

# MINUTE

# A & B

**Audit and Scrutiny Committee**  
**Council Chamber, Town Hall, Lerwick**  
**Monday 26 April 2010 at 10.00am**

**Present:**

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

**In attendance (Officers):**

H Sutherland, Depute Chief Executive  
G Greenhill, Executive Director – Infrastructure  
G Johnston, Head of Finance  
J Smith, Head of Organisational Development  
C McIntyre, Service Manager - Internal Audit  
A Cogle, Service Manager – Administration

**Also:**

C Hislop, Audit Scotland

**Chairperson**

Mrs F Grains, Chairperson of the Committee, presided.

## **Circular**

The circular calling the meeting was held as read.

**Declarations of Interest**

Dr J Wills declared an interest in any items concerning education or staffing, as a family member was a member of the Education Service.

**Minute**

The minute of meeting held on 1 March 2010 was confirmed, on the motion of Mrs F B Grains.

**Matters Arising**

1. Matters Arising – Diesel Usage Update and Council Van Usage

The Executive Director Infrastructure advised that an earlier review of Council vehicles had resulted in a saving of just under £1m, but that was a one-off saving, and the target was to achieve repeated savings year on year. With regard to diesel usage, the Executive Director said that a number of issues were related to the ongoing efficiencies being sought throughout the Council, including a review of the most efficient use of vehicles when going to jobs, enforcing the criteria for taking vans home, etc. In this regard, the Executive Director confirmed that a detailed report on all of these issues would be presented to the next meeting of the Infrastructure Committee.

### 2. Matters Arising – Risk Management Development Plan Update

The Head of Organisational Development advised that no update was available at this meeting, but that he would arrange for Members to be provided with the up to date position by e-mail, later today. The Committee agreed that a report be presented to the next meeting on progress to date.

The Committee also agreed to request that the Risk Management training be run again for those Members who were unable to attend.

### 3. Matters Arising – Overtime

The Head of Finance advised that a report was in progress, and that a detailed report would be presented to the next meeting once the full dataset for 2009/10 had been finalised. He said that early indications were that overtime had increased to £2.9m from £2.4m for the previous year. He confirmed that a detailed analysis would be done to compare the outcome against the target for next year. Mrs C Miller suggested that an analysis of the cost of overtime should be set against each department, and that the reasons for overtime be detailed as well, whether it was to do with extra burdens or sick leave. However, the Head of Finance said that the overtime records would not be held on the reasons for overtime, but that a more detailed analysis would be looked at and a report presented to the next meeting.

### 4. Matters Arising – Recruitment LEAN Process

The Committee noted that a report would be presented to the next meeting, updating on progress with changes to the recruitment process, particularly with regard to confirmation that the new procedures were now being followed.

### 5. Matters Arising – Devolved School Management

Ms L Baisley said that she had requested at the last meeting that this matter be looked at. She said that, in particular, there was a concern raised during the Blueprint for Education meetings, that school budgets in Shetland were handled differently to other local authorities in Scotland, and that she would have liked a report outlining the differences and the reasons for those differences. The Deputy Chief Executive said that the legislation and guidelines on devolved school management was the same, and some aspects depended upon the staff formulas being used. She confirmed that a report would be brought to the next meeting on the practices in Shetland.

Min. Ref.	Subject	Action / Info
14/10	<b><u>An Overview of Local Government in Scotland</u></b> The Committee considered a report by the Policy Manager (Appendix 1).  The Head of Organisational Development outlined the terms of the report, and sought views and comments from Members as	

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	<p>to whether there were any particular areas where Members could be more informed about the policy options available to them.</p> <p>Mrs F B Grains referred to page 2, and said that the matter of personal development plans for Councillors should be given more emphasis. The Head of Organisational Development concurred, adding that this was an area that could be re-visited.</p> <p>Mr A Duncan referred to page 10, paragraph 21, and asked whether the Council had made any efficiency savings in 2008/09 and, if so, what the amount was. The Head of Organisational Development said that he recollected that savings of somewhere in the region of 2% had been achieved, but that he would provide Members with a copy of the relevant report and minute that was considered at that time. He said the biggest change was that those savings were re-invested in front line services and the question now was whether that should still be the case.</p> <p>Mrs F B Grains said that the Infrastructure Services Department had made a number of savings. The Executive Director Infrastructure said that during 2008/09, vehicle fleet savings in the order of £600k were achieved, and further efficiencies were expected following the outcome of the Ports for the Future project. The Head of Organisational Development said that moves from British Telecom lines to the Council's IP system had generated a huge saving for the Council.</p> <p>Referring to paragraph 29, Mr A Duncan said that the Council was mentioned here as being the only Council with qualified accounts. The Head of Finance acknowledged this, adding that the qualifications to the accounts were in respect of an unresolved matter relating to the grouping of accounts, and the second qualification was in relation to the valuation of bonds on the Council's balance sheet which was being sorted.</p> <p>Dr J Wills referred to the key issues highlighted in the report at sections 3.2 and 3.3, and said there was a need to understand more about these issues to be addressed. Referring to page 9 of the Audit Scotland report, Dr Wills referred to the fall in the level of the Council's reserves, and said that the Council was not only using the revenue generated by reserves, but also Capital, thereby reducing reserves for the future. He then referred to income received from the Government and said that this represented around 44% of the Council's income. Dr Wills asked what percentage of income was raised through the Council Tax. The Head of Finance said that he could provide more detailed information outwith the meeting, but the assumption was that the proportion of funding to the Council</p>	

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	<p>from central Government was lower due to the Council's use of its own reserves. He added that the percentage of income from Council Tax was likely to be below the Scottish average, but he would provide these figures to Members after the meeting.</p> <p>Dr Wills then referred to page 8 of the report, and said that it appeared that more than 80% of the expenditure within the Council was within the control of the Executive Director Education and Social Work, and he suggested that this was disproportionate and more should be done to reduce the overburden of work on that management level. The Depute Chief Executive clarified that the figures shown in the report were based on the key elements only, and that figures relating to ports and harbours, economic development and transportation were not included. In this respect the actual spend for the Education and Social Care Department equated to around 50%-60% of the Council's overall gross budget.</p> <p>Dr Wills then referred to page 11, paragraph 29, of the report, and said that if the SCT was to become completely independent of the Council, it would appear that that would remove the qualification to the accounts. He said the report referred to the statutory provision of services being subsidised by the SRT, but it was rather the case that the SRT were undercharging for their facilities. Dr Wills said that it worked for the Council to have a charitable organisation run these facilities, but it had to be at the market rate. He said that the SCT should look to re-organise itself without Councillors as a means of solving this problem of Group Accounting.</p> <p>Ms C Hislop said there were two clear points regarding matters concerning the SCT. With regard to the membership of the SCT, Ms Hislop said that the SCT had looked at re-organisation to an 8:7 split between Councillor Trustees and independent Trustees, however she said that even if that proposal had gone through, the qualification of the Council's accounts would have stood. She said the issue concerned the services that are provided by the SCT and subsidised out as being provided by the Council. Ms Hislop said she had met with the Chairperson of the SCT, and he had talked through the services provided, and that she would be looking into these further. She went on to say that the reason the accounts were required to be qualified related to the requirements of SORP (Statement of Recommended Practice) for accounting which had changed 4 years ago, whereas before there had been no requirement to consolidate accounts. She said that there were now various tests that had to be made, and passed, and they were halfway through the process for this year.</p> <p>Dr Wills said that he could not see how using other organisations to provide a service was any different to</p>	

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	<p>purchasing other goods or services, and questioned why these Trusts should be treated differently.</p> <p>Mrs C Miller said that this was the first time that Councillors had heard that the qualification of the accounts was not because of the SCT make up, but because of the services that the Council benefits from. She said that it could be assumed that the services were being looked at because they were at subsidised rates, and asked if the situation would be any different if the Council paid the full market value. Ms Hislop said that was the case, or the accounts should be consolidated.</p> <p>The Head of Finance agreed that further clarification on this matter was required from Audit Scotland, and that he would follow up on this after the meeting.</p> <p>Mrs C Miller said that, in light of the comments made by Ms Hislop today, a report should be prepared setting out the services which the Council secures benefits from, from the SCT and what their market value would be if they were put out tender. Members agreed.</p> <p>[Mrs C Miller left the meeting.]</p> <p>Dr Wills referred to figures regarding homelessness and said he would like to have seen more information on this. The Depute Chief Executive advised that some policy changes had occurred in this area to ensure that the service was keeping up with legislation, and the detailed figures were in a previous report to the Committee. She confirmed that the figures were showing the Council as being proportionally worse than most other authorities because of the waiting list of between 900 and 1000, a proportion of which were homeless, and new housing units were the only way of making a significant difference to that waiting list.</p> <p>Regarding the figures for recycling on page 25 of the report, the Executive Director Infrastructure said that this matter had previously been raised with Audit Scotland, as in terms of landfill, the Council was actually the best performing Council in Scotland.</p> <p>Referring to paragraph 39 of the report, Mr A Doull questioned where the Council was with regard to employee appraisals. The Head of Organisational Development said that the Council's Employee Appraisal and Development Scheme had been in place for 3 years, and set out the requirement for everybody to have an annual appraisal and a training needs development plan. However, he said that whilst the Council can claim to have these policies and processes in place, there was always room for improvement, and flexibility for the future in terms of the requirements to respond to changes associated</p>	

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	<p>with Single Status.</p> <p>Mr A Doull also referred to paragraph 40 of the report, and asked what the reasons were for the high turnover of senior staff in Councils, and whether different governance arrangements applied. Ms C Hislop said she did not have the detail on the reasons, but suggested that there were probably a large range or combination of factors involved in the turnover figures. She confirmed that different governance arrangements may apply, but that she would get some more information for Members for a future meeting.</p> <p>Mrs L Baisley referred to paragraph 39, and said that the Investors in People programme was very important, and said that it was a good way of making sure that staff were being appraised, were receiving training that was relevant, and were part of a team that were working efficiently. She added that whilst LEAN had proven a very effective method of reviewing and improving performance and customer service delivery, a system such as Investors in People would also be useful.</p> <p>Mr A Doull referred to Single Status implementation, as stated in paragraph 42, and the Head of Organisational Development confirmed that an update report would be presented to the Council in June.</p> <p>The Executive Director Infrastructure, in response to a query regarding the roads network, confirmed that a report would be presented to the next meeting of the Infrastructure Committee on this matter, adding that because of the winter conditions, which may have affected the roads throughout Scotland, the amount of spend in Shetland may be higher than most Councils due to the higher quality and standards that are in Shetland, and hence there was a lower number of complaints than in other local authority areas because of this investment.</p> <p>The Head of Organisational Development referred to page 26, Appendix 1, and said that this set out the key questions for Members to consider.</p> <p>Mr G Robinson referred to the need to have a clear plan for achieving the most appropriate size of workforce and skills required to delivery goals. He said that the Council had to be honest and say that it did not have a clear plan, and indeed the Council's budgets had increased due not only to Single Status but also through delegated authority for employing staff, without any clear direction from the Council as to what the services were going be. Mr A Duncan said that putting a moratorium on recruiting to vacancies may need to be looked at again.</p> <p>The Depute Chief Executive said that a report would be coming</p>	

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	<p>to the Council in June looking for decisions on managing this growth in future years. In particular, she said that Community Care was increasing year on year, but there had to be an understanding that that would happen in any event without the Council making that a priority, and if it was a priority, what areas would be cut back to match these costs. She said that the Council would have to strike the balance right with its policy decisions, and that these areas would be explored further with Members over the coming weeks.</p> <p>The Committee noted the terms of report.</p>	

15/10	<p><b><u>Improving Public Sector Efficiency</u></b></p> <p>The Committee considered a report by the Policy Manager (Appendix 2).</p> <p>The Head of Organisational Development introduced the report, adding that its theme was very similar to the previous report on the agenda. He said the main message coming through was that by Councils simply delivering services for lower costs would not be enough on its own to make reductions in public spending, but consideration had to be given to making priorities in service areas.</p> <p>In response to a query from Mr A Doull, the Depute Chief Executive advised that the £9.9m being required of the Council during 2010/11 to balance the budget could be achieved through a whole range of efficiencies, a number of which were in relation to staffing costs. She added that the Financial Resources Member/Officer Working Group would be presented with a progress report at each meeting. She said that, with regard to LEAN processes, they were useful in engaging staff and giving them the opportunity to influence more efficient ways of working, but it was not always the most appropriate tool for finding cost savings. The Depute Chief Executive said that Heads of Service had been tasked with identifying potential areas of efficiency with a view to taking a more targeted approach than in the past.</p> <p>The Committee noted the terms of the report.</p>	
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16/10	<p><b><u>Staffing Numbers</u></b></p> <p>The Committee considered a report by the Head of Organisational Development (Appendix 3).</p>	
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	<p>Mrs F B Grains said it would have been helpful to have had more information on the justification for the changes in establishment. The Head of Organisational Development confirmed that such information could be provided at the Performance Review meetings.</p> <p>During the discussion which following, the Depute Chief Executive and the Head of Organisational Development responded to various from Members regarding the figures in the appendices to the report. Mr G Robinson said it was not fair to single out any individual services at this stage, and that the Council would be in a better position following the presentation of various detailed reports, including a report on staffing, to the Council in June. He said it would be important for the Council to take control of the establishment and not let it go further than was required to meet service levels. However, he added that if the Council were to extend services, it also had to look at whether it was the right body to deliver it, and that issues such as redundancies and natural wastage may also have to be considered.</p> <p>The Committee agreed that workforce planning was important, and that the staffing implications of Council decisions had to be made clear to Members.</p> <p>The Committee agreed to continue this item to the next meeting for more detail.</p>	
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17/10	<p><b><u>Governance</u></b></p> <p>The Depute Chief Executive said that some of the work on governance issues was being held over until the services of an interim Chief Executive were sought, as it was considered possibly unfair to make any changes now with the possibility of more being made later. She added that there were a few issues that had been put on hold and the next update on the position of Interim Chief Executive would be made on 4 May by the consultants. Thereafter, work would start on the establishment of a Finance Committee, which also included the idea that it may be more of a Policy and Resources Committee, and a Terms of Reference for that was being worked on ready for the new appointment to take forward.</p> <p>Regarding the broader issues, the Depute Chief Executive said that the Improvement Service and CoSLA were continuing to help the Council with performance arrangements and framework, and core documents for those areas were also being worked on, including some work done with Members at the Corporate Planning workshop session. The Depute Chief Executive concluded by saying that the June meeting of the Council would be a key decision making point with a view to</p>	
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making early plans for changes, review and savings which were required to be implemented. She said that, in the meantime, the Executive would continue with the core systems but without making any significant changes to the Committee structure at this time.

Mrs F B Grains agreed that no decisions should be made at this time, but it was useful to have a range of ideas and suggestions for the Interim Chief Executive to take forward.

Dr J Wills said that he was concerned that there was no written report for this agenda item, but he had circulated a discussion paper to Members. Dr Wills said that he thought the Committee had already agreed that it would ask all staff to contribute to a consultation in addition to normal dialogue that takes place, but that had not seemed to have happened. He said that these matters should be taken forward immediately so that the Interim Chief Executive would have the information and mechanism in place to discuss the proposals.

Dr Wills said there should be a functioning political executive, with more regular meetings of senior office bearers. He said that agenda management was too rigid, and that an agenda item on matters for future meetings should be extended to other meetings. Dr Wills said there was confusion about the role of office bearers and Spokespersons, and between the role of the Civic Head and the political leader. He said there was a lot of overlap of these roles and a lack of communication between them, and that annual elections of office bearers should be considered. Dr Wills went on to say that there were too many names for things such as working groups, etc. and that the Executive Directors' responsibilities were too wide ranging. He said that Members may agree or disagree with these issues, and others set out in his paper, but they should be discussed. In this regard Dr Wills moved that the Audit and Scrutiny Committee request the Assistant Chief Executive to organise a consultation on the future governance of the Council, to include a written request to all staff for their suggested improvements, and staff meetings in departments, and the public be asked as well, and that members of staff and the public can contribute anonymously if so required. Mr G Robinson seconded.

[Mrs L Baisley left the meeting.]

After further discussion, Mrs F B Grains moved as an amendment that an initial informal meeting of Audit and Scrutiny Committee members be held to decide on the way forward, and then move on to a more formal position. Mr A Duncan seconded.

Voting took place by a show of hands, and the result was as follows:

	Amendment (F B Grains) 5 Motion (J W G Wills) 2  Mrs Grains said she would discuss with Members afterwards with a view to agreeing a suitable date for their meeting.  [Mr R Henderson left the meeting.]	
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18/10	<p><b><u>Update on Performance Reviews</u></b></p> <p>Mrs F B Grains said it was important that as many Members of the Committee attended the Performance Review meetings as possible.</p> <p>Mr G Robinson suggested that Performance Review reports should, as well as referring to any increase in establishment over the past year, they should also indicate any projected increase in the coming year. The Head of Organisational Development confirmed he would take that suggestion on board.</p>	
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19/10	<p><b><u>Items for Future Discussion</u></b></p> <p>Mrs F B Grains noted that a number of items had been carried forward from the last meeting, in addition to matters raised today, including:</p> <ul style="list-style-type: none"> <li>• Risk Management Development Plan Update</li> <li>• Overtime Costs</li> <li>• Recruitment LEAN Process Update</li> <li>• Devolved School Management</li> <li>• Staffing Numbers</li> </ul> <p>Mr A Duncan also asked that an update on Housing Voids be presented to the next meeting.</p> <p>Mrs Grains took this opportunity to thank the Executive Directors for all their work at the moment whilst an Interim Chief Executive was being sought.</p>	
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The meeting concluded at 12.10 p.m.

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F B Grains  
Chairperson