
MINUTE

A & B

Audit and Scrutiny Committee
Council Chamber, Town Hall, Lerwick
Wednesday 2 September 2009 at 10.00am

Present:

F Grains	A Doull
A Duncan	R Henderson
C Miller	G Robinson
J Wills	

Apologies:

L Baisley

In attendance (Officers):

D Clark, Chief Executive
G Greenhill, Executive Director – Infrastructure Services
H Budge, Head of Schools
J Riise, Head of Legal and Administration
J Smith, Head of Organisational Development
M Gordon, Human Resources Advisor
C McIntyre, Internal Audit Manager
S Pearson, Safety and Risk Manager
P Peterson, Performance Management Co-ordinator
V Simpson, Service Manager – Housing and Property
A Sutherland, Policy and Development Assistant
A Cogle, Service Manager - Administration

Also:

M Ferris, Audit Scotland
L Brown, Audit Scotland

Chairperson

Mrs F Grains, Chairperson of the Committee, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None.

Minute

The minute of the meeting held on 17 June 2009, was confirmed on the motion of Mrs F Grains, seconded by Mr A Duncan.

18/09 – Annual Audit and Scrutiny Committee Activity Report

Mr A Duncan referred to action point to be followed up by the Performance Management Co-ordinator in relation to the use of a Council vehicle and the carrying of passengers. The Performance Management Co-ordinator confirmed that this had been followed up by e-mail with the individuals concerned.

19/09 – Internal Audit - Annual Report 2008/09 and Operational Plan 2009/10

In response to a question from Mr A Duncan, the Executive Director Infrastructure Services confirmed that issues raised by the Audit were being followed up through the Action Plan.

20/09 – Internal Key Financial Controls 2008/09: External Audit Assurance Report

Regarding problems with the Logotech Capital Accounting software report at the last meeting, the Performance Management Co-ordinator confirmed that the problems being experienced were being ironed out.

23/09 – Diesel Usage Update 2008-09

Regarding a query from Mr A Duncan concerning those areas reported as increased usage, the Performance Management Co-ordinator confirmed that these figures were included in the report to the last meeting. He confirmed that an update report is scheduled for the next meeting, so Members would be able to scrutinise figures at that time.

24/09 – Exit Interviews

In response to a query from Mr A Duncan, the Human Resources Advisor confirmed that any areas of concern raised during exit interviews had been addressed with the individuals concerned. She went on to say that exit questionnaires have been re-drafted and would be issued out to Departments shortly, for consultation.

25/09 – Items for Future Discussion

Mr G Robinson said there was a significant amount of new information now which cast doubt on the policy and procedures relating to the AHS planning application. Mrs F B Grains said that the Audit and Scrutiny Committee had no locus in planning matters. Mr Robinson said that the Committee did not have the locus to be involved in planning decision, but it did have locus to look at processes and procedures, to make sure that they were properly followed. He said that new information had cast doubt on that process and procedure. At the invitation of Mrs Grains, the Head of Legal and Administration stated that whilst the Chairperson had already ruled on the matter, the policy and procedures that were being addressed were in relation to a particular application and was therefore outwith the remit of this Committee. Dr J Wills asked if it could not be done at this Committee, were there other forums where it could. He said that the remit of this Committee included Audit, and said that things had gone wrong in this case and should be looked at. He said that whilst he did not agree with the Chairperson's ruling, he would have to accept it. Mr Robinson said he had received brief correspondence from the Scottish Government on this matter, and they would only look into the matter further if the Council has exhausted its internal procedures. Mr Robinson said he would inform them that the procedures had been exhausted. Mr A Duncan said there was clear advice from the Head of Legal and Administration that that matter was outwith the remit of this Committee, and that he supported the Chairperson.

Min. Ref.	Subject	
26/09	<u>Annual Efficiency Statement</u> The Committee considered a report by the Performance Management Co-ordinator (Appendix 1). The Performance Management Co-ordinator advised that this was an annual efficiency statement which was prepared for CoSLA every year. He said the report highlighted some noteworthy examples for the Committee to comment on, adding that the details would be made public in due course by CoSLA, who collated all the results throughout Scotland, and	

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	<p>would be published on the Council's website. It was noted that not all of the areas reported on could be fully costed at this time, but there would be regular updates to future meetings and any further savings this year would feed into next years report.</p> <p>Mr A Duncan said that the report was a very encouraging one, and said that the efficiencies being reported proved that the Audit and Scrutiny Committee was being effective in its role in this Council.</p> <p>In response to a query, the Executive Director Infrastructure Services confirmed that fuel efficiency savings would be addressed through a new fuel monitoring system linked to a new servicing system. He went on to confirm that the structure for the Transport Service had been approved by the Council, and the Service was currently recruiting to the Transport Manager post.</p> <p>Mrs C Miller referred to the savings associated with installation of District Heating in the old Library building, and asked if any feasibility study had been done on the cost of rolling this out to other Council buildings with the possibility of spend to save projects. The Performance Management Co-Ordinator confirmed that there was a programme run by the Energy Manager for connecting buildings to District Heating, and he would provide more information on that to the next meeting.</p> <p>The Committee noted the terms of the report, and agreed to record its congratulations to staff for identifying and implementing a number of efficiency incentives and savings.</p>	PP
27/09	<p><u>Housing Voids Investigation – Update Report</u> The Committee considered a report by the Service Manager – Housing and Property (Appendix 2).</p> <p>Mr A Duncan said that the report was welcomed, and that Housing personnel had done a substantial amount of work in reducing housing voids. In this regard, Mr Duncan said Housing staff had to be congratulated, but recognised that there was still no room for complacency and Members would still like to see further improvement.</p> <p>In response to queries, the Service Manager Housing and Property advised that Redecoration Vouchers was a process that some other local authorities used as an alternative to carrying out redecoration. She confirmed that the value of the vouchers would be determined on a case by case basis, but more details as to how the scheme might operate still had to be progressed as a new policy and would be reported to a future</p>	

	<p>meeting. Regarding the increase in time taken to re-let low demand houses, she confirmed that these houses were dependent on the area and the applicants for that area. She added that all options with regard to future use or sale of these low demand properties would be looked at, and this would be done in consultation with local communities.</p> <p>The Committee noted the report.</p>	
28/09	<p><u>Internal Audit 2008-09 Schools Service</u></p> <p>The Committee considered a report by the Head of Schools (Appendix 3).</p> <p>The Head of Schools confirmed that this was a follow up report to the Internal Audit report on the Schools Service. She confirmed that most of the points identified were ongoing, and the main issues relating to outstanding Disclosure checks had been rectified and no further checks were now outstanding. She advised that the processes involved in resolving this issue would continue to form part of the updating procedures.</p> <p>Regarding contracts for fish and meat in schools, the Head of Schools declared an interest in this matter, but added that a preference for local procurement first was part of the current contract and this would continue.</p> <p>Referring to paragraph 4.3.1, the Head of Schools advised that there was no misappropriation of funds, but there had been a potential for that with the previous procedures. It was noted that there had been some resistance to change as a result of some of the new procedures, but these were now being addressed in consultation with Legal Services. In the meantime, interim procedures were in place and new procedures would be implemented in January 2010.</p> <p>The Committee noted the terms of the report.</p>	
29/09	<p><u>Risk Management Development Plan</u></p> <p>The Committee considered a report by the Service Manager – Safety and Risk (Appendix 4).</p> <p>The Service Manager – Safety and Risk reported that whilst the Council was currently 75% compliant with the self-assessment checklist, there were areas where the Council was not compliant and these were highlighted as priority for action within the Development Plan.</p> <p>In response to questions from Mr A Duncan, the Service Manager – Safety and Risk reported that the Council continued to make savings on insurance premiums, and preferential rates were achievable because the Council had demonstrated good</p>	

	<p>risk management activities and low rates of claims. In addition, the Council had improved its management of risks and rates of self insurance had increased. She confirmed that the Council was making £1m of savings year on year, but there was no single risk management initiative that had resulted in these savings, but was through the accumulation of different elements throughout Council services. An example of a particular initiative was the Driver Development Training, which had reduced premiums by 25%-30% and had a resultant effect on the cost of accidents as it is important to know that risk reduction is due to good management and not just good luck. She confirmed that the Council's insurance was processed using European standards, and over £300k had been saved in the last year.</p> <p>Mr A Duncan said that Council staff had to be congratulated on these efficiencies, which illustrated the fact that staff were taking on board the need to make savings.</p> <p>Mr G Robinson asked if the premium savings were entirely due to risk management or was due to self insurance. The Service Manager explained that both of these areas had an impact, as without good risk management the Council would be unable to be in a position to self insure as it would be unable to demonstrate or evidence where risks were being reduced.</p> <p>Regarding projects and partnerships, the Committee noted that this was a priority area and a lot of work was scheduled to take place before the end of this calendar year.</p> <p>The Committee approved the terms of the report.</p>	
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30/09	<p><u>Promoting Attendance Project Up Date</u></p> <p>The Committee considered a report by the Human Resources Manager (Appendix 5).</p> <p>The Human Resources Adviser introduced the report, advising that this was a short report to identify current trends and report on progress. She said that the Council was required to report on its Statutory Performance Indicators, but that this was an area subject to change, and was reflected in the detail of section 3.2 of the report. Changes related to a change in the Statutory Performance Indicators from percentage of days lost to average days lost, and the combining of staff groups as a result of Single Status. She added that whilst the Council's figures were some way off target, they were quite near to the Scottish average for the previous year, with a particular improvement for the teachers' group. However, it was noted that comparison with other Councils would not be known until later in the year.</p> <p>Mr A Duncan said that HR staff should be congratulated on the work put into this matter and said it was clear that whilst more</p>	
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	<p>work was needed on improving the figures, management were taking on board the issues that needed to be addressed regarding the health and well-being of staff by identifying problems early in the process. Mr Duncan went on to ask whether the Council had taken on board any lessons from NHS Shetland where the number of days lost was less than the Council. The HR Adviser stated that the Council worked closely with the NHS in this area, and it was recognised that NHS Shetland had achieved more in resolving cultural issues and were able to take more formal actions as opposed to the Council which has traditionally taken a different approach.</p> <p>Mr A Duncan asked how important a role ICT played in contributing to research in this area. The HR Adviser confirmed that ICT's role in this area was crucial, particularly when trying to report and assess trends and hotspots. She added that the Council's CHRIS [payroll and personnel system] project board was looking into utilising more of its available features.</p> <p>Regarding the statistics, Mr Duncan asked whether any trends relating to particular days of the week or months was yet evident. The HR Adviser said that the absence figures included not only sickness absence, but other absences also, although she did not have that detailed information to hand today.</p> <p>Mrs C Miller said that HR staff had to be congratulated on giving this area much more focus, and highlighted the fact that not only were there financial savings to be achieved within the Council but also benefits to employees. She said that there was still a lot of work to be done, but it was going in the right direction. Mrs Miller suggested that a further update be provided in 6 months.</p> <p>The HR Adviser agreed, adding, in response to a query from Dr Wills, that further information would be calculated and provided to Members on the actual costs per day to the Council associated with absences.</p> <p>The Committee noted the terms of the report.</p>	<p>MG/DB</p> <p>MG</p>
31/09	<p><u>Governance Review – Verbal Report</u></p> <p>The Chief Executive referred back to the minutes of the previous meeting, and said there were two issues to be addressed, one being the general governance, and the other was confirmation of the role of Depute Chief Executive. Regarding the Depute Chief Executive Role, the Chief Executive advised that the role was in the first instance deputising for the Chief Executive, and basically if the Depute Chief Executive is not available, the Executive Director Infrastructure would be asked to carry out that function, and that in the unlikely event that neither Executive Director is</p>	

available, the Chief Executive would appoint the Head of Legal and Administration or the Head of Finance to deputise. The Chief Executive said that such circumstance any deputising role would be clearly communicated.

With regard to the broader issue of general governance, the Chief Executive said that this involved consideration of the structure and how to operate within that structure. He said that initially he had considered that the current structure looked fairly good, but key areas that needed to be addressed were Housing and managing Assets and Procurement. He said it was important that structural changes were not made simply for the sake of reorganisation, but to look at areas that were not functioning properly and only incur a major restructuring if there were major issues.

The Chief Executive said that his first impression was that the Council was functioning pretty well, but bearing in mind the Summer holiday period with a lot of absences it was difficult to get a real impression. However, he said his first impression was a positive one, but it would be premature to look at any broader structural changes until at least 6 months of operation under his management.

However, the Chief Executive reiterated his view that there were two areas that required attention in the short term. He said that there was a definite need to look at how new build housing would be addressed, and in terms of the capital programme, there was a need to identify needs and priorities and how to procure services.

The Chief Executive said these areas to be addressed were to do with the structure, but the next issue was the operation of the management structure. He said the Executive Team was now meeting weekly, and every member of the team had a good handle on what was going on. He said it had become clear that the next level down was not working in a co-ordinated fashion and accordingly a Leadership Forum had been established for Heads of Service to meet with Executive every 4 to 6 weeks. He said this was not a talking shop, but participative sessions in which management were expected to achieve positive outcomes when addressing major issues, such as the 5 year Capital Programme.

Another area the Chief Executive said needed to be addressed was the liaison between paid officials and elected Members. In this regard, and in an effort to ensure that both groups were working in harmony and properly in line with what elected Members' saw as their priorities, the Chief Executive said he had informal meetings between himself, the Executive Directors and Chairpersons of Committees. He said that these informal meetings would be held once per cycle to have regular dialogue to make sure that officers and Members were working in co-ordination.

	<p>In conclusion, the Chief Executive said no decision would be made on the broader structure for a number of months, but where there are specific needs these would be addressed as they came up.</p> <p>Mr A Duncan asked whether there was any time limit for implementing changes in Housing, given that the Council needed all the time it could to start claiming grants from the Scottish Government before any of the reported ruthless cuts are made to housing grants.</p> <p>The Chief Executive said he was taking a very personal interest in this matter, having been involved in the direct lobbying of the Scottish Government and Scottish Office about their intention towards housing funding. He said that the next stage was to separate the issues between the provision of housing services, and new build housing. The Chief Executive said that the issue of new building housing was addressed to some extent in a report to the Services Committee by the Head of Housing as to how new building housing might progress in future, and this was not necessarily by the Council. He said that the Executive Directors would discuss this matter further next week, but in terms of implementation he was aiming to have the structural proposals in place within 2 months, and that that focussed co-ordination between Housing, Infrastructure Services and the Capital Programme Service would be necessary in achieving the required outcomes within the early months of next year.</p> <p>At the request of the Chairperson, the Chief Executive agreed to provide an update at each meeting of the Audit and Scrutiny Committee on these governance issues, but particularly with regard to progress with the Housing structure.</p> <p>Regarding the provision of new housing, the Chief Executive said that the Council would work closely with Hjaltsland Housing Association to ensure that the whole spectrum of strategic objectives for communities were being met. He accepted the view that consideration had to be given to ensuring that the focus on housing needs is spread throughout the Shetland community to places where people want to remain or to encourage people into those areas. The Chief Executive said he was committed to making that process visible and any concerns should be raised throughout any part of the process.</p> <p>Dr Wills said he was particularly glad the Chief Executive had quickly got up to speed on the capital programme. He said he fully supported the points made regarding housing, and looked forward to the resulting reports. He welcomed the weekly meetings of Executive, and thought the Leadership Forum was a great idea, and the feedback was that this was working.</p> <p>With regard to the Executive, the Chief Executive confirmed</p>	<p>DAC</p>
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that this comprised himself, the two Executive Directors, Head of Finance, Head of Legal and Administration, Head of Organisational Development, the Head of Economic Development and the Performance Management Co-ordinator. He added that a member of the Executive Office staff attended to take minutes.

The Chief Executive confirmed that the Executive met every Tuesday afternoon, and other officers may be invited to attend. He went on to confirm that himself and the two Executive Directors would meet with Heads of Service as required, but on maximum every 6 weeks. He added that himself and the two Executive Directors meet informally with senior Council office bearers as required but are scheduled on a monthly basis.

Dr J Wills asked if the Chief Executive thought there was a need for a separate Policy and Resources Committee or Finance Committee, as it was sometimes difficult for Members to get down to the detail of financial or policy reports at service Committees or Council. The Chief Executive said, on the finance side, there were a number of issues which appear to have arisen on an ad hoc basis and reported in such a way that a Finance Committee may be welcomed. On the policy side, he said that more time would be needed to consider that, but if elected Members wanted a separate Committee he saw no problem.

Regarding the two Executive Directors, Dr Wills said it was suggested that their workload was high and spread too wide and that a minimum of 4 directors should be considered, similar to other local authorities. The Chief Executive said his view was that it was difficult to answer that just now, given his short period of time in post so far, but there was potential scope for increasing the number of Executive Director posts, although this was not a reflection on the quality of work from the current Executive Directors. He added that he had asked the Head of Organisational Development to undertake a review of structures of other Councils for comparison. The Chief Executive said he did not agree that a full time Deputy Chief Executive was required, and any increase in Executive Directors would of course increase the pool from which the Deputy role could be shared.

Dr Wills said he would like to see the Chief Executive's proposals brought forward in a paper to the Committee, and that staff could be asked to comment in confidence on the future governance arrangements.

The Head of Legal and Administration advised that the offering of confidences to people employed in a professional role was always a dangerous step as any comments received would be regarded as a record held by the Council, and consequently could be asked for by anyone and may be released under the Freedom of Information legislation. A commitment to honour

	<p>confidentiality was therefore not recommended in such circumstances. In response to a further question, the Head of Legal and Administration confirmed that there was a distinction between a Councillor acting in an independent role, and not commissioned or acting on the authority of the Council. An individual Councillor was not the organisation, but the issue could become a problem when information is passed on to the Council.</p> <p>The Chief Executive said the important issue was that staff comments were welcomed, but the Council could not make a promise it cannot keep with regard to confidentiality. The Head of Organisational Development agreed that the important aspect was engaging with staff, and this had been demonstrated successfully during the consultation on Single Status.</p> <p>Dr Wills said it was important that staff did not feel that there would be any recriminations.</p> <p>The Executive Director Infrastructure said it was also important not to encourage the perception of a 'them and us' culture within the Council. He said that much of the reports on today's agenda demonstrated the willingness and openness of management and staff to effect changes.</p> <p>The Committee noted the update, and agreed that this would be a standing item on future agenda items.</p> <p>Mr Duncan, on behalf of the Committee, thanked the Chief Executive for his attendance and information provided.</p>	
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32/09	<p><u>Audit and Scrutiny Committee Work Programme</u></p> <p>The Committee agreed that Members would submit their views to the Head of Organisational Development and a report would be brought to the next meeting.</p>	JRS PP
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33/09	<p><u>Items for Future Discussion</u></p> <p>It was agreed that updates on [1] Review of Governance and [2] Risk Management, be standing items on each agenda for the Committee.</p> <p>The following issues were also agreed as matters for consideration at future meetings:</p> <ul style="list-style-type: none"> • Corporate Plan – Update • Single Outcome Agreement – Update • Performance Management – Update • Planning Board – New Scheme of Delegation and Procedures • Annual Report on Complaints 	<p>DAC SP</p> <p>JRS PP</p> <p>JRR</p>
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	<ul style="list-style-type: none"> • External Audit Issues Arising • Housing Voids Update – Low Let Housing <p>The Committee noted a special meeting would be held on 24 September at 9.30 a.m. to consider a report from Audit Scotland, and all Councillors would be invited to attend.</p>	
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The meeting concluded at 11.40 a.m.

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F B Grains
Chairperson