

# MINUTE

# A & B

**Audit and Scrutiny Committee**  
**Council Chamber, Town Hall, Lerwick**  
**Wednesday 25 November 2009 at 10.00am**

**Present:**

F Grains	A Doull
A Duncan	C Miller
J Wills	

**Apologies:**

L Baisley	R Henderson
G Robinson	

**In attendance (Officers):**

D Clark, Chief Executive  
G Johnston, Head of Finance  
J Smith, Head of Organisational Development  
D Hughson, Financial Accountant  
C McIntyre, Service Manager - Internal Audit  
P Peterson, Policy Manager  
D Polson, Service Manager – Air, Bus and Vehicle Fleet  
R Macleod, Committee Assistant  
A Cogle, Service Manager - Administration

**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 7 October 2009, was confirmed on the motion of Mr A Duncan, seconded by Mrs F B Grains.

**Matters Arising**

**38/09 – Risk Management Training for Members**

Mrs Grains reminded Members that a half day training session had been arranged for 7 December, and all Audit and Scrutiny Members were encouraged to attend.

**39/09 – Governance Update**

Dr J Wills said he had made some suggestions at that meeting, and said he had been expecting a report at this meeting today, and wondered what was happening, in particular, about extending consultation to staff and the public.

The Chief Executive said that, on the question of governance, the difficulties he was currently experiencing in re-defining one particular role in order to address issues already highlighted by the Audit and Scrutiny Committee, this would not be a light task, nor one that he wished to risk any confusion on. He said that until the Council had addressed this minor restructuring issue, he did not intend to carry out any further work on the restructuring of the Council's governance procedures.

Dr Wills stated that the Chief Executive would be carrying out the instructions of the Council.

The Chief Executive said that he was quite happy to carry out the instructions of the Council.

Mrs F B Grains said that the issues were left at the last meeting in order for a report to come to this meeting today. She said that she had hoped other Members would also put forward their suggestions, and was very grateful for those already submitted by Dr Wills. However, she said she was hopeful there would be more in order that a full report could be presented.

Mrs C Miller said she should have written, but her suggestion was that a Policy and Finance Committee should be established.

Mrs F B Grains asked that the Chief Executive take on board those comments received, and report to the next meeting.

The Chief Executive said he would taken on board the comments and suggestions made, but said that in terms of implementing any changes, he said he did not want to end up with a situation that people have false expectations of getting agreement on major fundamental issues such as governance, until there was agreement on a fairly small restructuring issue. The Chief Executive said he wanted to avoid giving any false expectations, but would welcome all input and suggestions from Members, although none had been forthcoming to him yet. However, he said that any received would be taken into consideration, and he would report to the Committee as to where the governance issues were at, but reiterated that there should be no false expectations and until smaller issues were resolved the Council was not yet in a position to resolve any of the more fundamental issues. He went on to say that he did not expect any large scale restructuring to be proposed in 6 weeks time.

Mrs F B Grains said that she understood a number of Councils were restructuring at the moment and said it would be interesting to know what the outcomes of those exercises were.

The Chief Executive said he had been aware of a couple of Councils where restructuring was taking place, and in particular had spoken to the Chief Executive of Aberdeen Council. He said they currently had 25 Heads of Service and were going down to 15, and all were being made redundant and having to apply for the posts. The Chief Executive said the other Council was South Ayrshire who was reducing the number of Executive Directors. He went on to say that one of things concerning him was that people read about that sort of restructuring, and when they hear of this Council doing restructuring there is then a concern. The Chief Executive said he did not want people having that kind of concern, as he did not see any large scale reforms being required in this Council.

Dr Wills said that no doubt any such concerns could be corrected at a press conference. However, the Chief Executive replied that it was sometimes very difficult to have certain matters corrected at press conferences.

#### Minute – 27/09 – Housing Voids Investigation – Update Report

The Policy Manager advised that the proposals to introduce redecoration vouchers was being taken forward by the Housing Service as part of their review of the Voids Policy.

#### Minute – 28/09 – Internal Audit 2008-09 Schools Service

The Policy Manager advised that the Schools Service was taking forward matters regarding the management of School Funds with administration staff in the Schools.

#### Min. Ref. 36/09 – Statutory Performance Indicators – 2008/09

In response to a question from Mr A Doull regarding progress with regard to recycling bale wrap, Mrs F B Grains advised that she had passed on this issue to the Shetland Amenity Trust, and they have undertaken to make contact with the Council on these waste and recycling issues. Mr A Duncan asked that a report on this be provided at the next meeting of the Committee.

Min. Ref.	Subject	Action / Info
41/09	<p><b><u>Report to Members and Controller of Audit by the Auditor</u></b></p> <p>The Committee considered a report by the Head of Finance (Appendix 1).</p> <p>The Head of Finance said this was a substantial report from the External Auditors to Audit Scotland. He confirmed that the report would also be presented to the Council on 9 December, and the purpose of presenting it to this meeting was to provide Members with an opportunity to discuss the issues to raise at the Council meeting.</p> <p>The Head of Finance went on to say that there were two qualifications to the accounts, which were detailed in full in the report, but related again to the grouping of accounts with the Shetland Charitable Trust, and a technical matter concerning the valuation of bonds. The Head of Finance said that the grouping of accounts issue had been debated by the Council and it had made its position clear at its meeting on 28 October.</p>	

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	<p>Regarding the valuation of bonds, the Head of Finance advised that whilst this may have made £1m/£2m difference in the balance sheet, it was considered that that kind of variation was not of such materiality as to seriously influence or adversely affect the Council's long term financial planning, nor would it have transformed his view. He confirmed that the matter would be corrected for the next balance sheet.</p> <p>Mr A Duncan said that the report was very critical of the Council and reflected on all the Councillors. Referring to the second last paragraph on page 3 of the Audit Scotland report, Mr Duncan said he agreed with this view, particularly given the list of bullet points which required to be addressed by the Council, including the fact that £5.5m had been spent on the Anderson High School project without any work having been started on any site. Mr Duncan said that, in relation to the last paragraph on page 3, Councillors were there as policy makers and to govern, and presently this was an extremely difficult time for staff to work through and carry out the procedures set by Councillors. He said that he was extremely disappointed that the Convener had not taken up the request by Councillor Smith to hold a special Council meeting. Mr Duncan went on to say that he would like the Convener to rescind that decision and that he call a special meeting of the Council as quickly as possible to ensure that these matters can be discussed and resolved.</p> <p>Mrs F B Grains said that she had found the report from the Auditors to be very accurate. She said that she agreed that the criticism in the report was of Councillors, not officers, and that the staff had worked hard, and had provided an action for every single comment made in the report, and she hoped that Councillors would allow those to be carried forward.</p> <p>Mrs C Miller referred to the qualifications on the accounts, and said that in relation to the calculation of bonds, she agreed that was part of the Fund Managers role, and not Council officers, and had no problem with the response to that qualification. Mrs Miller went on to agree that the report was critical of Members, and they would have to make difficult decisions in future, and in this regard, Mrs Miller said that was a reason why she believed there should be a Finance Committee. Mrs Miller then referred to Appendix B, and to Action Point 8, regarding capital project management. She said that one person was required to oversee this area, and the proposed post of Head of Assets and Strategy would fulfil that requirement, and alleviate some of the concerns. Mrs Miller went on to say that she thought the Council had done a great deal of work towards Single Status, and complimented the work of staff so far in this respect.</p> <p>Referring then to page 11 of the Abstract of Accounts, Mrs</p>	

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	<p>Miller questioned the increase in expenditure for Education Services. The Head of Finance agreed to source the detail and provide that to Members at the Council meeting on 9 December. Regarding surplus assets held, referred to on page 14 of the Abstract of Accounts, the Financial Accountant advised that that related to Craigielea which was in the process of being transferred to Housing.</p> <p>Mrs Miller referred to page 24 of the Abstract of Accounts, and to the contractual liabilities amounting to £66m, and said that this amount equated to 3 years of the Capital Programme. The Head of Finance said that these figures were correct at the time of writing the report, but that matters in relation to the Anderson High School project had moved forward, and the future of that contract and project was the subject of further consideration.</p> <p>Mr A Duncan said that he was also fully supportive of the staff. He referred to page 59 of the report, and asked if Finance staff had been provided with the required training. The Financial Accountant confirmed that they had signed up for a service from CIPFA to support staff through the process.</p> <p>Mr A Duncan referred to Action Point 9 and asked what processes were being developed to promote efficiencies. The Chief Executive advised that the Leadership Team was meeting regularly and one of the key elements of that group was to go around the departments and get each department to highlight any efficiency savings that they have developed. He said that what this was seeking to achieve was to ensure that good practice was recorded and shared in a positive way, and without the threat of losing budgets.</p> <p>Referring to Action Point 11, Mr A Duncan asked why only one revenue budget monitoring report had been presented to Members for consideration during 2008/09. The Head of Finance said that there had simply not been time available to the staff involved in getting the reports to the appropriate meetings, but it was a requirement that the service would meet in the future.</p> <p>Mr A Duncan referred to Action Point 18, and asked if the Risk Management database would be updated by December. The Head of Organisational Development advised that that could be checked, but as far as he was aware it was.</p> <p>Mr A Duncan then referred to page 22 of the Abstract of Accounts, and asked what had caused the reduction in Other</p>	

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	<p>Government Grants between 2007/08 and 2008/09. The Head of Finance agreed to provide that information to the Council meeting.</p> <p>Dr J Wills referred to page 13, section 30, and said that the reference to the sale and lease back of Sullom Voe Oil Terminal was inaccurate, as the Council only owned the land. Referring to page 16, paragraph 44, Dr Wills said that the report said the Council had reversed its decision to build on the existing Knab site. Dr Wills said this was also inaccurate as the Council had never made a decision to build at the Knab, and the budget for the project remained at £49m.</p> <p>Dr Wills said he agreed that this was not a good report for the Council. He said that some technical matters were highlighted, and were being addressed as reported by the Head of Finance. He said that what they had just heard from the Chief Executive about best practice was very good. However, he said his concern was about the political management of the Council. Dr Wills said it was a great pity that the re-organisation that the Chief Executive was wishing to carry out could be stalled by a minor procedure. Dr Wills said he was not opposed to change, but the recent problems had arisen because of the way consultation was being done and he did not think it had been done properly.</p> <p>Dr Wills referred to the qualifications of the accounts, and in particular to the qualification regarding the grouping of the accounts. He said that the Council and the Auditors seemed to be in an impossible position regarding this matter. He said that this could be resolved by making the Trustees completely independent of the Council, and also ensuring that there was no overlap of activities funded by the Trust and in particular those that the Council is statutorily responsible for providing. For example, Dr Wills said that the Council was responsible for providing a certain level of personal care, but it was not a statutory requirement to provide all the extras that the Trust currently provides. Dr Wills asked if there were particular ways of getting out of this requirement to have the Trust take on the role of service provider.</p> <p>The Head of Finance said that he was reluctant to set out the Council's agenda with regard to its relationship with the Trust on what he would regard as a misunderstanding. He said he was hopeful that the Council, having made its decision clear on 28 October and which would go forward to the Accounts Commission from Audit Scotland, might lead to a breakthrough in the relationship on this issue. He said the Council should await the response back on that issue, and then make decisions as to its ongoing relationship after that point. The Head of Finance said that future considerations should be</p>	

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	<p>based upon local considerations and a shared duty of care to the Shetland community, rather than a misconception of a relationship by external scrutineers. He said that he may come back with further thoughts on that, as and when Audit Scotland respond.</p> <p>Dr Wills said he had many other points, but would spend some more time on the report, and ask more questions at the Council meeting.</p> <p>The Chief Executive said that he did not accept Dr Wills' summary of how consultation was carried out as an accurate reflection of the facts.</p>	

42/09	<p><b><u>Internal Audit – SIC monthly Internal Audit Progress Report</u></b></p> <p>The Committee noted a report by the Service Manager – Internal Audit (Appendix 2).</p> <p>Mrs C Miller congratulated Internal Audit for achieving their continued accreditation. Mrs Miller went on to ask why the Service was falling short on delivering 100% of the internal audit plan, when the service was fully staffed.</p> <p>The Service Manager – Internal Audit advised that the plan set was stretching, as due to other commitment the services being audited would not always be able to fit in with the plan. In this regard it was always hoped the service would get close to 100% but was not a realistic target.</p> <p>Mr A Duncan referred to the issues for the ICT and Cleansing Services audits, and asked what the other audit issues were. The Service Manager – Internal Audit explained that only the key issues were reported in this report, but Members were able to access the detailed reports on the internet. He advised that the Managers had responded to all the issues with an agreed action plan.</p> <p>Mr A Duncan referred to the Roads – Network and Design follow-up audit, and asked what the reason was for matters not being progressed. The Service Manager – Internal Audit advised that this was due mainly to time constraints, but understood the outstanding matters were now being addressed.</p>	
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	<p>Mrs C Miller referred to review of Single Status, and asked when the formal response was expected. The Head of Organisational Development advised that a meeting of the Single Status Steering Group had been arranged for this Friday, in order to finalise the response to the audit.</p>	
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43/09	<p><b><u>Statutory Performance Indicators 08/09 follow up</u></b></p> <p>The Committee noted a report by the Policy Manager (Appendix 3).</p> <p>Mrs F B Grains said that she remained concerned about the ferry waiting rooms not being suitable for disabled access, and said that these were places where people expected to have full access. The Policy Manager advised that this issue had been raised with the Asset and Properties Manager, who had made the point that the budget for improving access goes mainly to Schools and public toilets and those types of buildings were not included in the statutory performance indicators. He added that ferry terminal waiting rooms were older buildings, and may be replaced in terms of the Ferry Terminal Replacement Programme. He said that notices were now in place at those buildings directing people to the nearest public toilets that are disabled access compliant.</p> <p>Mrs F B Grains said it was unfortunate if an individual arrived at a waiting room and then had to go to toilets some distance away. Mr A Duncan agreed, but said the major problem was the finances and if there was a bit more in the budget then more could be done.</p> <p>Mrs F B Grains added that she was rather disappointed at the low number of Councillors that had attended the recent performance reviews.</p>	
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44/09	<p><b><u>Single Outcome Agreement 2008/09 Outturn Report</u></b></p> <p>The Committee noted a report by the Policy Manager (Appendix 4).</p> <p>The Policy Manager introduced the report, and apologised for the format and length of the report, advising that this was due to the requirement to follow the standard template. He added that Audit Scotland were reducing the number of Statutory Performance Indicators and were encouraging the adoption of outcome measures under the Single Outcome Agreement (SOA). As a result, instead of 75, there were reducing it to 25 core ones and leaving it to local authorities to report on any additional ones they thought were relevant. He added that</p>	
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Emma Perring is currently carrying out a review of strategic partnerships, to align these with the SOA. This would help focus the SOA for another year. He said that it was useful to get good information that was meaningful and that the reduction of indicators was seen as a positive development.

Mr A Duncan thanked the Policy Unit staff for their work on this document. Mr Duncan referred to page 7, and to the number of benefit claims, and asked if any of these figures were in relation to the complexity of the application form.

The Head of Finance advised that there were problems with getting application forms filled in, but some of the figures could be attributed to people who had sought the forms but then did not submit them. He said that there had been a local campaign with the Citizens' Advice Bureau in providing more assistance to claimants, and there was some evidence that this had had some effect in this financial year, although the numbers claiming benefits were down 22% on the same 8 months from the previous year. He added that progress was being made in getting people to claim for their entitlements.

The Head of Organisational Development said that the aim of the Single Outcome Agreement was to illustrate how people could engage with public services, in their own way, and it was absolutely critical that the kind of work being done by the CAB and the Council was seen to be significant. He said that the voluntary and public sectors joint working was being seen to make a difference.

Mr A Duncan referred to page 11 of the report, and congratulated the local BBC Radio Shetland team for their contribution to the BBC Children in Need appeal, and said it was good to see such funds coming back into Shetland.

Mr Duncan then referred to page 20 of the report, and said that the local Police had recently been successful in confiscating alcohol from a number of youths, and this was now being targeted to the areas where there were ongoing problems. The Head of Organisational Development said that reducing alcohol misuse was a priority for the Community Planning Delivery Group at the moment. He added that fundamentally the issue was about getting community buy-in to the problems in order to achieve results and improvements.

Mr Duncan referred also to the high detection rates of crime, and said that the figures on Page 24 were certainly very encouraging.

Dr J Wills said the report provided some fascinating statistics, and there were some positive figures in relation to the number of new businesses, efficiency savings, new housing and landfill targets. Dr Wills also referred in particular to the "Your Voice" survey, where 97% of respondents thought that Shetland was a

	<p>very good or fairly good place to live.</p> <p>Mrs F B Grains referred to the number of road traffic accidents, and said that 48 notified accidents was a lot of accidents in such a short space of time. Mrs Grains said she was pleased to see the number of business start ups had increased, and asked if these businesses were monitored to see how many continued. The Head of Organisational Development said that those figures were not monitored as part of this exercise, but as the number of new start ups increased, there would be a proportionate number that do not succeed.</p>	
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45/09	<p><b><u>Diesel Usage Update</u></b></p> <p>The Committee noted a report by the Policy Manager (Appendix 5).</p> <p>The Service Manager – Air, Bus and Vehicle Fleet advised that the report showed that the corporate trend had decreased in terms of diesel usage, but that there was no context provided as to why there had been a decrease. He advised that the Transport Service would look at that over the next year, and spend some time in providing more detail, and also looking at whether there was potential for any more savings.</p> <p>Mr A Duncan said that the staff had to be congratulated, and showed that the Audit and Scrutiny Committee was working successfully. Mr Duncan asked if there was any idea as to the monetary value of the efficiencies achieved.</p> <p>The Service Manager – Air, Bus and Vehicle Fleet advised that he did not have that information to hand, but would seek to have that information provided to Members. He said that ZetTrans had recently undertaken an exercise in comparing the prices in Shetland and the mainland, and it would be interesting to see how the Council's fuel expenses compared to the trend and to the average price paid by the public.</p> <p>Mr A Duncan said that significant savings had been made, in particular in relation to the Highways Pick-ups, and asked that those staff involved be congratulated. Mr Duncan went on to refer to the Council's yellow vans, and said he was not convinced that some savings could not be made here, particularly with regard to taking those vehicles home. The Service Manager – Transport said that he would take on this point and provide an update to a future meeting.</p> <p>In reply to a question from Mrs F B Grains, the Service Manager – Air, Bus and Vehicle Fleet confirmed that efficiencies could be made by changing the type of vehicle used, such as Marine Operations and Ferries Sections had</p>	
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	reduced the number of 4x4 vehicles by replacing them with pick-ups.	
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46/09	<b><u>Governance – Update</u></b> Mrs F B Grains said that this matter had been discussed earlier in the meeting, and the Committee could expect a report to the next meeting.	
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47/09	<b><u>Items for Future Discussion</u></b> Mrs F B Grains said that there were no items in addition to those raised during the course of the meeting today.	
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The meeting concluded at 11.20 a.m..

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F B Grains  
Chairperson