;

5. break up the super-departments and have appropriately-sized departments responsible for clearly defined areas such: as Education;, Social Care & Housing; Roads & Transport; Legal & Administration; Planning & Environment; Community and Economic Development' etc, with each department reporting to its own committee so there can be detailed public discussion of the issues, which is often not possible at the existing super-committees;

6. make committee chairs the spokespersons for their subject areas, to clear up the present confusion (in the public mind, at least) between chairs and spokespersons;

7. give committee chairs more authority to put items on agendas and to request reports;

8. add the agenda item "Topics for future discussion" to the business for all meetings (as Audit & Scrutiny already does), to make it easier for individual members to raise topics that the administration may not wish to discuss;

9. have fewer fancy names for what in effect are all sub-committees of various kinds;

10. review the roles and remits of the two executive directors;

11. look at simplifying and streamlining the jobs hierarchy in council management;

12. consider moving the Internal Audit out of the Finance Section to reinforce and underline its independence;

13. restore a points system for ranking capital projects in order of priority;

14. lay on a crash course in media relations for senior office-bearers and officials;

15. declare war on jargon of all kinds;

16. get rid of the awful corporate Arial typeface which makes council documents so hard to read.

Hopefully members of the Audit & Scrutiny Committee will wish to discuss some of these ideas further, along with the suggestions that we hope to receive from councillor colleagues and officials, and in due course to ask for a report we can debate before making recommendations to the full council.

I'd be glad to hear from colleagues, in public or in private, what they think of these suggestions and I look forward to the debate.

<div align="right">
Jonathan Wills
An independent councillor for Lerwick South
20th April 2009
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Sustainable Economy (Wealthier and Fairer) – All Actions led by Economic Development Service.

Traditional Industries	
We will:	**Progress:**
Support 5 new, capable crews to be working in the white fish catching sector and replace 8 existing vessels	Loans approved for 3 new crews.
Initiate 4 fishing infrastructure projects, creating 50 jobs, by 2011	3 projects supported by loans 5 projects assisted by grants
Develop 4 projects aimed at promoting aquaculture as versatile, profitable and efficient	3 projects supported by loans. 6 projects assisted by grants.
Work with the North Atlantic Fisheries College (NAFC) to gain a better understanding of optimum growing conditions in the aquaculture sector	One project supported. Others under consideration.
Encourage the development of a shipping link to continental Europe and maintain direct air links between Shetland and London and Shetland and Bergen	Bergen air link supported in 2008. Work to achieve shipping link has not been successful so far.
Develop 4 new commercial attractions for visitors	Grants awarded for Sumburgh Head project, Mareel and new Scalloway Museum (+4 smaller projects)
Achieve 4 significant quality improvements in accommodation and food provision	Grants awarded for Fair Isle Bird Observatory and Belmont House project (+5 smaller projects)
Devise and implement 4 tourism projects that drive up quality standards	Promote Shetland project approved.
Achieve 10-15% direct growth in income in the agricultural sector	Not measured for 2008 so far. 2008 figure expected to be an improvement on 2007.
Facilitate the development of new production methods for the finishing of animals	Support for feeding crops included in Shetland Agricultural Business Scheme
Encourage the use of local produce in public sector establishments	Shetland Food Festival successfully

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	introduced in 2008
Ensure all assistance schemes help towards finding market-led solutions (particularly in meat products and wool)	2 projects supported. 2 under consideration
Encourage projects that seek to position Shetland as a premium supplier of textiles to a discriminating market	2 projects supported
Foster the best possible understanding of the market and market opportunities among local textile makers	10 textile projects offered marketing assistance
Foster output growth in the textile sector by 10%	Not measured so far
Support 4 projects through commercial investment or grant assistance	Support for commercial production of textiles at Shetland College
Encourage delivery of raw gas from the Laggan gas field, commitment to Rosenbank/ Lochnagar, Phase II of Clair field development and refurbishment of the terminal's crude tanks by 2011	SVT preferred option to develop onshore processing of Laggan gas
Complete the Sullom Voe Oil Terminal Port Study in 2008 and have 2 projects committing inward investment by 2009	In progress. TOTAL engaged in feasibility study for gas plant. One other project under consideration.
Promote Sullom Voe Oil Terminal as a centre for ship-to-ship oil transfer, attracting new business in this area, wherever possible	Being progressed by Ports and Harbours
Engage with service providers, when necessary, to strengthen Shetland's ability to retain and attract work. This will be done with the aim of attracting 2 further large-scale decommissioning projects by 2011	Decommissioning team engaged in attracting more work to Shetland.
Further improve and develop port facilities and services to attract vessels serving the new oil and gas	Feasibilty study into dry dock/heavy lift equipment to begin soon.

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fields West of Shetland	

New & Emerging Industries	
We will:	**Progress:**
Devise and implement a Creative Industries Strategy that recognises the contribution which the creative sector can make not only to Shetland's economy but to the quality of life in the islands	Research into Creative Industry sector completed. Strategy to be progressed before the end of 09/10.
Achieve integration of the fibre-optic cable	Project at decision taking stage.
Maximise broadband speed (4-8MB) and extend coverage to at least 80% of Shetland's population by 2011	2 radio broadband pilot projects underway in Vidlin and Fetlar
Support the establishment of a 'point-of-presence' site and 20 new businesses dependent on high-speed datalinks, offering direct employment to 60 people	POP depends on integration of the fibre optic cable as does high speed datalinks
Support 20 new businesses to offer direct employment to 40 people	Support provided for 5 creative sector new businesses

Renewable Energy	
We will:	**Progress:**
Seek to support the case for establishing a fixed interconnector to the UK mainland by 2012	Being progressed as part of the Viking Energy study
Seek to provide support in developing Viking Energy's proposals to the submission of the Electricity Act application	Nearing planning application stage – project transferred to Charitable Trust.
Support 2 renewable energy projects in the marine environment and 4 in the terrestrial environment	Support provided for 9 terrestrial renewable energy projects.
Consolidate the PURE hydrogen project in Unst and the integration of low-energy technology in local	PURE project supported through Interreg "Cradle to Cradle Islands" scheme.

building standards for business projects	

Marketing	
We will:	**Progress:**
Establish and implement, with our partners, a marketing strategy for Shetland that will focus on encouraging the development of products and services of high quality that can be promoted with confidence to appropriate markets	Marketing Strategy approved by Council. Approach to be updated with inclusion of Promote Shetland element
Undertake market research and make the results, and advice stemming from it, available to relevant Shetland businesses	Market research projects completed on : Shetland's Internet Presence; Marketing Skills in the Knitwear Sector; and, Customer Attitude survey
Hold an annual marketing conference featuring the Shetland Marketing Awards	The need for this is being reconsidered
Create a 'Shetland Brand book' and an associated website, aimed at local businesses and service providers, that will explain the steps needed to create and maintain Shetland's reputation in its target market and provide market intelligence	Project should be completed in early summer 2009
Establish www.shetland.org as a user-friendly electronic entry point to Shetland aimed particularly at those wishing to work in Shetland or move their business here	Achieved successfully
Develop, support and improve events, in and beyond Shetland, that build Shetland's reputation and reinforce confidence in the community, including particularly the Johnsmas Foy, and organise 'Shetland Hamefarin 2010' and 'Tall Ships 2011' as high quality, successful events	Good progress on Tall Ships 2011, Hamefarin 2010, Johnsmas Foy. Also prospect of A Year of Island Cultures 2011. Work in progress on Shetland Events Strategy.

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People and Community	
We will:	**Progress:**
Support 8 projects engaged in community enterprises	8 projects supported
Engage with agencies and community-based groups to identify projects that help to retain active rural populations	Regeneration policy adopted and support in place for Northmavine and Fetlar project. Investment in Fetlar berthing facility.
Facilitate a project to identify more effective ways to provide child care support for working parents	Childcare strategy being led by Services committee. One project supported.

Business Guidance and Engagement	
We will:	**Progress:**
Ensure the effective operation of the Business Gateway	Business Gateway introduced as Council service
Engage suitable qualified mentors to assist with the achievement of business aims during 2008	Business Adviser list set up.
Set up and develop 'Agriculture', 'Fisheries', 'Tourism' and 'Industry' Panels during 2008	Panels in operation
Investigate the re-creation of the 'Shetland Chamber of Commerce'	Not progressed. Little evidence of industry support.

Sustainable Society

Community Care		
We will:	**Lead Service**	**Progress:**
Complete a redesign of dementia and homecare services to make sure we can meet needs into the future	Community Care	Long term care review approved January 2008, together with proposals for Isleshavn replacement. Dementia redesign project approved January 2008, alongside plans for the redevelopment of Viewforth
Complete a review of services for long-term	Community Care	Feasibility Study for Eric Gray Resource Centre Replacement

care, young adults with physical disabilities and the Eric Gray Resource Centre		approved February 2009
Complete the strategies for long-term mental health and joint respite care	Community Care	Shetland Mental Health Strategy approved October 2007
Complete feasibility studies or necessary capital works including Viewforth and Isleshavn Care Centres	Community Care	Work started on the funding for a temporary care home at Montfield, Lerwick. Capital Budget for fees approved for 2009/10 to progress Viewforth and Isleshavn projects
Progress the joint occupational therapy service and resource centre	Community Care	Capital Budget for fees approved for 2009/10, to progress design works
Continue to promote partnership working with the Voluntary Sector	Community Care	Carer Information Strategy approved October 2007. A Standardised Approach to Service Level Agreements approved May 2008 Advocacy Development Plan approved June 2008 Commissioning Strategy approved February 2009

Children's Services		
We will:	Lead Service	Progress:
Complete the review of the Children and Young People's Strategy	Children's Services	Approved June 2008
Develop the range of opportunities and services for young people who have left school but who are "not in education, employment or	Children's Services	Ongoing

training"		
Consider investment decisions on the replacement of Leog, Laburnum and the Bruce Family Centre	Children's Services	Funding for Leog Replacement works approved in recent Capital Programme prioritisation process. Funding for fees to develop Laburnum and the Family Centre approved as part of the recent Capital Programme prioritisation process
Work out ways to minimise the fragility of childcare provision (for reasons of, for example, low numbers, travelling distances, volunteering commitment, training and management support) and actively support additional childminding services	Children's Services	Emerging Themes and Principles to support a Childcare Strategy approved February 2009

Schools		
We will:	**Lead Service**	**Progress:**
Ensure a model for education is developed by 2009 that considers the educational and financial viability for schools and communities and its outputs are then implemented	Schools	Blueprint principles, following extensive period of consultation, approved February 2009 to take forward to Action Plan
Consider the development of 'Centres for Excellence' and build on existing high quality facilities	Schools	As above, for Blueprint
Improve our teaching facilities by completing the new	Schools	Approval given to proceed with the submission of a Planning Application for the Anderson High School in

Anderson High School and Mid Yell Junior High School		February 2009. Approval given to proceed to Early Contractor Involvement for Mid Yell Junior High School; negotiations continuing to bring costs within approved budget
Seek to increase the percentage of primary 3, 4, 6 and 7 attaining or exceeding minimum 5-14 levels for their stage in Maths, Reading and Writing	Schools	Provided in Attainment in Schools Report, October 2008
Increase the percentage of pupils who achieve at least 5 Standard Grades at level 4 or above by the end of Secondary 4	Schools	Provided in Attainment in Schools Report, October 2008

Further and Higher Education		
We will:	**Lead Service**	**Progress:**
Increase the numbers, retention and achievement rates in both further and higher education	Shetland College	Performance reported regularly through Board of Management
Work with partners to support emerging and changing industries such as the creative arts, music and textiles by making high quality training and development available	Shetland College	Plans progressing for new course in Arts and Regeneration and in Music. Recent acquisition of new machines for textiles

Health Improvement		
We will:	**Lead Service**	**Progress:**
Develop and implement a Healthy Weight Strategy to	Environmental Health	Healthy Weight Strategy published October 2008 now being implemented

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address obesity and weight issues, by promoting and improving access to healthy local produce and promoting active lives and mental health and wellbeing		
Undertake activities to promote mental wellbeing and build emotional resilience in all communities to enable everyone to overcome barriers and achieve their full potential	Environmental Health	Anti Social Behaviour Activities and funding has been targeted at groups and communities most at risk-midnight football, Outdoor group activities, Arts Projects, Community Problem Solving.
Implement the Tobacco Control Strategy to reduce the percentage of the population that smokes or is exposed to second hand smoke	Environmental Health	Tobacco Control Strategy is being implemented by NHS, SIC and Northern Constabulary in partnership
Continue to promote the Drink Better Campaign, implement the SADAT Action Plan and use our Alcohol Licensing powers to protect and improve public health	Environmental Health	New Licensing Act comes into force 1st September 2009, the Licensing Forum was set up in early 2008 to review the Licensing Board Policy. Applications under the new act are being considered to determine whether the Licensing Objectives are being delivered

Culture, Recreation and Community Development		
We will:	Lead Service	Progress:
Deliver the actions set out in a refreshed Cultural Strategy, Active Schools Programme, Sport and Recreation Strategy, Community Learning and Development Strategy	Education & Social Care	Draft Refreshed Cultural Strategy currently out to consultation. Sport and Recreation/ Active Lives Strategy being developed. Draft Skills and Learning Strategy will encompass Community Learning and Development Strategy. Shetland Literacy and Numeracy Plan updated annually.

and Shetland Literacy and Numeracy Plan		

Deprivation and Social Exclusion		
We will:	**Lead Service**	**Progress:**
Make sure services work less in isolation and treat individuals and households as a whole rather than in relation to service-specific issues	Policy Unit	Ongoing implementation of joint working and client centred initiatives such as Single Shared Assessment.
Promote our work to the Scottish Government as a better way for rural deprivation to be understood and tackled	Policy Unit	Growing acceptance from the Scottish Government that the SIMD alone is insufficient for targeting depravation led funding.
Work with stakeholders to identify the level and extent of deprivation and social exclusion and develop strategies and policies to address these issues	Policy Unit	Ongoing activity in Poverty Reference group and implementation of Fairer Scotland Fund initiatives.
Revisit the Deprivation and Social Exclusion Study in 2009, to see if progress has been made in addressing people's quality of life and ability to participate fully in society	Policy Unit	Planned activity for 2009-04-27
Reduce the number of households experiencing Fuel Poverty by targeting grant assistance, education and advice	Environmental Health	

to those people most likely to be living in fuel poverty and campaigning for the control of fuel costs for those on lowest income		

Community Safety		
We will:	**Lead Service**	**Progress:**
Increase the feeling of being safe, secure and inclusive within the community by 20%	Community Safety Partnership	Your Voice survey in Spring 2008 found that 96.25% of people felt that the area they live in is very safe or fairly safe
Reduce the incidence of vandalism by 15% by the end of 2007/8	Community Safety Partnership	There was a slight increase from 247 incidents in 2006/07 to 255 incidents in 2007/08
Reduce the incidents of repeat domestic abuse victimisation by 15%	Community Safety Partnership	There were 48 incidents in 2007/08
Reduce the number of people killed or seriously injured as a result of road accidents by 40% by 2010	Community Safety Partnership	In 2007/08 5 people were killed and 4 seriously injured
Reduce the number of fire fatalities and injuries in Shetland homes by 10%	Community Safety Partnership	In 2007/08 there were 0 fire fatalities

Housing		
We will:	**Lead Service**	**Progress:**
Work with the Scottish Government to resolve Shetland's outstanding housing debt	Housing	No longer applicable
Investigate ways to invest in existing	Housing	Options Paper approved February 2009, alongside Strategic Housing

general and special needs housing, as well as new builds, throughout Shetland specifically aiming to provide an additional 100 affordable and or social housing units by 2012		Investment Plan
Find ways of securing affordable and sustainable housing with partner organisations	Housing	As above
Improve services that prevent and alleviate homelessness in Shetland	Housing	As above, plus Allocations Policy Review approved February 2009
Work in partnership with Social Care, NHS and the Voluntary Sector to review Shetland housing provision to ensure it is fit for 21st Century purposes	Housing	Completed February 2009, with 3 pilot projects to run for a period of up to one year

Sustainable Environment & Transport

Protection & enhancement of our natural environment		
We will:	**Lead Service**	**Progress:**
Adopt the local Development Plan by 2011	Planning	The first stage will be to produce a Development Plans Scheme, which outlines timescales for the various stages in achieving adoption of the new Development Plan by 2011 and includes a Participation Statement of How/Who/When consultation will be occurring throughout the process. The Main Issues Report will be produced later this year flowing from the Monitoring Statement. It should be noted that progression is subject to the release of Planning Regulations

		from Scottish Government in the next few months
Develop a framework for integrated sustainable management of the marine environment by June 2008	Planning	Draft guidelines are now available which are subject to further consultation
Complete the Core Path Plan, promoting at least one existing designated site (e.g. SSSI, NSA etc.) as a community resource by 2008	Planning	Plan complete; plan will be presented to the Council for adoption Spring 2009. Route and destination promotion undertaken throughout 2008 and ongoing
Maintain a cleanliness index rating for Shetland of 75 or more, which will ensure that Shetland continues to be one of the top 3 cleanest places in Scotland	Cleansing	Current Cleanliness Index (for the period from April 2007 to March 2008) is 79
Support renewable energy generation and the development of new and emerging technologies by producing guidance on energy consumption and energy ratings for homes and sustainable design by 2008	Planning	A suite of documents were produced in Dec '08 to address these issues, as follows: • Renewable Energy Technologies – Guidance for Householders • Towards Sustainable Construction – Guidance on Sustainable Design & Construction • Towards Better Design in Shetland – Guidance on Design • The Shetland House – Guidance for Housing Development in Shetland Islands Council Reducing Carbon Emissions in New Development was also produced as Interim Policy Sept '08

Sustainable use of Resources		
We will:	Lead Service	Progress:
Recycle more than 17% of Municipal Solid	Waste Management	Currently achieving 23%

Waste (MSW)		
Ensure that more than 63% of MSW goes to energy recovery and less than 20% goes to landfill each year	Waste Management	Currently achieving 70% to energy recovery and 7% to landfill
Keep MSW at or below 12,613 tonnes (level in the year 2002)	Waste Management	Achieved 2007/08 and on target for 2008/09
Ensure that all businesses receiving grants or loans from the Council develop and report on good environmental practice	Waste Management	Policy adopted by the Council for grants and loans over £10,000
Ensure that all Council printing and writing paper contains at least 50% recycled material and all construction projects over £1 million will use at least 10% recycled materials	Waste Management	Policy adopted by Council
Reduce CO_2 emissions from Council buildings and Council energy use by 6% by 2011	Planning	Through the carbon management process a baseline year of 2006/07 was taken for measuring all future performance on. In 2007/08 it was estimated that CO_2 emissions (based on total Council energy usage) was reduced by 2.4%

Internal Transport		
We will:	**Lead Service**	**Progress:**
Endeavour to provide	Transport	Three STAG studies completed.

fixed links where they are proven to be the most effective solution		Delivery plans developed and being implemented.
Secure external funding support for island links and internal transport services and infrastructure wherever possible	Transport	ERDF funding secured for - Fetlar small craft facility and breakwater, - Skerries South Mouth Dredging; - Community Transport; - Integrated Ticketing. Awaiting decision in further EU funding.
Establish Area Transport Forums throughout Shetland as a means of involving communities, public transport users and providers in the process of planning and delivering transport services	Transport	Established in all areas. Information being used to improve services when and where possible, within existing resources.
Carry out a review of bus services, including evening services, and explore alternative models of public transport provision that are demand responsive and meet the varying needs of communities throughout Shetland	Transport	Some improvements implemented within existing contracts. Report to Council on development of service provision being prepared.
Pursue funding support for improved internal transport services and infrastructure	Transport	As above.
Carry out a review of ferry fares and ferry use	Transport	Review completed and proposal presented to Ferries Board 2008 who decided not to implement due to fuel price issues
Maintain the condition of Shetland's Road	Roads	The road network to be considered for improvement, as identified by the

network, and wherever practicable, improve its condition as measured by the Scottish Road Maintenance Condition Survey performance indicator, carrying out a rolling programme of minor road improvement		SRMCS survey, fell from 40.2% to 38.5%, an improvement of 1.7 percentage points. The roundabout at Oversund Road is now complete, as is reconstruction of part of a Harbour Street footway
Apply the Scottish Transport Appraisal Guidance (STAG) process to Bressay, Whalsay and Bluemull in 2008 and undertake a study into the viability of sub-sea tunnels in Shetland	Transport	Complete
Continue to progress the Shetland Transport Strategy Action Plan	Transport	Ongoing. Delivery group established
Work with partners to develop and deliver meaningful travel plans	Transport	Approved for SIC and NHS. Other organisations being approached

External Transport		
We will:	**Lead Service**	**Progress:**
Continue participation in current consultation arrangements with external air and sea link operators	Transport	External Transport Forum ongoing and Tier 2 Transport Forum across Highlands & Islands
Review potential to apply Public Service Obligations to external routes, in conjunction with ZetTrans, Hitrans and other Islands Councils by	Transport	ZetTrans and Hitrans have commenced a joint study into the future of the Highlands and Islands air network including the application of PSOs.

September 2008		

Sustainable Organisation

Living within our means		
We will:	**Lead Service**	**Progress:**
Ensure that services do not overspend their annual revenue budgets	Finance	BRO training is ongoing and monthly monitoring is carried out which identifies any issues quickly. The Council is underspending against budget and has been for most of 2008/9
Ensure that the Council's Medium-term Budget Strategy is adhered to, so that the draw on reserves to supplement General Fund revenue spending is ended by 2012/13	Finance	The 2009/10 annual budgeting exercise has continued to put downward pressure on the budgets and has been set in line with the Council's Medium-term Budget Strategy
Ensure that the Capital Programme continues to be managed, in line with available funds	Finance	The 2008/9 Capital Programme is still on target with predicted year end spend less than the £20m set aside. The 2009/10 programme approved is less than the £20m limit

Ensuring we are being efficient in everything we do		
We will:	**Lead Service**	**Progress:**
Deliver 2% efficiency savings on General Fund revenue spending each year (approximately £2.3 million) and publish these in an annual Efficiency Statement	Policy Unit	There is expected to be a saving of £3 million on General Fund revenue spending for 2008/9
Ensure that we are being as efficient as possible in the way we		We are participating with Scotland excel contracts and Procurement Scotland contracts where these have

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procure goods and services – delivering 10% savings on procurement budgets		little or no impact on the Local economy, benchmarking of prices would indicate that a 10% saving in budget costs is achievable on these contracts.
Seek to join-up our services internally and with other public sector employers in Shetland, to make best use of resources, wherever possible	Policy Unit	No progress to report
Create a single Council Campus for services in Lerwick, to improve efficiency in the use of Council office space, starting with new headquarters for the Social Work and Housing services	Capital Programme	With the move of Economic Development and HIE into the Solarhus, Housing is still on target to move into the North Ness offices
Capitalise on potential efficiencies offered by employees working from remote locations/ home – aiming to have an additional 20 employees each year working from a remote location or from home	Policy Unit	A staff survey during 2008 established that 200 employees work remotely to some degree.
Reduce the employee sickness absence rate for the whole Council to less than 4.5%, thereby ensuring that the Council is ranked in the top 8 Councils in Scotland	Human Resources	A Promoting Attendance strategy has been launched, which has contributed to a reduction in sickness absence by almost 1% for the year 2008/9 to date
Reduce bureaucracy by making sure that the work we do adds value and we eliminate any unnecessary or unproductive tasks	Policy Unit	Two Kaizen Blitz events have taken place, in Building Services and the Staffing Section. These focussed on streamlining maintenance arrangements and reducing the time taken to recruit staff to the Council

Being an excellent employer		
We will:	**Lead Service**	**Progress:**
Seek to ensure we are treating our employees equally and fairly by introducing a 'Single Status' Agreement, in consultation with our employees and Trade Unions	Human Resources	A formal offer has been sent to the Unions. During March formal offers will be sent to all staff, prior to Union ballots
Develop innovative recruitment practices to help sustain the Council's workforce requirements in the long-term – including ensuring that at least 20% of posts that are advertised each year have a Career Grade, to allow unqualified/ inexperienced candidates to apply	Human Resources	We have started using a national recruitment portal for recruitment. During 2008/9, 27% of advertised posts had a Career Grade
Meet our employees' training and development needs by ensuring that at least 80% of employees have a Personal Development Plan and are having regular reviews through the Employee Review and Development Policy by 2010	Human Resources	Figures are not yet available for Personal Development Plans
Encourage more University graduates to return to Shetland to take up employment with the Council by reinvigorating the Graduate Placement Scheme and employing at least 12		A review of the Graduate Placement Scheme has been conducted and 14 graduates were recruited in 2008

graduates each year		
Carry out an Employee Satisfaction Survey during 2008 and seek to return a 60% satisfaction rate	Human Resources	The Employee Satisfaction Survey was completed In May 2008. Overall, the results were very positive and what is especially reassuring is that over 80% of respondents believe that their line manager cares about them as a person believing that their opinions count and are offered opportunities to learn and grow at work.
	Human Resources	

Basing all our decisions on evidence		
We will:	**Lead Service**	**Progress:**
Collect the right data to describe service needs and aspirations and commission research to fill gaps in knowledge, starting with comprehensive information on population projections	Policy Unit	A Population and Migration study has been completed, containing projections to 2030. This has been circulated widely and will inform community planning priorities for 2009/10

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Shetland
Islands Council

REPORT

Corporate Plan Progress Report 2008/2009

1   Introduction

1.1   This report gives an update on progress at the end of the 2008-09 financial year on the Council's 2008-11 Corporate Plan.

2   Link to Corporate Priorities

2.1   The Corporate Plan essentially sets the Council's key priority areas for the term of this Council and the key actions planned to deliver them. Therefore, once agreed, all Committee reports and key Council decisions should seek to show how they are contributing to the achievement of the priorities in this Plan.

3   Single Outcome Agreement and Other Reporting

3.1   The Scottish Government now has Single Outcome Agreements in place with all Councils to set out how key national and local outcomes for individuals, families and communities are going to be achieved. 2008-09 was the first year for this new approach and the process of integrating Corporate and other strategic planning together effectively and efficiently is still progressing. This report contains some commentary about how Shetland Islands Council's activity has delivered against the Single Outcome Agreement. We are required to provide a detailed report on SOA progress in October, the Council's contribution will also be highlighted at that point, alongside other partners. Shetland's Single Outcome Agreement for 2009-10, which this year has to be signed up to by NHS Shetland, Fire, Police and HIE is also on this agenda.

3.2   Progress in particular areas has been reported to Committees and Forums at various points during the year, and many of the individual activities of services have featured in Service review sessions. This report draws the picture together across the Council as a whole. Services are now completing

their plans for next year with specific actions and areas of focus detailed in that process. Guidance from the Council on any particular direction or new priority areas would assist in that activity.

4. **Summary of Progress**

4.1 Detailed progress against the Corporate Plan is set out in Appendix 1. I have added a brief summary of each main area here as an overview. The Corporate Plan has 5 main sections. The first section is the priorities we share with all our Community Planning Partners which will be reported on as part of Single Outcome Agreement reporting in October, but has some commentary in the accompanying SOA report on this agenda. The other 4 sections cover Shetland's Sustainable Economy, Society, Environment and the Council as an efficient and effective Organisation.

4.2 **Sustainable Economy** – Despite the very difficult world economic conditions through 2008-09, the Shetland Economy has avoided the worst effects, at least so far. Unemployment levels are still very low compared to national levels, although they have risen somewhat during the latter part of 2008. Business start-up rates have increased from the previous year and while concerns remain around the fragility of traditional sectors a number of important investments have been made.

4.3 **Sustainable Society** – The Council continues to deliver a wide range of very high quality services. This is confirmed by a wide range of favourable inspections in Schools, Social Care, Housing, Adult Learning and other areas. Long term planning across services has been a key activity and extensive consultation and development work has been progressed around the blueprint for Education, new build schools, long term community care services and the provision of affordable Housing.

4.4 **Sustainable Environment and Transport** – Shetland continues to enjoy an enviable natural environment, and continues to seek to deal with the challenges a remote and scattered population gives in Transport. Funding challenges for the provision of fixed links are a significant issue in internal transport provision, however development of the Shetland Transport Strategy Action plan has progressed a number of other areas. Solid progress continues to be made on the sustainable use of resources by the Council and preparations for significant planning activity have been progressed.

4.5 **Sustainable Organisation** – Detailed analysis of the Council's financial performance over the past year will be provided in the Financial Outturn report next cycle. Progress continues to be made on efficiency measures, including procurement, reductions in sickness absence and reductions to bureaucracy; however sufficiently integrated partnership working to create actual savings has made limited progress. Single Status has continued to dominate the workforce agenda, however that project is now hoped to be close to a successful conclusion.

5. **Financial Implications**

5.1   The Council's medium-term financial strategy sets out a commitment to operate within agreed revenue budgets and reduce the draw on Council reserves to support General Fund revenue spending to zero by 2012. That strategy also sets a limit on the draw from reserves to support the Capital Programme, and sets a floor level for Council Reserves of £250 million. Therefore, although the projects and other activities set out in the Corporate Plan have financial implications, they all need be managed within those constraints.

5.2   The Head of Finance will provide a comprehensive review of the Council's financial performance during 2008-09 at the next cycle of meetings.

6.   Policy and Delegated Authority

6.1   All principal policy documents require approval and appropriate monitoring by the Council (Scheme of Delegations – Section 8). This report describes progress on the implementation of the Council's Corporate Plan for the period 2008-09 and therefore must be reported to Council.

6.2   The Audit and Scrutiny Committee is charged with review of all significant Council activity to assist in the identification of good practice and areas for potential improvement (Scheme of Delegations – Section 10). The Corporate Plan sets out the Council's overall ambitions for its term and monitoring its performance against those objectives is a key role of Audit & Scrutiny.

7.   Conclusion

7.1   This report draws together progress against the Council's Corporate plan across all Departments, provides an opportunity for the Council to discuss that progress, and any key issues or priority work areas.

8.   Recommendations

8.1   I recommend that the Council discuss the reported progress on the Council's Corporate Plan in 2008-09 and consider any issues arising for Departments, Services and Strategic Groups to address in their detailed implementation planning for the future.

May 2009   CE-20-F

Shetland
Islands Council

REPORT

To: **Development Committee**   **30 April 2009**
Infrastructure Committee   **6 May 2009**
Audit & Scrutiny Committee   **6 May 2009**
Services Committee   **7 May 2009**
Shetland Islands Council   **20 May 2009**

From: **Head of Organisational Development**

Report No: **CE-18-F**

Shetland's Single Outcome Agreement - 2009

1   Introduction

1.1   This report introduces the final draft of Shetland's Single Outcome Agreement with the Scottish Government for 2009.

2   Link to Corporate Priorities

2.1   The Single Outcome Agreement essentially sets the key priority areas, targets and actions which the Council and its local partners propose to agree with the Scottish Government. Therefore, once agreed, all Committee reports and key Council decisions should seek to show how they are contributing to the achievement of the priorities in this Agreement.

3   Background

3.1   The Single Outcome Agreement for 2009 has been developed by Shetland Community Planning partners and has previously been circulated to all Members, senior officers and partners in booklet form. The Scottish Government now has Single Outcome Agreements in place with all Councils to set out how key national and local outcomes for individuals, families and communities are going to be achieved.

4   Single Outcome Agreement

4.1   The Single Outcome Agreement booklet provides an Executive Summary, introduction and background and details of outcomes, indicators and targets for each of the areas covered by the scope of the Agreement.

4.2   It also provides a short overview at the end of the booklet, summarising the position in each main area at the end of March 2009; the "Sustaining Shetland 2009 Summary Update", section.

5.   Financial Implications

5.1   The projects and other activities set out in this Agreement may have financial implications, however they all need to be managed within the constraints and financial strategies of each of the Community Planning Partners.

6.   Policy and Delegated Authority

6.1   All principal policy documents require approval and appropriate monitoring by the Council (Scheme of Delegations – Section 8.0) This report covers the Shetland Single Outcome Agreement 2009 and therefore must be endorsed by Council.

6.2   Much of the Council's anticipated activity within the Agreement will be discharged under the delegated authority of Committees (Scheme of Delegations – Section 7.0). Therefore Committees are invited to discuss and comment on the contents of the Agreement, particularly in those areas where they are a key delivery partner.

7.   Conclusion

7.1   This report presents the Shetland Single Outcome Agreement – 2009 for Council endorsement. It also provides an opportunity for Committees to comment on its contents.

8.   Recommendations

8.1   I recommend that Committees discuss the 2009 Single Outcome Agreement and make any comments regarding its contents. These will be collated by the Policy Unit, along with comments from other Community Planning Partners who are going through a similar exercise, and reported to the Council.

8.2   I recommend that the Council discusses the 2009 Single Outcome Agreement, taking account of any comments made by its Committees, and makes any further comments, with a view to adopting a final version of the Agreement which the Convenor will sign on behalf of the Council during June 2009.

May 2009   CE-18-F

The impact of the race equality duty on council services

AUDIT SCOTLAND

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- following up issues of concern identified through the audit, to ensure satisfactory resolutions

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The Commission secures the audit of 32 councils and 41 joint boards (including police and fire and rescue services). Local authorities spend over £18.9 billion of public funds a year.

Note:
Prior to September 2007, the Scottish Administration was generally referred to as the Scottish Executive. It is now called the Scottish Government. When dealing with the earlier period, this report refers to the Scottish Executive. Recommendations for the future refer to the Scottish Government.

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Summary

Councils have developed policies on race equality, but the duty has not yet had a significant impact on the delivery of services or on people from minority ethnic communities.

1. Scotland's population is increasingly diverse. Over 100,000 people from a minority ethnic background make up around two per cent of the total population and the rate of population change has increased in recent years due to migration from Eastern Europe. There is an increasing number of small minority ethnic groups. Not all councils are facing the same issues. The challenge for councils is to plan and deliver services which meet the needs of their increasingly diverse communities.

2. Since 2002, councils have had a duty under the race equality legislation to eliminate racial discrimination and to promote equal opportunities and good race relations. Our Best Value audits have found that councils are involved in significant amounts of corporate activity but there is little evidence of the impact of this on minority ethnic communities.

About this study

3. Our study examined the impact of the race equality duty by asking three main questions:

- What is the impact of the duty on services, and on service users from minority ethnic communities?

- What factors affect how councils manage race equality?

- Do councils have effective arrangements for delivering on their race equality duty?

4. We surveyed, sought good practice examples and reviewed documentation from all 32 councils. We also carried out more detailed audit work at five councils where we interviewed councillors and officers.

5. To ensure our work had a clear service focus we looked at a council service available to all sections of the community (libraries) and a service that covers regulatory functions which residents and others are required to use in certain circumstances (planning).

6. With the assistance of council equality officers and local community groups, we recruited focus group members from a cross-section of established communities and recent economic migrants. We held 28 focus groups with 203 members of various minority ethnic communities to hear their views on council services and how they have been consulted about them.

Key messages

- Overall, we found that while councils have developed policies on race equality and have developed a range of initiatives, the duty has not yet had a significant impact on the delivery of services or on people from minority ethnic communities.

- We conclude that councils need to build a better understanding of the needs of their minority ethnic communities; mainstream their approach to race equality by ensuring it is integral to their routine management arrangements; and give more priority to race equality in delivering services. Our report explains our findings and conclusions and is presented in five parts.

- Part 1 sets the scene, noting that Scotland's population is increasingly diverse. Councils have a duty to promote race equality, and to respond to the duty in a way that secures positive impacts on both council services and the minority ethnic communities they serve. Meeting the race equality duty has the potential to generate a range of benefits – for council services and minority ethnic communities, as well as the general population.

- Part 2 examines the impact of the race equality duty on council services and minority ethnic communities. We saw many initiatives aimed at meeting the needs of minority ethnic communities. However, despite considerable activity, councils have limited evidence of the impact of the duty on service delivery. Also, minority ethnic communities say there is scope for councils to make more impact in applying the duty.

- Part 3 considers the main factors that affect the performance of councils on race equality. Councils find the duty challenging and tend to focus on compliance, policies and processes. Councils do not consistently prioritise and report on race equality, and more needs to be done to focus on outcomes, and to train and support councillors and staff to enable them to do this. They lack good information about minority ethnic communities and their needs, and so have a limited evidence base for informed service design.

- Part 4 says that while the duty has had limited impact on services, councils have made some progress by investing in organisational arrangements and processes. Councils can now use these, alongside partnership working and the Best Value framework, as a springboard for continuous improvement and there must be a greater emphasis on securing outcomes for service users. National bodies, such as

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the Scottish Government and the Equality and Human Rights Commission, have a role to play in supporting councils – such as in providing clearer, practical guidance for service managers and improving the availability of information on minority ethnic communities, their needs and the inequalities they encounter.

- Part 5 contains our recommendations for councils and key national bodies.

Part 1. Setting the scene

Councils have a legal duty to eliminate racial discrimination, and to promote equal opportunities and good race relations.

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Key messages

- Scotland's population is increasingly diverse.

- Councils have a duty to promote race equality.

- Meeting the race duty should bring widespread benefits.

Scotland's population is increasingly diverse

7. The last census, in 2001, put the size of the minority ethnic population at just over 100,000 people, or around two per cent of the country's total population. This represented an increase of around 62 per cent in the decade following the 1991 Census. Nearly half (49 per cent) of Scotland's minority ethnic population lived in Glasgow or Edinburgh. The census also found wide variation between council areas in the relative size of minority ethnic communities (Exhibit 1).

8. The 2001 Census did not separately count the number of Gypsies/Travellers, who are estimated by the Scottish Government to number around 1,500 across Scotland. The next census, in 2011, will use a new set of ethnicity definitions and recognise Gypsies/Travellers as a distinct minority ethnic community for the first time.
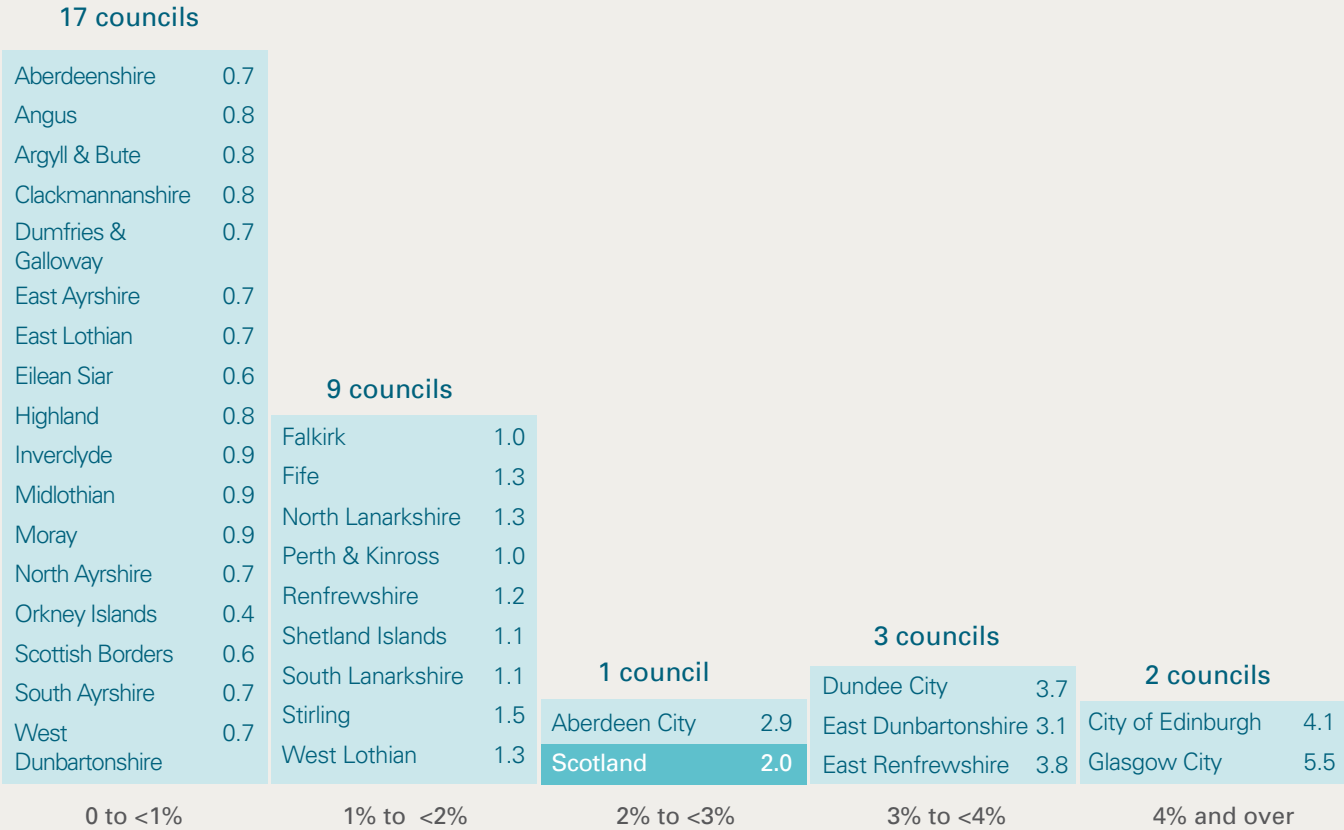
9. In recent years, economic migrants have increased the size and diversity of minority ethnic communities. However, there is no comprehensive, reliable data on the total number of economic migrants now living in Scotland and where they live.

10. The General Register Office for Scotland estimates that in the year to 30 June 2007, some 37,800 people came to Scotland from overseas and around 21,000 people left Scotland, giving a net migration increase of 16,800. This broadly equates to the population of a small town. The number of overseas nationals who entered the UK and registered for National Insurance in Scotland more than trebled in five years, from fewer than 15,000 in 2002/03 to over 52,000 in 2007/08. In 2007/08, 29 per cent of all such adults entering the UK came from Poland.

11. Migrants from the eight European Union accession states have settled in urban centres and also rural areas where the 2001 Census counted relatively few people from a minority ethnic community. Migrants tend to be younger than the general population. In the year to June 2007,

Exhibit 1

The proportion of council residents from minority ethnic communities varied widely among councils

17 councils

Aberdeenshire	0.7
Angus	0.8
Argyll & Bute	0.8
Clackmannanshire	0.8
Dumfries & Galloway	0.7
East Ayrshire	0.7
East Lothian	0.7
Eilean Siar	0.6
Highland	0.8
Inverclyde	0.9
Midlothian	0.9
Moray	0.9
North Ayrshire	0.7
Orkney Islands	0.4
Scottish Borders	0.6
South Ayrshire	0.7
West Dunbartonshire	0.7

9 councils

Falkirk	1.0
Fife	1.3
North Lanarkshire	1.3
Perth & Kinross	1.0
Renfrewshire	1.2
Shetland Islands	1.1
South Lanarkshire	1.1
Stirling	1.5
West Lothian	1.3

1 council

Aberdeen City	2.9
Scotland	2.0

3 councils

Dundee City	3.7
East Dunbartonshire	3.1
East Renfrewshire	3.8

2 councils

City of Edinburgh	4.1
Glasgow City	5.5

0 to <1%	1% to <2%	2% to <3%	3% to <4%	4% and over

Source: 2001 Census, General Register Office for Scotland

68 per cent of migrants coming to Scotland from outside the UK were aged 16-34 years, compared to 24 per cent of the resident population.

12. More complex and changing minority ethnic communities is one factor affecting the types of services that communities require, and this generates additional challenges for public service planning and delivery.

Councils have a duty to promote race equality

13. The Race Relations Act 1976 (as amended by the Race Relations (Amendment) Act 2000) places a statutory duty on all public sector authorities to promote racial equality. The overall purpose of the duty is to eliminate racial discrimination and to ensure public services meet the needs of each community they serve.

14. The duty has two elements – a general duty and a specific duty. For ease of reference, we use the single term 'race equality duty' to cover both. Further information on the duty is included at Appendix 2. The study did not address the distinct race equality duties for education institutions and schools.

15. The general duty requires councils to have due regard to the need to:

- eliminate unlawful discrimination

- promote equality of opportunity between people of all racial groups

- promote good relations between people of different racial groups.

16. The specific duty requires councils to create a race equality scheme and action plan. These should summarise a council's approach to race equality and its corporate aims. They should also say how a council plans to carry out individual parts of the specific duty – consulting minority ethnic communities; monitoring and assessing its performance; supporting and training its staff, and publishing reports on its overall performance.

Councils must also conduct comprehensive employee monitoring by ethnic group and publish an annual monitoring report.

Meeting the race duty should bring widespread benefits

17. The former Commission for Racial Equality said that people from minority ethnic communities living in areas where the council performs strongly in terms of the race duty would see outcomes such as these:

- The council engages and communicates with them effectively, and takes account of their views.

- Council staff communicate respectfully, and are knowledgeable about their cultural background and concerns.

- There is improving and fair access to services, eg there is equal opportunity of access to housing services, and leisure facilities.

- Inequalities are reducing, eg there are smaller gaps in educational attainment and employment outcomes between minority ethnic communities and the general population.

- Community cohesion and race relations are improving.

18. The duty aims to make the promotion of race equality central to the way that public authorities work, and has the potential to bring widespread benefits to councils. These could be summarised as:

- encouraging greater openness about policymaking

- encouraging policymakers to be more aware of possible problems and the need for improvement

- contributing to more informed decision-making and making sure policies are properly targeted

- improving the delivery of suitable and accessible services that meet varied needs

- increasing confidence in public services, especially among minority ethnic communities

- helping to develop good practice.

19. The duty also aims to make race equality central to the employment of staff and should help councils to:

- make their workforces more representative of the communities they serve

- recruit new staff from all ethnic backgrounds

- retain and value existing staff

- improve morale and productivity, and how staff are managed

- help develop good practice

- help avoid claims of unlawful racial discrimination.

20. In meeting the race equality duty and understanding the needs of minority ethnic communities, councils stand to develop approaches which can also be applied in understanding the needs of all local people – contributing to their duty under Best Value to be responsive to the needs of customers and citizens.

21. Similarly, much of the organisational thinking needed to meet the race equality duty can be applied to other equality strands. For example, a council's overall approach to engaging with and consulting minority ethnic communities may inform its approach to women and people with a disability. The race equality duty and the gender equality duty both require their respective equality schemes to be informed by consultation with relevant stakeholders, and the disability equality duty requires the involvement of disabled people.

Part 2. What impact has been achieved?

The race equality duty has not yet had a significant impact on the delivery of council services or on minority ethnic communities.

Key messages

- Councils have limited evidence of the duty's impact on service delivery.

- Councils have been slow to use race equality impact assessments.

- Some isolated impacts have been achieved.

- Minority ethnic communities see scope for more impact by councils.

Councils have limited evidence of the duty's impact on service delivery

22. In responding to our national survey, councils had difficulty giving a clear, evidenced-based account of their performance against the race equality duty or their overall impact on individual minority ethnic communities.

23. All councils have a current race equality scheme, setting out their intentions. Most councils published their first race equality scheme in 2002 and have refreshed it at least once since then. Seven councils did not submit a copy of their race equality scheme progress report with their responses to our survey and 15 did not submit a corporate-level performance

report. Some councils were in the process of revising their documentation at the time of our study.

24. Councils have concentrated on embedding organisational arrangements and processes, such as improving community engagement and consultation, staff training, performance management and reporting employee monitoring. While these are important, they are not an end in themselves, and it is paramount that the intended outcomes are also clear. An example of a qualitative outcome might be improved satisfaction among minority ethnic service users, while an increase in the number of minority ethnic individuals using council services might be an example of a quantitative outcome. Where councils had identified outcome targets, these appeared to relate mainly to organisational processes rather than clearly stated outcomes. We found councils claimed outcomes such as:

- improved community engagement and consultation

- improved staff training

- improved performance management and reporting

- improved employee monitoring.

25. Further, there were sometimes no specific timescales for achieving any identified targets. For example, timescales were missing, vaguely expressed in ways such as 'ongoing', or spanned several years.

26. Self-assessment provides a useful basis from which councils can identify and prioritise the areas in which they need to improve. Most recognise there is room for improvement in their overall approach to the race equality duty. In our survey, just a third of councils (11) said they were 'good' or 'very good' at implementing race equality initiatives. Only a quarter of councils (eight) said they had made 'good' or 'very good' progress on achieving agreed race equality outcomes.

27. Most councils saw scope for improving their performance (Exhibit 2). Under half of councils (15) rated themselves as 'good' or 'very good' at giving minority ethnic communities access to information on council services, or providing access to the services themselves (14). Just eight said they are 'good' or 'very good' at meeting their service needs. We conclude that councils find it easier to provide minority ethnic communities with information about services than to ensure those services meet their needs, or to adapt services so that needs can be met.

Exhibit 2
Councils self-assessed their performance on the race equality duty
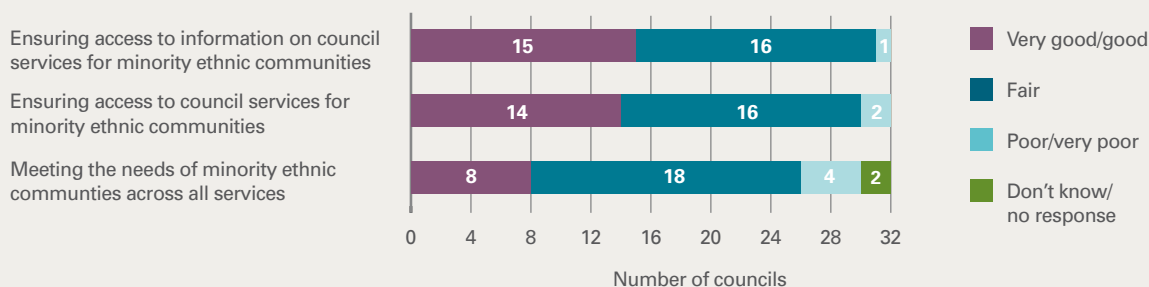
Source: Audit Scotland

Councils have been slow to use race equality impact assessments

28. As part of the duty, councils should carry out race equality impact assessments on all their relevant policies and services. These should measure the impact of policies and services on minority ethnic communities and council staff, and identify where improvement may be required.

29. Nearly all councils (30) had a corporate toolkit in place for impact assessments. However, there is variability in the way impact assessments are carried out and the full value of the intended approach is not always realised in practice.

30. It is difficult to establish a clear picture of the number of impact assessments carried out by councils. In responding to our national survey, not all councils were able to report the number of assessments they planned and carried out annually. Among those councils that did return data, the number of assessments planned for 2006/07 varied significantly – between zero (in four councils) and 51. Similarly, the number of assessments actually carried out in 2006/07 ranged between zero (seven councils) and 73.

31. Where data was available from councils on both the number of assessments planned and carried out, only 15 per cent of those planned for 2006/07 were carried out, rising to 40 per cent in the eight months between April and November 2007. This is clearly an area where there is scope for improvement.

32. In the two services we focused on, 14 councils reported they had assessed the impact of the race equality duty in libraries services and ten reported they had assessed the impact in planning services.

33. The quality of impact assessments varies considerably among councils and services. We saw recurring problems such as:

- weak mechanisms for ensuring service-level impact assessments are carried out rigorously and in accordance with the agreed corporate approach

- impact assessments that are too narrow or too broad in scope

- impact assessments that place too much emphasis on organisational processes and management arrangements and insufficient emphasis on outcomes for service users

- limited input by minority ethnic communities into the selection, design or conduct of assessments

- little feedback to minority ethnic communities about action taken to improve services

- learning from individual assessments not shared systematically within the same service, with other services, the equivalent service in other councils, or partner bodies.

34. When asked about their approach to impact assessments, seven councils said they were 'good' or 'very good' at having the skills and resources for this task. Only two said they were 'good' or 'very good' at using impact assessments to improve service design and delivery.

Some isolated impacts have been achieved

35. Councils lack a systematic approach to planning, monitoring and measuring the impact they have on minority ethnic communities and so are not able easily to report on impact. Yet it is clear that some isolated impacts have been achieved.

36. We saw many service initiatives aimed at meeting the needs of diverse communities. These are often stimulated by services' own efforts rather than through the effective application of corporate policy by senior management. Initiatives can

be successful in isolation, but wider and more sustainable benefits could be achieved through sharing these ideas within councils and ensuring the consistent application of corporate approaches.

37. Some corporate initiatives have made significant impact, including the provision of interpretation and translation services; support for recent economic migrants; and the coordination of services for Gypsies/Travellers.

38. Virtually all councils have corporate arrangements for interpretation (30) and translation (28) services (ITS). However, the quality of data submitted by councils did not enable us to form a comprehensive picture of the usage of ITS by minority ethnic communities. Not all councils provided information about their spend on ITS or were able to provide information for all services on a consistent basis. Around a third of councils did not provide any spend figures for 2006/07. Where data was available, councils indicated they typically spent around £35,000 on ITS in 2006/07. This is not necessarily too much or too little, but councils need to know what the service costs are and the options available, to ensure they deliver ITS cost-effectively and provide Best Value.

39. We saw varied use of ITS by minority ethnic communities, both across councils and particular services. In some services, demand outstrips supply while low demand is reported in others. Councils told us that constraints include a shortage of skilled interpreters and difficulties in catering for all languages spoken by minority ethnic communities.

40. Some councils have produced 'welcome packs', often in partnership with other local bodies, to help economic migrants understand the main local public services. These include Aberdeenshire, Glasgow, Moray and Scottish Borders. Councils reported impacts as including good uptake of services and positive feedback from migrants.

Examples of council initiatives

Aberdeenshire – the council has a service level agreement with the Gypsies/Travellers Education and Information Project, to identify the needs of Gypsies/Travellers and to work with council services to address these. Arrangements include a 'Good Neighbourhood' code, the provision of refuse and toilet facilities and regular assessments to ensure conditions on the site meet required standards.

Edinburgh – the Interpretation and Translation Service provides facilities in approximately 40 languages. The service can be accessed through council departments, the NHS and voluntary sector bodies. Every interpreter has a diploma for public service interpreting. The service also does work for fee-paying organisations, if it has the capacity to do so.

Falkirk – flash cards at reception points help service users to highlight if they need an interpreter. Services can initially contact Language Line Services, a company operating nationally, for a telephone interpretation to enable the service user's initial query to be addressed.

Fife – the Ethnic Minority Employment and Training Network (EMET) network and the Equal in Fife project have improved employment, training and education opportunities for ethnic minorities. The Equal in Fife project, co-funded by the European Equal Social Fund and council partners, supported 275 ethnic minority people in developing their skills and employability. Of the project's clients, 60 per cent of people found a job. Although the project ended in 2007, elements of good practice have been mainstreamed through Development Services of Fife Council and its partners.

Glasgow – the Glasgow Translation and Interpreting Service (GTIS) is a partnership between Glasgow City Council Social Work Services (the lead partner); Glasgow City Council Education Services; Glasgow City Council Asylum Support Project; NHS Glasgow; Strathclyde Police and the Scottish Refugee Council. GTIS is the largest interpreting service provider in the UK and responds to over 1,000 requests for interpreting every week. With a pool of 250 interpreters speaking around 45 languages, GTIS serves over 600 organisations in and around Glasgow and provides interpreting services 24 hours a day, every day of the year.

South Lanarkshire – the Blantyre Leisure Centre offers women-only swimming sessions. The sessions, staffed by women-only teams, have been popular with members of minority ethnic communities both within and outwith South Lanarkshire. Over the course of a year, the sessions have had an average monthly attendance of 179 women.

41. Some councils have also taken steps to coordinate and improve services for Gypsies/Travellers. Several council services may support Gypsies/Travellers – including education, social work, housing, libraries and environmental services.

The duty has made some impact in libraries services

42. We found a wide range of initiatives across libraries services, such as providing information targeted at minority ethnic communities; consulting with minority ethnic communities to assess their needs; delivering services tailored to their needs; and working in partnership with other bodies.

43. Initiatives were typically developed locally by individual library staff as a response to perceived demand for modified or new services – rather than in response to corporate policy. Overall, the picture was of isolated activity, often with good results for the individuals served, but lacking overall corporate direction, coordination and impact assessment.

44. Some connections are being made between council services, most notably adult and child education where library staff have identified – and education officers have provided – English language and writing resources to support people from non-English speaking backgrounds. As well as providing interpretation and dual-language facilities, these resources typically extend to providing advice, and assistance with everyday activities such as finding a school place for a child.

45. It is common for libraries to produce publicity in a range of languages other than English, and to translate policy documents and guidance notes, such as on how to use libraries' computers. There are some instances of libraries assessing the needs of minority ethnic communities. Examples include: speaking directly to minority ethnic service users or to their representative bodies; carrying out small-scale local research; and using information captured by library management information systems.

46. There are also initiatives which may directly benefit customers from minority ethnic communities. These include: the supply of books in languages other than English; renting meeting spaces in libraries to community groups; the use of libraries to deliver adult literacy programmes; and the provision of English language classes for migrants.

The duty has made less impact in planning services
47. Compared to libraries, planning services show less activity designed to meet the needs of minority ethnic communities. We found few planning officers who considered race equality to be a high priority; a recurring perception among planning officers of low demand for information about services by minority ethnic communities; and few examples of innovative practice. There were

Planning services – examples

Angus – in August 2008, the council agreed a set of benchmark minimum standards designed to ensure that accommodation occupied by international workers is in a satisfactory condition. The Gangmaster's Licensing Authority was also involved in the working group which developed the standards, and a series of joint inspections was carried out in 2008.

West Dunbartonshire – the Gypsy/Traveller Corporate Forum includes representatives from all council departments providing services to Gypsies/Travellers, and from Strathclyde Police. A representative from the Gypsy/Traveller Action Group (GTAG) attends. The Forum has been involved in practical improvements to the site, developing a Gypsy/Traveller Strategy in consultation with the Gypsy/Traveller community; and investigating options for extending the site and/or to building a new short-stay site. The Forum and strategy have contributed to raising awareness of issues faced by Gypsies/Travellers in West Dunbartonshire.

differences between the approach taken by the two main types of planning – development planning and development management.

48. Development planning is about how land use should develop across the council area and formulates core documents against which the merits of planning applications are assessed. Development planning is a consultative process which involves a range of interests, including strategic environmental assessment, and results in a plan for local development.

49. We saw development planning units consult with community groups, including some minority ethnic organisations, on statutory planning documents. Consultation mostly took the form of inviting comments on individual documents or development proposals. However, there was little evidence of meaningful engagement with minority ethnic communities in shaping the design and delivery of services. Where consultation occurred, feedback to minority ethnic communities who contributed their views was often patchy, and we saw an inconsistent approach to sharing insights, information and good practice with other council services.

50. Development Management involves applications for planning permission and other consents. We found planners in this area were primarily concerned with following guidelines about the evaluation of individual planning applications. Planners in development management attached less importance to the service meeting the needs of minority ethnic communities.

51. In only a minority of councils do planning services profile service users by ethnicity or capture information on the impact of services to inform service design. According to the Scottish Government, only six planning authorities capture ethnicity on planning application forms. In response to our survey, only ten councils said they have carried out any ethnic monitoring in the planning service.

Minority ethnic communities see scope for more impact by councils

People said councils could do more to understand and meet their needs
52. In the focus groups we convened, people from minority ethnic communities demonstrated a high level of awareness of their council's role and main services. Most participants

Libraries services – examples

Dundee – funding was granted from the 2007/08 Scottish Executive Public Library Quality Improvement Fund to investigate, through extensive consultation with local authorities and local community groups, the feasibility of developing a national framework for a circulating collection of library and information resources in minority languages. Dundee City Council's Leisure, Arts and Communities Department took the lead on this project, working in partnership with other local authorities and with the Scottish Library and Information Council.

East Renfrewshire – libraries provide books, films and music in various languages for adults and children. Barrhead Community Library provides English classes for speakers of other languages. Mearns Community Library provides one-to-one computer learning sessions for learners whose first language is not English. Health Information Points are also available at libraries. These have provided specific programmes for minority ethnic groups, encouraged healthy living and provided information on other library resources. A team based within the library service also provides the technology and hosting service for a Bengali Performing Arts website.

Edinburgh – the refurbishment of the MacDonald Road Library involved extensive community consultation and represented a major investment in the Ethnic Library Service and community language collection. The library has since seen an increase in borrowing from the community language collection and greater use of the library as a meeting venue. Library users from minority ethnic communities are consulted once a year. A range of literary and cultural activities are organised in partnership with community bodies. The council encourages minority ethnic communities to use libraries' computer facilities. There are additional outreach activities and visits to minority groups in the city in order to attract new users. There are now more registered library users from minority communities.

Highland – visits by council staff to the Gypsies/Travellers' site in Inverness promote library services and discuss how services can be adapted to suit their particular needs. Systems provide for Polish and other Eastern European communities to access material in their own language. There has been an increase in the availability of inter-library loans in a wider range of languages. New, simplified forms can easily be translated into other languages. Homeless people, Gypsies/Travellers and those newly arrived from other countries are able to use library services more easily.

Scottish Borders – five libraries provide collections of novels and English language materials in Portuguese and Polish; dual language materials for children, and information about Bookstart (books for babies) in translation. Books in Kurdish Saran and Lithuanian have been added following a review of provision. Book titles are listed in the library catalogue and can be requested from any public library or mobile library. As a result of the project, Library and Information Services have strengthened links with local literacy tutors and Community Learning & Development colleagues; liaised with the Migrant Workers Support Services worker and conducted consultations with new workers about library stock.

Across Scotland – a pilot scheme allows Gypsies/Travellers to borrow from council libraries and return materials to a council elsewhere in Scotland without needing a fixed address from which to register as a library user.

had contacted a council – primarily about housing, education or the payment of Council Tax. Contact with councils varied across the different communities, with economic migrants most likely to contact the council in their area, and older minority ethnic residents least likely.

53. In four of the five council areas taking part in our detailed audit work there were low levels of satisfaction about how well the council understands the needs of minority ethnic residents. Examples included councils' lack of effective communication with minority ethnic communities and a perception that councils did not listen to the specific needs of individual community groups.

54. Dissatisfaction often related to a view among participants that councils had a limited understanding of diverse communities' needs. Although most participants were aware of at least one council service or initiative which aimed at assisting minority ethnic communities, the overall perception was that councils were 'not interested' in developing services to meet the specific needs of minority ethnic communities. People complained that:

- the council uses consultations to rubber stamp its proposals

- the council does not communicate effectively

- consultations can occur in ways which make it impractical for people to engage with the council, eg when public meetings are held during working hours.

55. The criticisms of councils varied across the different minority ethnic communities. Gypsies/Travellers felt that councils did not understand their particular needs, but they did highlight the merits of regular site visits by council officers. Economic migrants were generally positive about their council in comparison with their experience of similar organisations in

their 'home' countries. Experiences varied widely: for example, in one area, migrants were unable to obtain council housing, while in another they had been offered council housing very quickly – though this may have been a function of individuals' eligibility. One specific dissatisfaction was the limited provision of information in migrants' native language, typically Polish, especially for parents seeking information on nurseries and schools.

Libraries
56. Awareness of the libraries service was very high and virtually all focus group participants knew the location of their local library. In most council areas, established minority ethnic participants made good use of libraries, most often to borrow books or use the Internet, but also to attend courses, read newspapers and to borrow music and films.

57. In four of the five council areas, economic migrants were most likely to use the libraries service and commented on the importance of being able to access the Internet and email facilities when they first arrived in Scotland. Gypsies/Travellers said they made little use of libraries, partly because of their low literacy levels, but also because they said libraries normally stipulate someone must have a permanent address before being able to register and borrow materials.

58. The majority of library users were satisfied with the service, commenting positively on the range

of services and the helpfulness of staff. The main areas of dissatisfaction related to:

- the limited range of books in English which reflect a diversity of cultural tastes and origins and are appropriate for readers with varying levels of reading ability in English

- the limited availability of books in languages other than English

- the concentration of material for minority ethnic communities in a small number of libraries which were not always accessible to residents in other parts of the council area.

Planning
59. Awareness of the planning service was much lower than for libraries, although most participants assumed that a council's remit included planning. In three of the five council areas, a very small number of people had used the planning service either directly or through their family.

60. The few participants who had used the planning service had mixed experiences. Levels of satisfaction appeared to depend mainly on the experience of dealing with individual members of staff. Participants who were dissatisfied with planning described staff as 'unhelpful', 'uncooperative' and 'rude'. Those who were satisfied had found customer service 'very good'.

Library services for Gypsies/Travellers

Midway through 2008, a national scheme called KeepITMoving was introduced to cater for the children of Gypsy/Traveller families. The scheme is run through libraries to make continuing in education easier and remove barriers to education, real or perceived. All local authorities have signed up to this scheme, which partners education services and libraries, and provides children with an identity card. Visitors will be able to borrow library books and use computers and other services, but without full borrowing rights.

Source: Scottish Traveller Education Programme

61. In both libraries and planning, initiatives based on providing information in different languages were highly appreciated. Focus group participants said councils should prioritise further development in the following areas by:

- developing an approach to consultation that is more effective in identifying people's needs

- improving the availability of literature/leaflets in different languages

- improving how councils communicate with Gypsies/ Travellers

- training council staff to understand the communication needs of minority ethnic groups

- delivering services that meet the specific needs of diverse minority ethnic communities.

Some quotes from focus group participants…

… on general issues

"Our needs are not much different from someone moving to Scotland from England or Wales. We just need to know how certain things work, like Council Tax, housing, doctors and dentists." (migrant)

"The council is doing some good things, like arranging nursery places. When we enquired they said we only had to ask and they arranged it all for us." (migrant)

"The council just tells us what we're getting, they don't ask what we want." (Gypsy/Traveller)

"The council is very heavy-handed; language can appear threatening to minority ethnic groups." (established minority ethnic community resident)

"They invited us along to a meeting at 2pm. But we all work, so we were unable to attend." (migrant)

… on libraries

"The library is the first point of contact for us; it's really useful." (migrant)

"Most of the translated material… is in Polish but there are as many Lithuanians and Latvians as Poles. This shows the council doesn't understand the needs of the community." (migrant)

"I've registered at libraries in other areas but you need a permanent address and a utility bill or bank statement [in this council area]. As long as I'm travelling in the trailer I won't be able to register the kids." (Gypsy/Traveller)

… on planning

"Planning told us to come back the following week and then told us no one was available to speak to us. The impression we got was 'go away and don't come back', which was ignorant." (migrant)

Part 3. What factors affect council performance on race equality?

Councils need to build a better understanding of their communities and give more priority to race equality in planning and delivering services.

Key messages

- Councils find the race equality duty challenging and have so far focused on policies and processes.

- Councils do not consistently prioritise race equality.

- Councillors and staff need more support.

- Councils lack full information on the composition of their workforce.

- Councils lack full and robust information about minority ethnic communities and their needs.

- Councils cannot demonstrate how consultations with minority ethnic communities have influenced the design or delivery of services.

- Performance management and reporting are underdeveloped.

Councils find the race equality duty challenging and have so far focused on policies and processes

62. European Union regulations and directives shape how the UK government enacts legislation on equalities. Within the UK, the power to legislate on equal opportunities was reserved to Westminster in the Scotland Act 1998 and so legislation enacted by the UK government also applies in Scotland.

63. The Scottish Parliament has devolved powers to add to the body of UK legislation applicable in Scotland. Under the Local Government in Scotland Act 2003, the duty of Best Value on local authorities includes the 'encouragement of both equal opportunities and the observance of the equal opportunities requirements'. These are defined as 'the prevention, elimination or regulation of discrimination between persons on the grounds of sex or marital status, on racial grounds or

on grounds of disability, age, sexual orientation, language or social origin or of other personal attributes, including beliefs or opinions, such as religious beliefs or political beliefs'.

64. Councils told us that they find it hard to understand and manage the full range of their equalities obligations, partly because of the volume of legislation. Equalities legislation has developed piecemeal since the 1970s to the point where there are now nine major pieces of discrimination legislation; around 100 statutory instruments setting out connected rules and regulations and more than 2,500 pages of guidance and statutory codes of practice.

65. Key legislation is listed in Exhibit 3 (overleaf). Certain legislation is specific to a particular equality strand, such as race or gender. Other legislation is more generic and touches on all equality strands. So the legislation that may apply in a particular set of circumstances is not always obvious.

66. The form and function of equalities legislation has evolved over the years, with the early legislation on race equality most concerned with bodies' organisational arrangements compared to some later legislation, where the impact on people has greater emphasis. The equality duties on race, gender and disability vary in their style and requirements and have different reporting timescales. Councils told us they see benefits in managing their equalities responsibilities in a more harmonised way, legislation permitting.

67. In June 2008, the UK government published plans for a new equality bill. The bill is intended to pave the way for a single equalities act for the UK and bring race, disability, sex and other grounds of discrimination within one piece of legislation, under one over-arching equality duty.

68. Under the new bill, the government also plans to: outlaw age discrimination; require more transparency by public bodies;

extend the scope of positive action in recruitment; and strengthen provision for enforcement action. The present statutory equality duties on race, gender and disability all remain in place until such time as a Single Equality Act arrives. Lessons learnt by councils from meeting the race equality duty should be helpful in securing their effective delivery on any new duty.

69. Councils also said they are in a difficult position due to a lack of national direction regarding the minimum standards and expectations about how services meet the race equality duty. For example, the race equality duty stipulates that councils should promote good relations between people of different racial groups, and it can be a challenge to convert this into service design.

70. Against this background, councils have tended to focus on meeting the race equality duty by developing processes and corporate documents. However, these high-level arrangements have not always been linked into key processes such as service planning or performance reporting.

71. Our survey found all councils had a policy document that meets the race equality duty's requirement to have a 'race equality scheme'. More than half of councils (17) had a stand-alone policy document specifically on race equality. Ten councils had a document covering a range of equality strands. The remaining councils said they were in the process of developing multi-strand equalities schemes.

72. We found a number of problems associated with councils' race equality schemes:

- Councils were waiting for guidance from the Equality and Human Rights Commission on how best to address different equalities issues and statutory reporting timescales within one document.

- Race equality schemes tend to be stand-alone documents that

Exhibit 3

Equalities legislation and guidance have accumulated over four decades and cover six equality strands, including race

The exhibit includes a small sample from the extensive range of legislation either directly about equalities or with implications for equalities. It is not intended to be exhaustive, and the application of the legislation may be open to interpretation. The exhibit does not constitute legal advice for councils or other bodies.

Year	Legislation	Age	Disability	Gender	Race	Religion/belief	Sexual orientation
1970	Equal Pay Act 1970 (Amended)			✓			
1975	Sex Discrimination Act 1975			✓			
1976	Race Relations Act 1976				✓		
1995	Disability Discrimination Act 1995		✓				
1998	Scotland Act 1998		✓	✓	✓	✓	✓
1998	Human Rights Act 1998		✓	✓	✓	✓	✓
1999	Sex Discrimination (Gender Reassignment) Regulations 1999			✓			✓
2000	Race Relations (Amendment) Act 2000				✓		
2000	European Union Employment Directive 2000/78/EC		✓			✓	✓
2001	Special Needs and Disability Act 2001		✓				
2002	Employment Act 2002		✓	✓	✓	✓	✓
2002	Statutory Code Of Practice on the Duty to Promote Race Equality in Scotland				✓		
2003	Local Government in Scotland Act 2003	✓	✓	✓	✓	✓	✓
2003	Race Relations Act 1976 (Amendment) Regulation 2003				✓		
2003	Employment Equality (Religion or Belief) Regulations 2003					✓	
2003	Employment Equality (Sexual Orientation) Regulations 2003						✓
2003	Code of Practice on Equal Pay			✓			
2004	Civil Partnerships Act 2004						✓
2004	Gender Recognition Act 2004						✓
2005	Disability Discrimination Act (Amendment) 2005		✓				
2005	Statutory Code of Practice on Race Equality in Employment				✓		
2005	Sex Equality (Sex Discrimination) Regulations 2005			✓			
2006	Employment Equality (Age) Regulations 2006	✓					
2006	Code of Practice on Sex Discrimination			✓			
2006	Statutory Code of Practice on Racial Equality in Housing: Scotland				✓		
2006	Equality Act 2006					✓	
2006	Racial and Religious Hatred Act 2006				✓	✓	
2007	Gender Equality Duty – code of practice for Scotland			✓			

Source: Audit Scotland

do not relate clearly to other key corporate processes or documents, or systematically drive the approach to race equality by individual services.

- Councils do not routinely capture an overview of services' progress.

- Many councils had not reviewed the full range of their functions and policies for race equality.

73. Councils should have screened all their functions and policies for race equality six years ago, in preparation for drafting their first race equality scheme by November 2002. In our survey:

- seven councils said they had screened all their functions and policies

- twelve councils had screened more than half of them, but not all

- thirteen councils had screened fewer than half or did not return data.

Clearly, this is an area where the majority of councils need to take action.

Councils do not consistently prioritise race equality

74. Best Value audits show a high-level commitment to promoting race equality in councils' top level policies. However, there is often a gap between corporate policies and the extent to which service delivery demonstrates the influence of these policies.

75. Councillors generally recognise that they have not always prioritised race equality, nor have senior managers consistently driven key processes which underpin the race equality duty. For example, important aspects such as setting outcomes, carrying out race equality impact assessments, and monitoring and reporting on performance are all underdeveloped.

76. In some parts of Scotland, the small size of minority ethnic communities appears to have

Exhibit 4
Councils self-assessed their corporate arrangements for race equality

Source: Audit Scotland

contributed to a perception that promoting race equality is a low priority. In recent years, economic migrants from European Union accession states have settled in urban areas, as well as many rural parts of Scotland where the number of people from minority ethnic communities had previously been small.

77. In a self-assessment, councils considered they are better at embracing race equality at senior management level than at service or partnership levels (Exhibit 4). Half of councils (16) considered they are 'good' or 'very good' at managing race equality at senior management level. Two thirds of councils (22) thought they are only 'fair' at mainstreaming race equality in key service documents and processes. Ten councils said they are 'poor' or 'very poor' at ensuring sufficient staff are available to manage race equality work.

78. Councils need clear direction for race equality policies, supported by

well-defined outcome objectives and targets. However, our audit work found councils lack clear objectives for how services will translate the race duty into improving services for minority ethnic communities. At present, councils identify processes such as undertaking more staff training, writing plans and carrying out employee monitoring. Focusing on processes may cause councils to lose sight of the overall aim of the race equality duty: to make improvements for minority ethnic communities and promote good race relations.

79. Councils typically rely on a lead equality officer at headquarters to provide knowledge and support to services, senior management and councillors. Staff in services also rely on these officers for help and support.

80. While there is a role for specialist corporate equality officers to support policy development and provide specialist advice, senior managers and elected members need to

Targets – examples

Dundee City – in its Single Outcome Agreement, the council is aiming for satisfaction among equality and diversity groups to be on a par with the city's population as a whole. This will be measured annually through the council survey.

Edinburgh – the council aims to increase the percentage of black and minority ethnic primary school pupils who attain or exceed the relevant level for their stage in reading, writing and mathematics. It will also measure the increase in the percentage of minority ethnic pupils at S2 attaining or exceeding level E in reading, writing and mathematics.

West Lothian – as part of its Single Outcome Agreement, the West Lothian Community Planning Partnership is using information from the Quality of Life Survey carried out in 2007. One of the locally identified SOA indicators is 'the percentage of residents who believe they live in an inclusive society'.

take greater ownership in driving the council's response to the duty. Otherwise there is a risk that race equality becomes a marginalised issue promoted mainly by staff with a specific equalities responsibility.

81. Councils are putting systems and structures in place to manage equalities across their organisation, and many councils now have equalities leads at a senior management and political level. Most councils (27) have a senior manager with a lead role for equalities; 27 have a corporate working group with senior management representation; 17 have a councillor with a lead role for equalities and 14 councils have an equalities working group with councillor representation. The majority of councils (21) also have departmental working groups, which include senior management representation.

82. We found that working groups can lack clear direction. Councillors and officers on working groups sometimes feel they lack relevant knowledge and skills, and that more guidance and support would help them carry out their roles effectively.

83. There are mixed attitudes towards the race equality duty among council staff. Many feel that they do not have

good understanding or awareness. Some staff fear doing the wrong thing or feel they do not know where to start. There is often a perception that the race equality duty is resource intensive and bureaucratic, for example, in requiring consultation with service users and stipulating the need for impact assessments. It is also seen as something additional to their role rather than an integral part of it. In an organisation where race equality is not prioritised, these factors can all act as disincentives for staff.

Councillors and staff need more support

84. Training and other forms of support on race equality need to be tailored to the particular needs of councillors, and to the varied roles played by staff at corporate and service levels. However, not all councillors and staff have the skills, knowledge and understanding they need.

85. In meetings with councillors and staff, we found mixed awareness and understanding of race equality issues and of service needs among minority ethnic communities. Councillors sometimes feel ill equipped to challenge reports by senior officers and to participate in setting a strategic direction for the council on race equality issues. Many staff reported a lack of skills and

limited understanding of how to build race equality into their daily role.

86. Most councils accept there is room for improvement in their provision of training and other support for councillors and staff. In a self-assessment, only nine councils said they are 'good' or 'very good' at having the staff skills to promote race equality and community cohesion across all council staff, and seven thought they are 'poor' or 'very poor'. Five councils claimed they are 'good' or 'very good' at using training to improve service design and delivery (Exhibit 5).

87. Overall, around half of councils have provided training on race equality to the majority of staff and a quarter of councils have provided training for most councillors. In many councils, there are therefore significant numbers of councillors and staff who have received little or no training. This is evident at all levels but particularly among councillors and front-line staff, who have the most personal contact with people from minority ethnic communities.

88. Most training and support was generic rather than tailored to the needs of individual services and their client profiles. We found limited coverage of race equality included in induction training for new staff and recruitment and selection procedures. Information for new staff is sometimes provided on councils' intranet sites and communicated through core briefings for staff.

89. Where councils have provided staff with training and support on race equality, the emphasis has been on the provision of basic information about the legislation and some coaching on race equality impact assessments for those involved in conducting them (Exhibit 6). Nearly all councils (30) have supported staff in conducting race equality impact assessments but only 24 have assisted staff with understanding cultural differences among minority ethnic communities. A smaller number have assisted staff with analysing

race equality information or with techniques for consulting minority ethnic communities. Only one council said it had helped councillors to analyse race equality information.

90. As regards the impact of training, eight councils told us they had assessed its impact on service managers or front-line staff and only four councils reported they had assessed the impact of training on councillors.

91. Councils face practical challenges in assessing the impact of race equality training. It is often delivered to large numbers of staff by just a few equality officers, sometimes by only one person based at council headquarters, possibly across a large geographical area. Time spent assessing the impact of training on one group of staff may therefore be at the expense of providing support to other staff, on different issues. A further challenge lies in assessing how the views and behaviours of staff may have changed in response to training and support. The impact may not be evident for some time, and may not be directly attributable to the assistance councils provide. This indicates the need for a strategic approach to training in race equality within a broader equalities framework and for monitoring of the impact of the training over regular time intervals.

92. There is scope for sharing expertise among community planning partners in topics such as the conduct of impact assessments, the joint development and delivery of training courses and other materials, and shared systems for tracking impact on employees and service users. While some training would need to be customised to particular partners and services, much could be generic and developed efficiently through a partnership approach. A partnership approach could also be considered with similar bodies, such as groups of councils facing common issues. Already, 14 councils say they have carried out some form of joint training on race equality, typically with local partners.

Exhibit 5
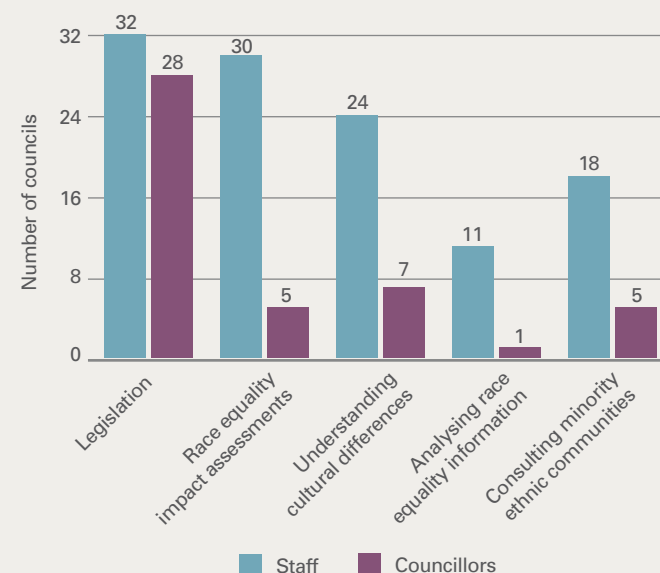Councils self-assessed their provision of training and support for staff
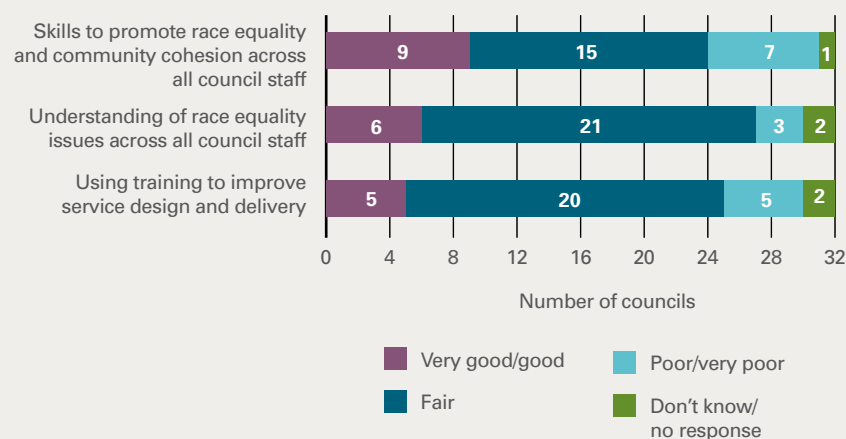
Source: Audit Scotland

Exhibit 6
Training and support for councillors and council staff

Has the council provided support on race equality to the following groups since April 2004?

Source: Audit Scotland

Councils lack full information on the composition of their workforce

93. As part of the duty, councils should monitor the ethnic composition of their workforce. This should compare the profile of the workforce with the composition of the local population. All councils publish some form of employment monitoring information but the quality of the data varies across councils. The majority of councils monitor, by ethnic group, the number of job applicants and the number of staff that ceased employment (Exhibit 7, page 23). Only half of councils monitored at least half their workforce with regard to applicants for training; 19 monitored the promotion of most staff; and

Training and support – examples

Aberdeenshire – the council commissioned a training DVD and an associated workbook to help staff improve customer service for everyone. While originally targeted at existing employees it is now used in the induction of new staff to distribute practical guidance and promote an inclusive approach to equalities. Materials were shared with ten other councils.

South Lanarkshire – the Environmental Health Commercial Team engages with the operators of minority ethnic food businesses to ensure high standards of public health safety. The Team is approved as a training centre by the Royal Environmental Health Institute of Scotland and has received recognition for training over 5,000 local food business employees over ten years. Bespoke courses in Punjabi, Urdu, Chinese, Bengali and Polish have been delivered using own-language materials and where necessary by using own-language presenters and exam papers. Evaluation forms have been provided in the candidate's own language to help the council evaluate the impact of the course.

Stirling – the council invites a speaker from a minority ethnic background to contribute to two-day staff training courses promoting diversity awareness. A question and answer session draws on the speaker's experience of being brought up in the Caribbean and moving to Scotland. The speaker talks about the discrimination she has faced and how she has dealt with it. Feedback from course delegates suggests they return to their workplace with a deeper understanding of the issues faced by minority ethnic communities and are more confident in understanding individuals and their needs.

six councils monitored most of their workforce for the number of employees who benefited or suffered detriment due to performance assessment procedures.

94. Some councils have implemented specific initiatives to make their workforce more representative of the community, including the placement of job adverts in specialist media of interest to minority ethnic communities and attendance at recruitment fairs. However, there is still relatively little evidence to show that gaps between the ethnic profile of the workforce and that of the local population have narrowed. Councils told us they face difficulties attracting employees from minority ethnic groups.

95. We saw some councils starting to consider scope for the use of positive action in recruitment. The aim of positive action, as permitted under the race equality duty, is to give people from a particular racial group (or groups) the opportunity to compete for work in which they have been under-represented or absent. The duty also allows action to be taken to make facilities or services, such as language classes or training or education in basic work skills, available to people from a particular racial group (or groups) who would otherwise be excluded from job opportunities.

96. Most councils see room for improvement in their approach to employment monitoring. Around half of councils (18) consider they are 'good' or 'very good' at collecting employment monitoring data, but only seven councils considered they are as good at using this data to close gaps between the ethnic profile of the workforce and that of the local population.

Councils lack full and robust information about minority ethnic communities and their needs

97. Councils lack a clear picture of the composition of minority ethnic communities and their needs, partly because of difficulties in obtaining current and reliable population data. The 2001 Census is relied on heavily for information on the ethnic composition of a council's population. However, this information is dated and does not provide a profile of all ethnic groups. There are also differences between the definitions for ethnicity used by councils and those of the census.

98. Accurate data on the current and forecast populations of minority ethnic communities are also problematic. Two thirds of councils (23) did not have any corporate information on projected figures for minority ethnic communities as defined by the 2001 Census, or for Gypsies/Travellers. Half of all councils did not have projections for economic migrants.

99. Councils identified the most prominent information gaps as relating to recent economic migrants, their language preferences, services needs, and views on council services. Intelligence on the numbers and needs of other minority ethnic groups was also identified as a current issue among many councils. Councils considered it would be helpful for the Scottish Government to develop better data on minority ethnic communities, to avoid a wide range of councils and other public bodies separately commissioning local and national research.

100. Though more could be done, the majority of councils have taken steps to improve their understanding of minority ethnic communities by:

- commissioning research (27 councils)

- carrying out research themselves (26)

- using local community research as a data source to inform their activities (26).

Exhibit 7
Councils are better at monitoring staff turnover than training activity or performance assessments
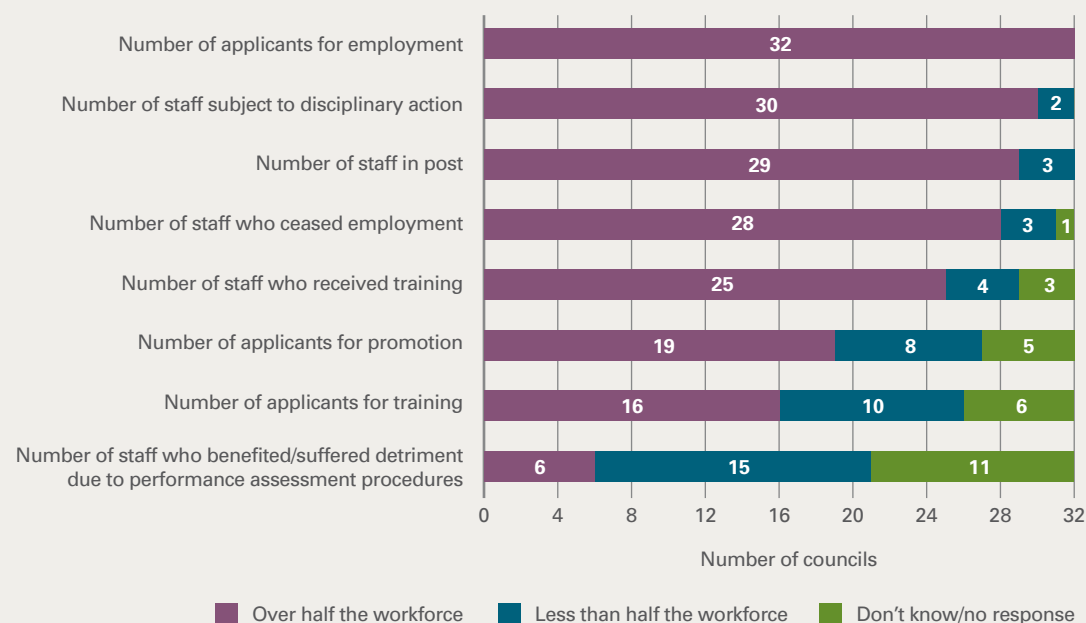
Source: Audit Scotland

Employment issues – examples

East Renfrewshire – a number of career exhibitions have been aimed at minority ethnic communities, including the Get the Right Track Event held in September 2005 at Mearns Community Library; participation in a Careers Fair at the Tramway theatre; and participation in the annual Barriers and Bridges Race Conferences. The Corporate Personnel Division attends all local schools careers events.

Edinburgh – the council has set a corporate target that by March 2009 at least 4.2 per cent of employees should be from minority ethnic communities. The Public Sector Academy provides support, training and work experience to individuals from minority ethnic communities who are under-represented among staff groups. The council also aims to increase the diversity of its workforce through targeted publicity and job fairs. More people from a minority ethnic background are applying for jobs and being appointed. Representation of minorities within the workforce shows a slow but steady year-on-year increase since the first year of reporting in 2003/04.

Glasgow – there is a positive action element to the council's Skillseeker and Modern Apprenticeship programmes. Together with other target groups, minority ethnic applicants are offered both first and second stage interviews.

North Ayrshire – the council placed a general advertisement in the publication 'Ethnic Britain' to encourage potential applicants to enquire about employment opportunities at the council. The advert has been placed for a few years.

101. Ethnic monitoring is the process used to collect, store and analyse data about people's ethnic backgrounds. Council services can use ethnic monitoring data to highlight possible inequalities, investigate their underlying causes and seek to remove any unfairness or disadvantage. In service delivery, monitoring can show which groups are using services and how satisfied they are with them. Services can then consider ways of reaching under-represented groups and making sure that services are relevant to their needs and provided fairly.

102. In two thirds of councils (22), libraries said they conduct some form of ethnic monitoring of service uptake. Some libraries services already have computer systems that can collect information on the ethnicity of service users or their language preferences, but we found some librarians do not use them routinely. Librarians are not always clear why or how ethnic monitoring information should be collected and how it can be used to improve service planning and delivery, indicating a clear need for training in this area. Only a third (11) of planning services said they carry out any ethnic monitoring of their service and we found that relatively little use is made of the information collected, eg to profile service user satisfaction by ethnic group.

103. However, we did not see information systematically shared between services, when it could usefully inform a wider understanding of the needs and trends among minority ethnic communities.

Ethnic monitoring of libraries services – examples

East Renfrewshire – the libraries service undertakes ethnic monitoring of membership and borrowing statistics to inform purchases of materials and make necessary amendments to the Stock Policy. The Learning Team undertakes ethnic monitoring to inform the provision of relevant learning courses.

Edinburgh – the libraries service monitors library membership, borrowing levels of community language stock, and the amount spent on acquiring community language stock.

Councils cannot demonstrate how consultations with minority ethnic communities have influenced the design or delivery of services

104. We found all councils have consulted minority ethnic communities to some extent, to gain more detailed information on the various groups in their area. Popular methods include:

- questionnaires (31 councils)

- consultation meetings (28)

- focus groups (24)

- citizens' panels (23).

105. Councils were able to highlight some outcomes from consultations with their communities. These included new services tailored to minority ethnic communities, and increased use of existing services.

106. However, most councils found it difficult to identify clear links between consultations and outcomes which directly influenced services for minority ethnic communities. Around half of councils said they were unable to provide documentation on consultation outcomes. Some councils cited policies and procedures as evidence of impact – rather than the service benefits they had secured for people from minority ethnic communities.

107. In the focus groups we convened, many people from ethnic minorities talked about the levels of consultation activity being greater than the level of impact they witnessed, and that if they could see a difference, people would be encouraged to engage with councils more often, and more positively.

108. In our study, council staff reported difficulties in consulting effectively, and reported concerns such as:

- there may be non-existent, incomplete or unmanaged corporate registers of consultees and consultation activity

- some community groups can be over-consulted while others are under-consulted

- it can be difficult to build the capacity of small community groups to engage with the council

- it can be difficult to make and maintain contact with community groups such as Gypsies/Travellers, who can be perceived as being hard to reach

- it can be hard to allow the voices of all to be heard and avoid the dominant voices of a few becoming the accepted view of a minority ethnic community

- consultation and community engagement can be costly

- there can be limited coordination of consultations between services and partner bodies.

109. Most councils see scope to improve their handling of information gathering and consultation (Exhibit 8, overleaf). A minority of councils said they are 'good' or 'very good' at various aspects of consultation and data handling. Overall, councils were most positive about their consultation arrangements, and least confident about their data on minority ethnic communities. More than half of councils (18) said they are 'poor' or 'very poor' at having timely data on the size and composition of minority ethnic communities. This confirms our finding that councils rely heavily on ageing census data to inform corporate policy and service design.

Engaging with and understanding minority ethnic communities – examples

Aberdeenshire – Reaching International Communities in Aberdeenshire is an outreach project to support minority ethnic communities in North Aberdeenshire, delivered by Aberdeen International Centre for the Council. The project employs an outreach worker who liaises with service providers and migrant workers – often attending crucial appointments, eg a visit to the GP or JobCentre, and parent interviews at schools.

East Renfrewshire – since 2003 the council has organised an annual 'Barriers and Bridges' conference with local communities to provide an update on progress in implementing the council's race equality agenda. Conferences have been useful for prioritising council actions on race equality as well as helping to develop and improve relations with minority ethnic communities. Actions taken as a result include joint funding of a bilingual outreach community worker to encourage uptake of council services and assist in the establishment of an umbrella organisation for minority ethnic communities; the establishment of drop-in sessions for older people from minority ethnic communities and positive action to encourage swimming by Asian women.

Fife – the Know Fife survey was commissioned by a multi-agency working group to gather information about migrant workers living and working in Fife. It involved face-to-face interviews with 904 migrant workers in August/September 2007. The aim was to help service providers gain a better understanding of workers' needs and aspirations, and to consider the policy implications for service planning and delivery. The findings of the survey were considered at a Welcoming New Scots seminar in June 2008 along with areas for future development and research.

Glasgow – the council has operated a Citizens' Panel since 1999, to investigate a range of diverse areas including service satisfaction, contact with and opinion on the role of councillors, neighbourhood satisfaction levels, and key priorities for the city. A 'booster' panel ensures the views of minority ethnic communities are taken into account. The Panel has informed service delivery, best value service reviews and strategic planning reviews. Where appropriate, follow-up work on specific issues highlighted by the Panel's responses is carried out through focus groups. Information from Panels is reported in the Glasgow Magazine, allowing participants and the public to see consultation results. The actions included in the Race Equality Scheme's implementation plan reflect the findings from the Citizens' Panel (now Household Survey) and focus groups. A series of focus groups were facilitated during summer 2008 and their findings will inform actions in the Integrated Equality Scheme, to be published in November 2008.

Highland – a 'Supporting Gypsy and Traveller Young People and Families' conference was held in November 2007 with the aims of raising awareness of the issues facing travelling communities and promoting collaborative working between services. Staff have heightened awareness of the lifestyle and issues that this community face, which can better inform service delivery. The conference increased awareness and inter-agency working, and increased contact and enquiries from schools.

Exhibit 8

Councils self-assessed their approach to consultation and information gathering
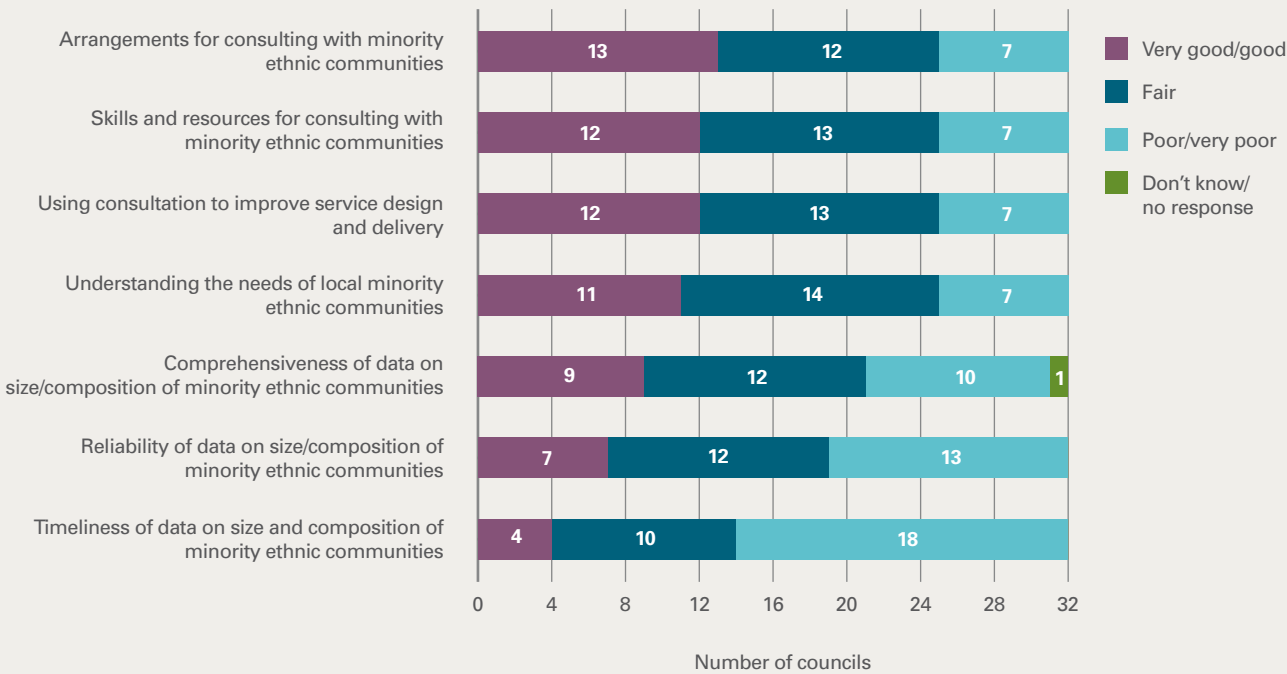
Source: Audit Scotland

Performance management and reporting are underdeveloped

110. Our Best Value audits show that councils need to improve their corporate performance monitoring on equalities. Although councils generally have reporting arrangements in place at senior management and political level, the scope and value of the information reported are still fairly limited.

111. In the survey for this study, a third of councils (11) did not report performance measures for monitoring the council's overall performance on race equality. Where a council did identify performance measures, these were predominantly about employee monitoring and ensuring the council's own internal arrangements are on track, rather than using measures to assess the impact of council services on minority ethnic communities. For example, measures include:

• the number of job applications by people from minority ethnic communities

• the number of council staff who are trained on race equality issues

• the number of race equality impact assessments undertaken.

112. Benchmarking on race equality is underdeveloped so councils are not able to easily compare their performance with that of other councils or other public bodies. In our survey, few councils could cite any benchmarking of their performance on race equality. Councils could obtain a clearer picture of their performance in meeting the race equality duty through benchmarking.

113. We asked councils how they report their performance on the race equality duty, both within the council and to the public, and found a mixed picture. In a minority of councils (seven) senior managers and councillors received the statutorily required annual report about the council's progress against its race equality scheme, sometimes covered within a report on the wider equality scheme.

114. Most councils submit reports to senior management on their overall progress at more regular intervals – typically every three or six months. Where reporting takes place more frequently, it is typically on an ad hoc basis and is often about employee monitoring statistics rather than overall performance on the race equality duty. Four councils told us they had yet to formalise their arrangements for reporting to senior management. We found arrangements for reporting to councillors varied widely but generally did not provide councillors with timely and accessible information that informed their effective leadership.

115. Best Value requires councils to report their performance to the public. The information that councils report on race equality is of variable quality and could be improved. In compliance with legislation, all councils publish their race equality scheme and employment monitoring reports, typically on their website. Fewer councils go beyond this minimum

requirement to publish performance reports on race equality at a corporate level, on the results of consultations and on impact assessments (Exhibit 9).

116. Most councils see scope for improving their approach to performance monitoring and public reporting. More than a third of councils rated themselves as 'poor' or 'very poor' on performance monitoring and public reporting. Nearly half of councils (15) said they are 'poor' or 'very poor' at using monitoring information to improve service design and delivery.

Exhibit 9
Councils could publish a wider range of performance information
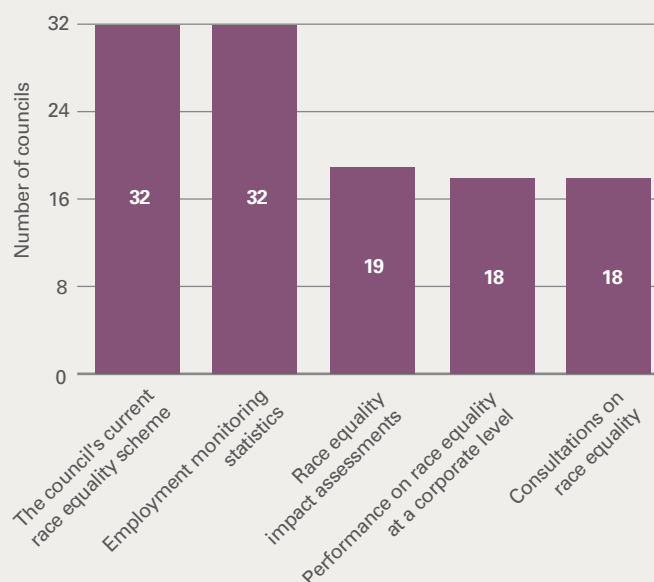
Source: Self-assessment by councils

Performance monitoring and reporting – examples

Edinburgh – the Children and Families Department monitors the attainment of minority ethnic pupils and has published results for the past two years. Quality Improvement Officers explore reasons for gaps in attainment between minority ethnic groups and the school population in general. A further study, based on specific schools, is under way and this will be reported to the Equalities Monitoring and Implementation Group.

Falkirk – services provide a yearly update on progress with their action plans, and this is formally reported via the Corporate Management Team.

Part 4. How can councils build on their progress to date?

Councils face challenges but can do more to improve their performance and impact through use of the Best Value framework.

Key messages

- Councils can build on achievements to date and make more impact through Best Value and partnership working.

- National organisations have a role to play.

Councils can build on achievements to date and make more impact through Best Value and partnership working

117. The aim of the race equality duty is to 'mainstream' race equality – to make race equality an integral part of policymaking and management, and in delivering services. Councils should be able to use and build on systems they already have – such as those for developing and monitoring policy and for service planning – to avoid duplication of work and unnecessary expense.

118. While the race equality duty has made some impact on council services, councils generally lack a systematic approach where all services set and achieve specific outcomes designed to meet the needs of diverse minority ethnic communities. Arrangements for race equality often operate separately or in parallel to other activities, rather than as an integral part of the management approach. We believe our conclusions from considering libraries and planning services will also resonate in other service areas where race equality issues can be significant and direct for councils – including education, social work and housing – and have implications for how councils approach their other equality responsibilities.

119. Councils now have an opportunity to build on the work they have done to date to establish effective systems to support a stronger focus on services outcomes for people from minority ethnic communities. The four topics most commonly identified by councils as priority areas for development were (Exhibit 10):

- community engagement and consultation

- performance management, monitoring and reporting

- training and awareness raising

- race equality impact assessments.

120. Councils' management arrangements do not always reliably identify good practice at corporate level, among services, or ensure that good practice is effectively disseminated among relevant staff.

121. Arrangements for sharing good practice within councils are predominantly through corporate equalities working groups and officers with specific equalities remits. Other corporate mechanisms include use of councils' intranet sites, communication bulletins and newsletters. Corporate working groups could act as a clearing house for good practice but they need to be responsive to services' needs and have the right expertise.

122. Arrangements for sourcing good practice guidance and examples from outside councils are limited and rely heavily on informal communications networks between service managers, between equalities officers, and events such as occasional seminars and conferences.

123. There is presently no single place that councils can go to for a reliable bank of good practice examples which they can draw on to improve local services. Staff we spoke to said that they would appreciate more good practice information and practical guidance, not only from within their own organisation, but also from national bodies including the Scottish Government, the Equality and Human Rights Commission, the Improvement Service, and bodies representing the professions.

Exhibit 10
Councils prioritised the topics they should improve on

Topic	Number of councils
Community engagement and consultation	17
Performance management, monitoring and reporting	15
Training and awareness raising	13
Race equality impact assessments	12
Employee monitoring and workforce diversity	9
Information on the composition and needs of minority ethnic communities	6
Delivering appropriate services	4
Setting clear outcome targets	4

Number of councils

Source: Audit Scotland

Promoting and sharing good practice – examples

East Lothian – the first edition of a quarterly equalities newsletter was issued in February 2007 to all council staff. The newsletter raises awareness of equalities and promotes the dissemination of good practice. From winter 2008, the newsletter will be distributed to all members of the East Lothian Diversity Network and be used to highlight and advertise community events related to diversity. Partner bodies will be able to contribute to the newsletter.

East Renfrewshire – the Equality Officers Working Group meets every six weeks and supports the Corporate Management Team (CMT) in the development, implementation and monitoring of the council's Equality Strategy. Meetings are used to share good practice; consider progress reports on the implementation of the Equality Strategy; consider staff training needs; make recommendations to the CMT; update colleagues on changes in legislation; and plan annual community conferences on equalities. Through the work of this group, at least 80 per cent of employees have been through equality awareness training and an annual equality conference has taken place each year since 2003.

Edinburgh – the Mainstreaming Action Team Network (MAT) is a network of equalities officer groups that extends into every council department and service grouping. Each departmental group nominates two representatives to sit on a MAT Lead Officers Group that meets quarterly to maintain an overview of the multi-equality scheme's implementation and other related equalities performance matters. Each member of this network is known as an equality champion, and accompanying induction and information material has been developed to support their work. There is a database of all equality champions across the council and relevant information on research, best practice and legal duties is sent on a regular basis to this network. Each group reports every six months to their respective management teams with a 'successes and challenges report'.

Shetland – a monthly equality circular distributes local and national news to council staff and community planning partner agencies. The circular raises the profile of diversity and equality initiatives, keeps people up to date, and promotes awareness of good practice among front-line services. There has been an increase in the number of people signing up to the circular.

124. Many councils recognise there is room for improvement in their approach to handling good practice and support. About half of councils (17) rated as 'good' or 'very good' their arrangements for supporting staff and sharing of good practice, within and outwith the council, though 13 thought their arrangements are only 'fair'. Fewer than a third of councils (10) consider they are as good at using their arrangements to improve service design and delivery.

125. Since 2003, statutory guidance on Best Value has provided councils with a framework for managing their organisational arrangements and securing continuous improvement in their performance. The guidance equips councils with a basis for mainstreaming equalities within their management arrangements. The principles can be applied across the public sector, and so provide a common point of reference between councils and their partners.

126. Key benefits of using Best Value to integrate race and other equality issues include:

- reducing the administrative burden of the equalities duties

- improving the ease with which the council can comply with legislative requirements

- making service delivery more attuned to the needs of communities with specific needs

127. The statutory guidance illustrates how equalities can be built into Best Value in practice, and reflects many of the points we make in this report:

- Equality should be reflected in a council's objectives and highlighted in effective planning at corporate and service levels.

- All service users or groups in the community do not have the same resources, situations and needs and councils need to reflect this in planning, designing and improving services.

- Leadership is an important component of Best Value and should include a commitment by both councillors and officers to mainstream equalities.

- Councils' own best value reviews should take account of equalities issues and assess the impact of policy proposals on equal opportunities without the need for separate processes.

- Equalities should be taken into account in procurement strategies required by Best Value.

- Equalities performance measures should be identified as part of a council's overall Best Value performance management arrangements, and used to monitor performance and report to the public.

Partnership working – examples

Aberdeenshire/Aberdeen City – the Grampian Racial Equality Council (GREC) is core-funded by Aberdeen City Council, Aberdeenshire Council, NHS Grampian, and Grampian Police. It also receives funding from various other public sector bodies. GREC:

- supports individuals who have been victims of racial harassment

- works with a very wide range of organisations in the field of policy advice in racial equality and equal opportunities

- provides training to many different public organisations, on topics including race equality legislation, and cultural diversity

- provides mediation and counselling services

- coordinates a standardised approach to the recording, monitoring and reporting of racist incidents by a range of public bodies across the Grampian area

- provides a casework service.

East Ayrshire – the Ayrshire Equality Partnership includes North, South and East Ayrshire Councils, the Police and the NHS. In 2005 the Partnership undertook a needs assessment survey of minority ethnic communities. The results were published in September 2005. Recommendations were made for each authority. As a result East Ayrshire Council's housing service developed a Translation and Interpretation Booklet for all staff to access information on translation and interpretation, which is available on the council intranet. Diversity and Equalities Training is part of the council's corporate approach to induction to ensure employees have an awareness of equalities. The council uses 'Chloe', its virtual website assistant, to enhance online communication in minority languages.

Falkirk – the Community Planning Partnership has integrated migrant worker issues within a cross-cutting theme on Equal Opportunities and Equity of Access. Each thematic implementation group has been given responsibility for supporting migrant worker issues pertinent to its theme.

For example, a migrant workers subgroup within the Lifelong Learning and Opportunity theme has sought to coordinate learning services for migrant workers and their families including children coming to school, language skills, adult literacy and numeracy, and ESOL (English for Speakers of Other Language). The group has also published targeted thematic booklets for migrant workers and their families. Stirling – the council established the community-led Stirling Multi-Cultural Partnership Group (SMCP). The group began to develop and deliver social events and consequently identified a number of cultural barriers between different faiths and communities. The group started to reduce these barriers through education and involvement activities, actively promoting the council's strategic aim of social inclusion. The group now acts as a voice for local minority ethnic communities in community engagement and participation activity. This role is enhanced within the community planning framework. The SMCP was runner-up in the Crimestoppers Scotland 'One Award' for community integration in March 2007.

- People management and employment policies should be fully in line with equalities commitments, with staff training in place to support that commitment.

128. Our Best Value audits and results from our study suggest that more progress could be made on addressing race equality through the following actions:

- Council chief executives could demonstrate stronger leadership on race equality in general, and provide more support for councillors and equality officers.

- Service planning and budgeting procedures could include prompts for managers to include equality issues in their analysis.

- Public performance reporting material could routinely include information on equality performance.

- Performance review schemes for employees could include triggers to assess staff understanding and skills on equalities and identify relevant training and development needs.

129. Councils see opportunities to do much more joint work through community planning partnerships, for example, to pool expertise and resources, share population data, conduct joint staff training initiatives, develop harmonised policies and guidance, coordinate recruitment exercises, share information on local minority ethnic communities, and coordinate consultations.

National organisations have a role to play

130. The institutional framework which councils look to for guidance is evolving at a time when councils are trying to improve their performance on the race equality duty, and other equality duties too.

131. The Equality and Human Rights Commission (EHRC) took over the responsibilities of the Commission for Racial Equality in October 2007 (as well as the Disability Rights Commission and the Equal Opportunities Commission). The EHRC is responsible for promoting all aspects of equalities across the UK. As a relatively new organisation, it is becoming settled in its role and has started to establish contact with councils. The new Commission is aiming for a more integrated approach across the equality strands. In a project called 'Capturing the Gains from the Public Sector Duties', the EHRC is compiling a web-based compendium of good practice across all equality strands, with publication scheduled for early 2009.

132. In its business plan for 2008/09, the EHRC has already set out its intention to pursue a broader approach, to:

- analyse, define and target key equality and human rights challenges

- change policy and organisational practice to provide better public services alongside an efficient and dynamic economy

- engage, involve and empower the public, especially people from disadvantaged communities and areas

- anticipate social change and reach new audiences in ways that strengthen equality and human rights.

133. In June 2008, the Improvement & Development Agency (IdeA), which supports authorities in England, published a draft equality framework for local government. In Scotland, the Improvement Service is planning to develop the IDeA's approach for application in Scotland.

134. Councils told us they saw scope for the work of national organisations with a role in equality issues to be better coordinated (Exhibit 11). The highest priorities for councils were assistance with:

- training and awareness raising, for councillors and staff

- community engagement and consultation

- workforce diversity and employee monitoring

- equality impact assessments

- performance monitoring

135. In addition to the EHRC, national bodies well-placed to assist with this agenda include:

- the Scottish Government

- Improvement Service

- Convention of Scottish Local Authorities

- Society of Local Authority Chief Executives and Senior Managers

- bodies governing practice and standards in the various professions – such as the Chartered Institute of Library and Information Professionals and the Royal Town Planning Institute.

Exhibit 11
Councils identified topics on which they would appreciate support by national bodies

Areas of race equality councils feel they could now benefit from further support on	Some quotes by council officers
• Community engagement and consultation • Conducting equality impact assessments • Handling interpretation and translation services • Nationally agreed outcomes priorities for equalities • Obtaining more support/guidance from external bodies • Finding data on the ethnic composition of the local population • Partnership working on equalities • Performance management and reporting • Procurement • Promoting and sharing good practice • Selling the benefits of diversity and equality • Staff training and internal communication issues • Understanding/simplifying race equality legislation • Workforce composition/employee monitoring • Writing equality schemes	*"We have found it difficult to assess the numbers of migrants living or working in the area, and the implications this may have for the delivery of council services… national statistics and guidance would be beneficial."* *"No additional resources have been made available with any of the public duties."* *"It is often difficult to engage meaningfully with communities that are not visible and to provide coordinated support and services."* *"Advice on areas and key services on which race equality impact assessments should be undertaken including sharing of assessments already completed by other organisations."* *"More examples of good practice from other local authorities being shared, particularly in relation to outcomes."*

Source: Audit Scotland

Part 5.
Recommendations

To help improve the impact of the race equality duty, this report makes recommendations to councils and a range of national organisations.

Recommendations

Councils should:

- identify clear objectives and actions to improve the impact and outcomes of service delivery on minority ethnic communities

- adopt a more effective programme of race equality impact assessments that covers all service areas in a consistent manner, and ensure that results are properly implemented

- equip councillors to undertake their responsibility for race equality by providing them with regular training on the race equality duty and regular progress reports, including information about performance, outcomes and the monitoring of impacts by services

- deliver improved learning and development programmes for staff at all levels, to provide them with the information, skills, knowledge and understanding they require, and monitor the impact of this

- regularly publish information on minority ethnic communities, the inequalities they encounter and their needs – and use this information to improve services

- improve consultation and engagement with minority ethnic communities, to ensure a deeper understanding of their service needs and priorities

- make use of the guidance and good practice on Best Value to ensure that race equality schemes are integrated effectively in mainstream policy, management and services delivery processes

- work with partner agencies, including other councils and through community planning partnerships, to:

  – share information, expertise and resources

  – provide training and guidance for councillors and staff

  – disseminate good practice.

Recommendations for other bodies:

- the Scottish Government, working with other key bodies, should ensure the availability of more up-to-date and useful social and demographic data on minority ethnic communities

- in consultation with councils and the Convention of Scottish Local Authorities, the Equality and Human Rights Commission should clarify its various roles in relation to councils, and its expectations of them

- the Equality and Human Rights Commission and the Improvement Service should work with councils to develop guidance on the race equality duty, including equality impact assessments and the linking of community views to service delivery

- the Society of Local Authority Chief Executives and Senior Managers should develop its leadership role in the field of equalities and promote support for councils' equality officers

- bodies that govern professional standards and continuing professional development should ensure their members are equipped to play an active role in helping councils meet the race equality duty.

Appendix 1.

Advisory group

Advisory group members consist of professional and technical advisers, normally drawn from a wide cross-section of interested parties. Members sit on the group in a personal capacity, not as representatives of the organisations they come from. The primary role of the advisory group is to provide expert advice and comments on aspects such as: the study scope and methodology; and emerging fieldwork findings. The group does not act as a steering group as such, and the Accounts Commission retains responsibility for the conduct of studies and the content of final reports.

For the race equality study, the Advisory Group comprised 13 members who served at various times:

Member	Organisation
Anne Ireson	formerly with the Disability Rights Commission
Clodagh Memery	formerly with the Improvement Service
Elaine Fulton	Scottish Libraries Information Council
Fran Keene	Audit Commission
Gina Netto	Heriot Watt University
Jon Harris	Convention of Scottish Local Authorities
Martin Hayward	Equality and Human Rights Commission
Mary McGregor	Improvement Service
Nigel DeNoronha	Audit Commission
Petra Biberbach	Planning Aid Scotland
Phillipa Bonnella	formerly with the Equal Opportunities Commission
Veronica Burbridge	Royal Town Planning Institute
Yvonne Strachan	Scottish Government Equalities Unit

Appendix 2.

The race equality duty

The 1976 Act

The 1976 Race Relations Act covers the areas of employment, education, and the provision of goods, facilities, services and premises. The Act also makes it unlawful for councils to discriminate while carrying out any of their functions or policies. Under the Act:

- 'functions' mean the full range of a council's duties and powers

- 'policies' refer to a council's decisions on how it carries out its duties and uses its powers

- councils are obliged to make sure their employment procedures and services do not have a disproportionate impact on particular ethnic groups.

The General Duty

Section 71 of the Race Relations (Amendment) Act 2000 states, 'every body or other person specified… shall, in carrying out its function, have due regard to the need to: eliminate unlawful racial discrimination; promote equality of opportunity; and promote good relations between people of different racial groups.' Four principles should govern public authorities' efforts to meet the general duty.

The general duty has four main principles[1]

Obligatory
The duty's aim is to make race equality a central part of any policy or service that is relevant to the duty. Promoting race equality is not something you can choose to do or not do. This means you cannot claim that you do not have the resources to meet your responsibilities. And

you cannot claim that the community is too small to be significant. The Act does not refer to how big a community is. The best approach is to build these responsibilities into the work you already do, and to adapt your plans and priorities.

Relevant
You need to consider all your functions and decide whether they are relevant to race equality. 'Relevant' means 'having implications for' (or affecting) race equality. While some purely technical functions (such as managing property) may not be relevant, race equality will always be relevant when delivering services, and in employment.

Proportionate
The weight you give a function should be in proportion to its relevance to promoting race equality. In practice, you will find that you give the highest priority to those of your functions and policies that have the greatest potential to affect different racial groups in different ways.

Complementary
The three parts of the general duty – eliminating unlawful racial discrimination, promoting equal opportunities, and promoting good relations between people from different racial groups – complement each other. Sometimes they may overlap, but they are three separate and distinct parts of the duty. You should try to find ways of meeting them all.

Councils should take four steps to meet the general duty:

- Identify which of their functions and policies affect most people.

- Prioritise functions and policies

based on how relevant they are to race equality.

- Assess whether the way relevant functions and policies are carried out meets the general duty.

- Make any changes needed to meet the duty.

Councils also have specific duties

The Race Relations Act 1976 (Statutory Duties) (Scotland) Order 2002 placed additional, specific duties on councils in the areas of policymaking, service delivery and employment, and came into force in March 2002. The specific duties' aim is to improve performance on the general duty. They are not an end in themselves, but comprise steps councils must take to meet the general duty.

Under the specific duties covering policy and service delivery, each council must prepare and publish a race equality scheme. This is effectively a strategy supported by a timetabled, realistic action plan. It should summarise a council's approach to race equality, and its corporate aims. It should also say how a council plans to carry out the individual parts of the specific duty – in other words, its arrangements for assessing, consulting, monitoring, informing, publishing and training. Under the specific duty relating to employment, councils must conduct comprehensive employee monitoring by racial group and publish an annual monitoring report (see the table overleaf).

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1 *The duty to promote race equality – a guide for public authorities in Scotland*, Commission for Racial Equality, 2002.

Each council should have a race equality scheme and conduct employee monitoring by racial group

A council's race equality scheme should cover:
• the council's race equality values, principles and standards
• the council's race equality strategic aims
• how the council will meet the general duty
• how the council will meet the specific duties
• the council's action plan and timetable
• how the council will review its plan and timetable
• the council's race equality targets
• the council's race equality performance indicators
• how the council will deal with complaints
• how the council will consult its staff and the public, including ethnic minority communities, at different stages of the action plan
• how the council will tell its staff about its plans and activities
• how the council will tell the public about its race equality progress.

A council should monitor, by racial group:
• the number of staff posts
• the number of applicants for jobs
• the number of applications for training
• the number of applicants for promotion
• the number of staff who receive training
• the number of staff who benefit or suffer as a result of performance assessment procedures
• the number of staff who are involved in grievances
• the number of staff who have disciplinary action taken against them
• the number of staff who end their employment with the council, for whatever reason.

Every year, a council should:
• publish a report on progress against its race equality scheme
• publish an employee monitoring report.

Every three years, a council should:
• review and update its whole race equality scheme.

Source: *The duty to promote race equality – a guide for public authorities in Scotland,* Commission for Racial Equality, 2002

The impact of the race equality duty on council services

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Shetland
Islands Council

REPORT

To: **Audit and Scrutiny Committee**   **6 May 2009**

From: **Head of Organisational Development**

CE-16-F

The Impact of the Race Equality Duty on Councils

1   Introduction

1.1   This report presents the findings of Audits Scotland's paper "The Impact of the Race Equality Duty on Councils" (Appendix A).

2   Link to Corporate Priorities

2.1   There are no clear links to the Corporate Priorities contained in the 2008-11 Corporate Plan. However, it is a Community Planning Medium-term Priority that "We will ensure that equal opportunities exist for all, no matter an individual's age, race, gender, faith, sexual orientation or disability and we will decrease social inequalities".

3   Background

3.1   The Race Equality Duty was first introduced in 2000, with the amendment of the Race Relations Act 1976. The Race Relations (Amendment) Act 2000 placed a general duty on a wide range of public authorities to promote equality:

    o   Every single member of staff in the public services now has a responsibility to promote good race relations.

3.2   During the compilation of this report, Audit Scotland worked with all 32 Councils to examine the impact of the duty. To prioritise this they focused on three main questions,

    o   What impact has the duty made on services, and on service users from minority ethnic communities?
    o   What factors affect how Councils manage race equality?
    o   Do Councils have effective arrangements in place for delivering on their race equality duty?

4 Key findings

4.1 What impact has the duty made on services, and on service users from minority ethnic communities?

- Some isolated impacts have been achieved.

For instance Shetland Islands Council's 'Equality Circular' was highlighted as a method of best practice,

"Shetland – a monthly equality circular distributes local and national news to Council staff and community planning partner agencies. The circular raises the profile of diversity and equality initiatives, keeps people up to date, and promotes awareness of good practice among front-line services. There has been an increase in the number of people signing up to the circular."

- Minority ethnic communities see scope for more impact by Councils.
- In four of the five Council areas, economic migrants were most likely to use the libraries service and commented on the importance of being able to access the Internet and e-mail facilities when they first arrived

4.2 What factors affect how Councils manage race equality?

- Councils find the Race Equality Duty challenging and have so far focused on policies and processes. The primary reason for which, was felt to be that staff need more support to focus on assessing the needs of their communities.
- Councils do not consistently prioritise race equality.
- Councils lack full information on the composition of their workforce, and
- Performance management and reporting are underdeveloped.

4.3 Do Councils have effective arrangements for delivering on their race equality duty?

- On the whole migrant communities were satisfied with services provided but people said Councils could do more to understand and meet their needs.
- Councils can build on achievements to date and make more impact through Best Value and partnership working

5 Key Recommendations

- Equip Councillors to undertake their responsibility for race equality by providing them with regular training on the Race Equality Duty and regular progress reports, including information about performance, outcomes and the monitoring of impacts by services

- o Deliver improved learning and development programmes for staff at all levels, to provide them with the information, skills, knowledge and understanding they require, and monitor the impact of this

- o Improve consultation and engagement with minority ethnic communities, to ensure a deeper understanding of their service needs and priorities

6 Financial Implications

6.1 There are no financial implications arising from this report.

7 Policy and Delegated Authority

7.1 As outlined in Section 10 of the Council's Scheme of Delegations, the remit of the Audit and Scrutiny Committee includes reviewing Council performance information.

8 Conclusion

8.1 This report has introduced the Audit Scotland report on the impact of the race equality duties on Scottish Council services.

9 Recommendations

9.1 I recommend that the Audit and Scrutiny Committee considers the attached report and comments, as considered appropriate.

April 2009   CE-16-F