



## **REPORT**

**To:           Audit and Scrutiny Committee**

**23 August 2010**

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

**Report No: F-040-F**

### **2009/10 Review of Internal Controls**

#### **1. Introduction**

- 1.1 This report is to inform the Audit and Scrutiny Committee of the findings of the 2009/10 review of internal controls by Audit Scotland.

#### **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. Risk**

- 3.1 The report highlights areas where there could be improvements incorporated into current operational practice to minimise the Council's exposure to risk.

#### **4. Key Findings of the Report**

- 4.1 Overall Audit Scotland found that the key controls operating over the Council's main financial systems are operating satisfactorily with the exception of the capital accounting system which has been experiencing ongoing technical difficulties.
- 4.2 Appendix A of the report sets out 4 management actions required to take place to reduce risk. These are capital accounting, the pension fund statement of investment principles and pension fund managers are not complying with legislation and national fraud initiative. Planned actions have been identified with responsible officers to be completed this financial year.

#### **5. Financial Implications**

- 5.1 There are no financial implications arising from this information report.

#### **6. Policy & Delegated Authority**

- 6.1 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.

## **7. Recommendation**

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

Report No: F-040-F  
Ref: Accountancy/HKT

Date: 13 August 2010

# Shetland Islands Council

## 2009/10 Review of Internal Controls

July 2010



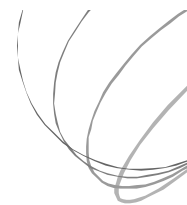
# Shetland Islands Council

## 2009/10 Review of Internal Controls

July 2010

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# Executive Summary

## Context

1. The Head of Finance of Shetland Islands Council is required, as Section 95 officer to maintain a sound system of internal control. A sound system of internal control assists the organisation in managing risk, and helps in the attainment of organisational policies, aims and objectives.
2. In carrying out our audit, we seek to gain assurance that the council:
  - has systems of recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests
  - 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.
3. The report focuses on findings from our testing on financial systems.
4. The aim of our 2009/10 review was to consider the adequacy of the council's financial systems to provide us with assurances on the reliability of internal controls to support the preparation of the financial statements. Where appropriate, we also take assurance from the work being carried out by Internal Audit. In relation to financial control systems, internal audit have reported separately on payments, and payroll and pensions. The controls over budgetary control and the main accounting system are reviewed regularly throughout the year as part of the ongoing service audits.

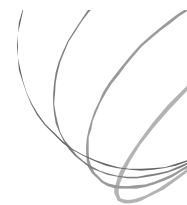
## Key Findings

5. Our overall assessment is that the key controls operating over the council's main financial systems are operating satisfactorily, with the exception of the capital accounting system which has been experiencing ongoing technical difficulties.
6. Where controls have not been tested or where the evidence of a control's effective operation does not exist, we have adjusted our planned coverage of the financial statements to obtain sufficient evidence that they are free of material misstatement.



## **Risk Exposures**

7. During our review we identified a number of areas where improvements could be incorporated into current operational practice, in particular by ensuring that:
- issues with the capital accounting system are progressed to ensure that fixed assets are accurately recorded
  - reconciliations are reviewed by a second member of staff, and that this review is evidenced
  - the council's statement of investment principles, and the number and type of investments held by fund managers, complies with the necessary legislation
  - the benefits of the NFI exercise are fully realised.



# Audit Scope and Objectives

## Introduction

8. The Head of Finance of Shetland Islands Council, as the Section 95 officer, is required to maintain a sound system of internal control. This assists the organisation in managing risk and helps in the attainment of organisational policies, aims and objectives.
9. The report focuses on findings from our testing on financial systems. Section 95 of the Local Government (Scotland) Act 1973 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint one of its officers to have responsibility for those arrangements. The Head of Finance in Shetland Islands Council is the appointed Section 95 officer.

## Audit Objectives & Approach

10. Our responsibilities under the Code of Audit Practice require us to assess the systems of internal control put in place by management. In carrying out our audit, we seek to gain assurance that the council:
  - has systems of recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests
  - 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.
11. As explained in our Annual Audit Plan 2009/10 we seek to rely on the work of internal audit wherever possible and we concluded that the council's internal audit service continues to operate in accordance with *CIPFA Code of Practice for Internal Audit in Local Government*.
12. The main systems that we have identified for review and to place assurance on for the 2009/10 financial statements are set out below. For a number of systems we are relying on the work of internal audit on the adequacy of internal controls. In relying on internal audit work we consider their testing to allow us to focus on different areas. A final review of internal audit's files has been carried out to confirm we can rely on this work.

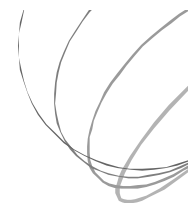


Table 1		
Key System	Reliance on Internal Audit	Review by External Audit
Budgetary Control	✓	✓
Main Accounting	✓	✓
Payroll	✓	✓
Accounts receivable		✓
Cash & banking		✓
Capital accounting		✓
Housing rents		✓
Council tax billing and collection		✓
NDR billing & collection		✓
Pension contributions	✓	✓
Pensions payroll	✓	✓
Pension fund investments		✓

## Risk Identification

13. Our audit risk review involved the identification and assessment of the risks inherent in the key systems, based on the likelihood of them occurring and the impact they could have. We have also assessed the adequacy of the procedures and controls in place to address the identified risk and the extent to which these reduce the risk to an acceptable level.

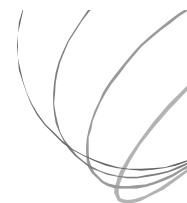
## Management Action

14. A summary of those areas where identified risk exposure requires management consideration is included in appendix A. Planned action, responsibilities and timescales for action in response to the identified risk exposure have been provided by management.
15. The issues identified in preparing this report are only those which have come to our attention during the course of the review and are not necessarily, therefore, all the risk areas that may exist. It remains the responsibility of management to determine the extent of the internal control system appropriate to the council. We would stress, however, that an effective system of internal control is an essential part of the efficient management of any organisation.



## **Acknowledgement**

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



# Audit Findings

## Internal audit

17. Internal audit supports management in maintaining sound corporate governance and internal controls through the independent examination and evaluation of control systems and the reporting of any weaknesses in internal control to management for action.
18. Our review identified that the council's internal audit service continues to operate in accordance with the CIPFA *Code of Practice for Internal Audit in Local Government*. The 2009/10 internal audit plan was substantially completed at the time of our review which also concluded that internal audit work is of a good quality.
19. The conclusion of internal audit, reporting to the Audit & Scrutiny Committee on 17 June 2009, was that the council's system of internal control is both sound and effective so that its assets are safeguarded and its performance reporting can be accepted with confidence.

## Review of systems

20. Audit work was performed in the key systems detailed in Table 1 above. The issues identified through our review, which require action by the council, are detailed below.

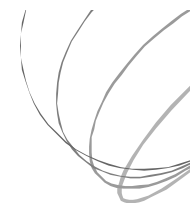
## Capital accounting

21. Due to ongoing technical problems with the capital accounting system used by the council we have been unable to perform any detailed testing or to place any reliance on the controls within the system. As a result of this, to obtain the necessary assurance levels to enable us to provide an audit opinion, additional substantive testing is required and this will be performed during the year-end audit.

**Action plan point 1**

## Pension fund

22. Internal audit performed a review of the pensions section during the year, covering pensions contributions and payroll. The audit report was published in April 2010 and one issue covering the retention and destruction of records was identified. An action plan was agreed with management and this will be followed up by internal audit during 2010/11.



23. Our work on pension investments highlighted that the council's Statement of Investment Principles (SIP) does not include any comments on consideration of the Myners principles as required by the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Amendment Regulations 2003. The council intends to review its current SIP and consider the revised Myners principles, although no timetable has been set for completion.

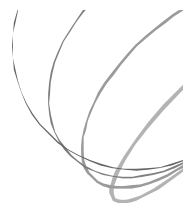
#### **Action plan point 2**

24. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 places limits on the type and percentage of permitted investments. These regulations are considered when an agreement is prepared between the council and a fund manager. However, there is no further monitoring of fund managers' investment decisions to ensure compliance with the legislation after the agreement is signed.

#### **Action plan point 3**

### **National fraud Initiative**

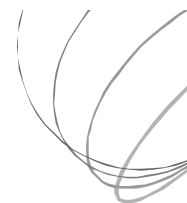
25. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent further frauds against the public sector. These include frauds of housing benefit, occupational pension and payroll frauds. In Scotland, the previous NFI exercise in 2006/07 identified at least £9.7 million of outcomes (fraud, errors, overpayments and forward savings).
26. The most recent data matching exercise was carried out in October 2008 and a large number of matches were identified for the council to investigate. In February 2010, the external audit team discussed a questionnaire with the council's finance department to determine the council's approach to NFI and the results achieved from the exercise. This questionnaire was completed at all councils and is used to inform the national report on the NFI exercise which was published by Audit Scotland in May 2010. This report identified Shetland Islands Council as one of seven Scottish councils where improvement was required.
27. Our discussions with the finance department led us to conclude that the NFI work had not been given a high level of priority at the council. There was no planned structured approach and progress on the exercise had not been reported to members. Although there was evidence that benefit matches had been reviewed in detail and that some priority had been given to the identification of duplicate invoices, only 14 out of the 69 recommended matches had been investigated by the required deadline. The reasons given for this included a lack of capacity within the council and the additional workload as a result of the introduction of Single Status. In addition, the view expressed to the audit



team by members of the finance department was that the issues arising from NFI are seen as a low risk area due to the lack of issues and savings identified from the previous NFI exercise.

28. As no issues of fraud have been identified in this current year, some assurance is obtained over the council's arrangements for preventing and detecting fraud. However, it is likely that the NFI exercise will be incorporated into the legislative framework of Scotland, as it currently is in England, and the council should, therefore, consider how to improve its engagement in the exercise and to perform a timely review of NFI matches to identify any high risk areas.

**Action plan point 4**



# Appendix A

## Risk Areas and Planned Management Action

No	Issue and Risk	Planned Actions	Responsible Officer	Target Date
1	<b>Capital accounting</b> There is a risk of material errors arising in the financial statements as a result of the technical problems with the council's capital accounting system.	Checks are being carried out through the final accounts process to ensure that the system generated information and manually generated information match. Some minor errors have been found to date which have been reported to Logotech.	Asset Registrar & Financial Accountant	September 2010
2	<b>Pension fund</b> There is a risk that the council's statement of investment principles does not comply with the necessary legislation.	The current SIP is to be reviewed in 2010/11 and a revised SIP produced which will ensure that all legislative requirements are addressed.	Treasury Accountant	February 2011
3	<b>Pension fund</b> There is a risk that fund managers are not complying with legislation.	For 2010/11 a procedure has been devised to check investment compliance of each manager and the overall pension fund on a quarterly basis	Treasury Accountant	Complete
4	<b>NFI</b> There is a risk that potential benefits from the NFI exercise are not being achieved by the council with the result that there is unidentified financial loss to the council.	A review has already been set in motion for the NFI exercise, with the aim of being able to achieve a better engagement in the next exercise.	Revenues Manager	October 2010



## REPORT

To: Audit and Scrutiny Committee

23<sup>rd</sup> August 2010

From: Head of Organisational Development

Report No: CE-22-F

### Assurance and Improvement Plan

#### 1 Introduction

- 1.1 This report introduces the Council's final Assurance and Improvement Plan (AIP) covering the next 3 years.

#### 2 Link to Corporate Priorities

- 2.1 Addressing the risks identified in the Appendix to this report effectively is key to the delivery of the Councils 2010-12 Corporate Plan. Failure to do so will reflect very poorly on the Council's ability to show that it is delivering best value for the public of Shetland.

#### 3 Background

- 3.1 Audit Scotland has introduced a new framework to monitor Councils' strategic risk areas – this is called Shared Risk Assessment.
- 3.2 In early January, the Council was given a draft of the Shared Risk Assessment that Audit Scotland had drawn together from a meeting of the Local Area Network (SWIA, Housing Regulator, Care Commission, HMIE and Audit Scotland). This was consulted on widely with the Leadership Team, and a version, incorporating all the comments received, was sent back to Audit Scotland in early February.

#### 4 Current Position

- 4.1 The draft document had to go through various stages of quality assurance before being finally agreed. This took from February to May. The final draft is now attached to this report and is available, along with all other Scottish local Councils' AIPs on the Audit Scotland website. [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

#### 5 Comment on content

- 5.1 You will notice that the AIP makes some fairly strongly worded comments about this Council. Of particular note is the fact that they say that the Council is "**not well placed to demonstrate that it is achieving best value in delivering its services**". This is similar to the language that was used in the reports prepared under the first Best Value audit regime where Councils were considered to be

performing poorly. It is a good indication of how the inspectorates view this Council at the moment and gives us a fair idea of what would be said if we had a Best Value 2 audit in the short term.

5.2 Also, they consider there to be “significant concerns and risks” with the Council’s vision and strategic direction, governance and accountability and use of resources.

5.3 It was the original intention for the AIP to include the date for the Council’s Best Value 2 audit. However, the new Director of Best Value at Audit Scotland, Fraser McKinlay, is yet to finalise the order for BV2 audits. The outcome of the Accounts Commission’s public hearing may also affect that date.

## **6 Action**

6.1 The Best Value 2 “Shetland’s Improvement Agenda” Project Team has completed its comprehensive self-evaluation using Audit Scotland’s “*Characteristics of the Best Value Council*”. That piece of work is being consulted on with the Executive and is due to be considered at a Leadership Team meeting on 31<sup>st</sup> August.

6.2 The Improvement Plan that is being developed from the self-evaluation has been aligned with the AIP. Therefore, delivery of the Improvement Plan should help to improve the attached AIP assessment. That Improvement Plan has been brought to the attention of the Chief Executive and he will be asked to engage with Members on its delivery.

6.3 It should be noted from the AIP that the SWIA inspectors have been carrying out their Initial Scrutiny Level Assessment in July, Fostering and Adoption Services is being inspected during August and the Housing Regulator will be back up in October to check on progress following the December 2007 Housing Inspection. The Executive has received reports from these areas as a way of ensuring that preparations are being monitored.

## **7 Financial Implications**

7.1 There are no financial implications arising from this report.

## **8 Policy and Delegated Authority**

8.1 Responsibility for overseeing the management of the Council’s main areas of strategic risk is not delegated to any Committee and therefore rests with the full Council.

## **9 Conclusion**

9.1 This short report introduces the Council’s Assurance and Improvement Plan. This document has been put together by the Council’s main inspection agencies and provides observations on the performance of Shetland Islands Council.

## **10 Recommendations**

10.1 I recommend that the Audit and Scrutiny Committee:

- Comments on the Assurance and Improvement Plan, particularly the areas where the assessment from the Local Area Network is that there are “significant concerns and risks” and
- Calls for the Chief Executive to progress the Improvement Plan mentioned at paragraph 6.2.

Date: 9 August 2010  
Ref: PP/JRS

Report No: CE-22-F



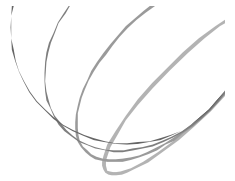
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# Shared Risk Assessment Assurance and Improvement Plan Shetland Islands Council



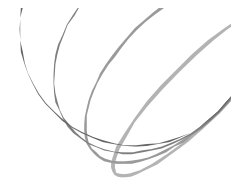
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# Introduction

1. The Assurance and Improvement Plan sets out the planned scrutiny activity for Shetland Islands Council for the period April 2010 to March 2013. It sets out the basis of our risk assessment of the council, and sets out the scrutiny response. The scrutiny activity is proportionate based on the assessed risks.
2. This Assurance and Improvement Plan (AIP) is the product of a collaborative approach adopted by a local area network (LAN) consisting of members from the following scrutiny bodies:
  - Audit Scotland
  - Care Commission
  - HM Inspectorate of Education (HMIE)
  - Scottish Housing Regulator (SHR)
  - Social Work Inspection Agency (SWIA)
3. The overall objectives of this collaborative approach are to maximise the efficiency and effectiveness of scrutiny work and minimise the impact of scrutiny activity on the council. This will be achieved by:
  - coordinating the timing and approach of our risk assessment work
  - helping to identify and monitor key risks through the sharing of intelligence and information
  - building on each other's work to maximise its value
  - drawing on, and taking account of each other's work
  - avoiding duplication of effort.
4. The AIP draws on a number of sources of information, including:
  - the 2008/09 Strategic Audit Risk Assessment (SARA) for Shetland Islands Council, produced by the Audit Scotland external audit team
  - the audit of Best Value and Community Planning in Shetland Islands Council
  - the annual audit report to the Controller of Audit and elected members for 2008/09 and the statutory report arising from this
  - the council's own self evaluation and supporting evidence
  - reports and data from HMIE, SWIA, SHR and the Care Commission (including published inspection reports and other supporting evidence).

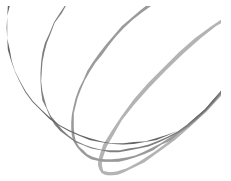


## What do we mean by a scrutiny risk?

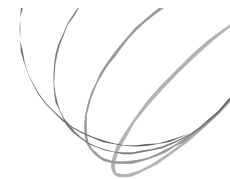
5. All local government bodies have agreed the definition of a shared risk assessment as:  
  
**‘A joint approach using key information about local government to plan scrutiny activity that is proportionate and based on risk’.**
6. When we determine ‘risk’, we mean risk that will trigger scrutiny work and not inherent risk. We define risk as:
  - Red, where there are significant concerns which would indicate that we would need to undertake some scrutiny activity to provide public assurance
  - Amber, where there are areas of uncertainty or gaps in the information available to us to determine whether or not we need to undertake some scrutiny activity
  - Green, where we have no significant concerns.
7. We recognise that risk levels will change as significant events occur and as councils take action to address identified risks. Scrutiny bodies, through local area network contacts, will maintain awareness of activity, including unit level inspection. As new information comes to light, the LAN lead, in consultation with other LAN members, will update the AIP as appropriate. LAN members will draw any significant matters to the attention of the LAN lead as they arise. The LAN lead will determine what action should be taken in terms of initiating contact with other LAN members.
8. The council is expected to initiate contact with the LAN lead where significant events occur that are likely to influence scrutiny activity. Councils are encouraged to maintain contact with LAN leads to discuss any concerns arising from the AIP or any joint scrutiny activity.

## What does proportionate scrutiny mean?

9. When considering the appropriate level of scrutiny activity for each council we consider the following points to ensure that it is proportionate:
  - Is scrutiny activity the best driver for improvement?
  - If so, how can we tailor that activity to the areas where it will have the most impact?
  - How can we tailor that activity in terms of its frequency, intensity and scope?
  - What is the minimum level of scrutiny required to provide assurance to the public?
  - How can we work together to minimise the impact of the scrutiny activity on the council?



10. The overall objectives for this collaborative approach are to maximise the efficiency and effectiveness of scrutiny work and minimise the impact of scrutiny activity on the council. This will be achieved by:
- Coordinating the timing and approach of our risk assessment work.
  - Helping to identify and monitor key risks through the sharing of intelligence and information.
  - Building on each other's work.
  - Avoiding duplication of effort.



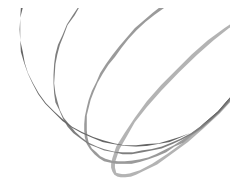
# Summary

Significant risks have been identified in Shetland Islands Council. The recent departure of the Chief Executive under a compromise agreement has confirmed our assessment that there are significant risks with the council's governance arrangements, vision and strategic direction and in the use of resources. In these circumstances the council is not well placed to demonstrate that it is achieving best value in delivering its services.

At 31 March 2009, the council had no loan debt and held investments of approximately £200 million, which gives it a unique position in Scotland. The council has therefore been able to fund high quality high cost services and infrastructure projects for the past 30 years. In this environment, there is evidence that the council is making progress towards achieving the objectives within the Single Outcome Agreement (SOA). The resources are not finite however, and the council will have to take difficult decisions in the future if it is to sustain its high levels of service provision.

11. At 31 March 2009, the council had no loan debt and held investments of approximately £200 million, which gives it a unique position in Scotland. These resources have been used in previous years to help fund revenue and capital expenditure, but this is not sustainable in the long-term if the council's strategy of maintaining a minimum threshold of reserves is to be achieved. The current economic situation means that the public sector in Scotland is under the greatest financial pressure since devolution. To face these challenges, while ensuring sustainability and quality of services, a comprehensive policy-led approach to budgeting is required. Currently Shetland's budget is driven by services and there is no clear link to policies. The council's capital programme is heavily oversubscribed and there is currently no approved long term plan. The council needs to address this, particularly as the years of high spending by the council have created large expectation levels amongst the community.
12. The council's 2008/09 financial statements were given a qualified audit opinion for two issues. The first issue was that the council did not include the results of the Shetland Charitable Trust (SCT) in its group financial statements and this was in contravention of the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice (the SORP)*. It was estimated that the inclusion of the SCT results would contribute:
  - a deficit position of approximately £3 million to the Group Income and Expenditure Account
  - net assets of approximately £220 million to the Group Balance Sheet.

The second issue related to the fact that the council, in contravention of the SORP, failed to apply the effective interest rate method to certain financial assets to determine the interest and

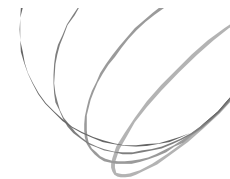


investment income for inclusion within the income and expenditure account. The effect of this is that the council's general fund balance at 31 March 2009 was materially misstated. The council has given assurances that the correct method will be applied in the 2009/10 financial statements.

13. Recent press coverage of the departure of the Chief Executive under a compromise agreement reinforces the significant risks we have identified in our previous reports in relation to the council's governance, vision and strategic direction and in demonstrating best value in the use of resources. These issues, together with the need for further development of key corporate arrangements in areas such as performance management, asset management and procurement means that the council is not well placed to demonstrate that it is achieving best value.
14. The shared risk assessment process is designed to ensure the level of scrutiny activity is proportionate and based on a sound risk assessment. The significant corporate risks identified in the council have already resulted in a statutory report being presented by the Controller of Audit to the Accounts Commission. The Accounts Commission asked for further work to be carried out to supplement Audit Scotland's annual audit on these risk areas. This work is currently ongoing and a public hearing has been scheduled for the end of June 2010. The results and implications of this for further scrutiny work will be considered by the LAN. The results of this work will be a key driver in scrutiny activity over the three year period. This will include consideration of the timing of any BV2 review.
15. As noted in the introduction, risk assessments against the national risk priorities are not separately identified in this document:
  - protection, welfare and access to opportunities for children, adults in need of support and protection, and older people issues are considered under the outcome assessments and education and social care services. No significant risks have been identified
  - assuring public money is being used properly is an area of significant risk for the council for the reasons reported earlier
  - the impact of the recession is considered as part of wider concerns about the council's financial sustainability in the future reported earlier.

Progress against the national risk priorities will be reported by Audit Scotland in the 2009/10 annual report.

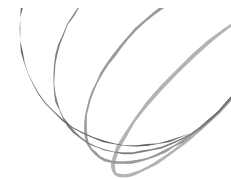
16. The SOA progress report demonstrates that a large number of targets were achieved in 2008/09, including the number of business start-ups, unemployment rates, attainment levels of school pupils and low crime rates. There are, therefore, clear indications that the council performs well in terms of its service provision.



17. There are clear indications that, helped by high funding levels, the council performs well in terms of service provision in key services, and is reporting improving performance. As a result our overall assessment is that there are no significant scrutiny risks in education, social care, infrastructure, community economic development and ports and harbour operations. However, within the services, there is a range of identified scrutiny risks including:
- there have been recruitment difficulties faced by the council and as a result there are currently several vacancies for head teachers in Shetland. The council has recognised that the school population in Shetland is reducing within a short timeframe and is progressing its Blueprint for Education to address these issues and to incorporate the changes required as a result of Curriculum for Excellence
  - there is currently some uncertainty regarding housing service improvements. Following its most recent inspection in 2007, the SHR identified areas for improvement. The council agreed an improvement plan to address these areas and to measure progress. The SHR will review the level of progress achieved by the council during its planned visit in October 2010 and the LAN will continue to monitor developments in this area.

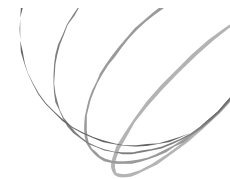
All scrutiny agencies agreed that the council needs to consider the costs of providing these quality services and start demonstrating that it delivers services in a way which demonstrates best value. Specific audit activity in this area will be dependent on the outcome of the work performed for the Accounts Commission.

18. The shared risk assessment process is designed to ensure the level of scrutiny activity is proportionate based on the assessed risks. The audit and scrutiny activities that are planned over the next three years include monitoring of ongoing performance results and a review by HMle and SHR of improvement actions. SWIA is planning completion of an initial scrutiny level assessment (ISLA), the results of which will inform the level of further scrutiny. HMle is planning to inspect services to protect children. The LAN will continue to monitor outcome and service performance and development of indicators as part of the ongoing shared risk assessment process.



# The council's context

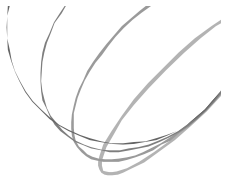
19. Shetland Islands Council is the most northerly local authority. It is comprised of 22 elected members who serve a population of approximately 22,000. It has been estimated that in the next 25 years, Shetland will experience a 50.7% increase in the number of islanders of pensionable age, while the working-age population will decrease by 20.7%. Shetland schools population projections also anticipate a substantial reduction in pupils within a relatively short timeframe. The challenge for the authority is, therefore, to develop a modern “blueprint” for the shape of the service across Shetland for the future 10 years.
20. Shetland Islands has the 6th highest figure across Scottish councils for people in work claiming housing benefit indicating a high proportion of people living below the low income thresholds. The cost of living is high, and the adverse weather and rural location lead to increased levels of fuel poverty when compared with the Scottish mainland. Median gross weekly earnings are similar to the Scottish average and there are more jobs per capita in the area, 1.08 per head of working age population, compared to the Scottish average of 0.84. The unemployment levels of 1.4% are much lower than the Scottish average of 4.7%.
21. There is a positive perception of safety amongst the population within Shetland. Levels of crimes and offences are lower than the Scottish average and clear up rates are higher. The levels of alcohol and drug usage are serious issues in Shetland. Council officers are working with staff from the Community Alcohol and Drugs Service Shetland (CADSS), and recently the council has redesigned care pathways to recognise links between all statutory and voluntary sector providers.
22. Within the council's operating context, challenges include:
  - developing a modern “blueprint” for the shape of the school service across Shetland
  - addressing the increasing demand for care at home packages
  - reducing the number of homeless presentations
  - focusing on lifestyle issues around alcohol and drugs.
23. The council has adopted the following strategic objectives:
  - smarter
  - healthier
  - safer
  - stronger
  - greener
  - wealthier.



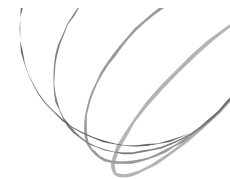
The Shetland Community Planning Partnership has performed a review of the SOA to assess whether the strategic priorities and outcomes and indicators are appropriate for the local context of the Shetland Islands. As a result of this, in 2010/11, plans for service delivery are more focused onto the achievement of the outcomes. It is encouraging to see the continued development of the SOA and this iterative process will help to ensure that the SOA is appropriate for the needs of the Shetland residents.

## Self evaluation

24. Following the Best Value and Community Planning audit, the council developed a best value improvement plan to ensure that all actions identified from the audit were implemented. Since the introduction of the Priorities and Risks Framework (PRF) and Strategic Audit Risk Analysis (SARA), the council has used these as corporate self-assessment tools. The monitoring arrangements for the corporate plan, BV improvement plan, and SARA have now been aligned and are monitored by the executive team on a quarterly basis. The council also uses service planning and equality impact assessments as a means of self assessment, as well as ongoing self-evaluation in preparation for inspections and to meet the requirements of external quality assurance schemes.
25. Benchmarking is used by the council to help identify areas where improvement and performance is required. The council should seek to develop its use of benchmarking in future years. Best Value reviews have now been performed at all councils in Scotland and identified areas of good practice could be of use to Shetland Islands Council to help improve performance levels.
26. Within the council there are several areas of strong performance. To help foster improvement, the council could encourage well-performing services to act corporately in helping the areas of poorer performance. The council is currently performing reviews within some services to improve flow and reduce waste. The wider dissemination of results of these reviews should be considered by the council.
27. A “Best Value 2 – Shetland’s Improvement agenda” project team has recently been established to help the council improve how it demonstrates Best Value. One of the project’s main outcomes is to establish a sustainable mechanism for corporate self-evaluation. The executive team is keen that the process of continuous improvement is integrated throughout the council and that as an organisation the council takes ownership of the process. One of the project’s main outcomes is the establishment of a sustainable mechanism for corporate self-evaluation.
28. The council’s self evaluation process continues to develop and information generated by the council has been used to inform our risk assessment. In particular, the latest self-evaluation activity based on BV2 is now well advanced and it is intended to use its output as part of the council’s refreshed corporate improvement plan. We will continue to monitor the council’s self-evaluation process as it



develops with the ultimate objective of being able to place reliance on it. A strong system of self-evaluation will impact on the level of scrutiny planned in future years. The timing of any additional audit activity in this area will be dependent on the outcome of the current work being performed for the Accounts Commission.



# Delivering outcomes for communities

## Strategic Priorities

**In assessing whether Shetland Islands Council has any significant scrutiny risks, we considered relevant performance measures from a number of key sources including the SOA, SOA progress report, the corporate plan halfway point update, statutory performance indicators (SPIs) and other inspection/audit reports. The detail of our evaluation is contained in Appendix 1.**

29. National risk priorities have been identified by the Scottish Government and these are reflected in national scrutiny priorities which have been considered in the shared risk assessments for all councils. The national scrutiny priorities are:
- protection, welfare and access to opportunities for children, adults in need of support and protection<sup>1</sup> and older people
  - assuring public money is being used properly
  - the impact of the recession.
30. Risk assessments against these priorities are not separately identified at Appendix 1, instead they are reflected in the outcome, service and corporate assessments in this document:
- protection, welfare and access to opportunities for children, adults in need of support and protection, and older people issues are considered under the outcome assessments and education and social care services. No significant risks have been identified
  - assuring public money is being used properly is an area of significant risk for the council for the reasons reported above
  - the impact of the recession is considered as part of wider concerns about the council's financial sustainability in the future reported above.
31. At the start of the 2008-09 financial year, the Shetland Community Planning Board was restructured as a result of a high-level self-assessment. A Community Planning Partnership (CPP) and Delivery Group (CPDG) were established in April 2008. The CPP is responsible for selecting areas from the

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<sup>1</sup> For scrutiny purposes, this definition should include all adults in the care of the State.



SOA each year, setting them as priority areas for delivery by the CPDG and then appointing members of the Partnership to that group. It is the CPDG's role to establish a realistic target for success in each priority area and then to progress them through working with partner organisations. Through this model, community planning activity has become focused on delivery of the SOA. An annual progress report is prepared to record the levels of achievement of targets within the SOA.

## Outcomes

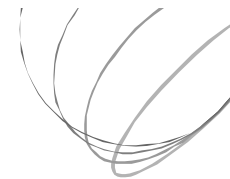
32. The SOA progress report indicates that a large number of targets were achieved in 2008/09, including the number of business start-ups, unemployment rates, attainment levels of school pupils and low crime rates. The LAN will monitor further developments in the council's reporting of outcomes.

## Smarter

33. The council records good progress across a range of indicators, with 4 indicators already meeting 2010/11 targets. As a result there are no significant scrutiny risks identified with this outcome. All school and pre-school centres inspected during 2008/09 received a positive inspection report from the scrutiny body, and exam performance levels for S4 to S6 pupils have improved between 2007 and 2009. There has also been an increase in the proportion of school leavers going into positive destinations with 92.5% of school leavers having commenced further or higher education, employment or training during 2008/09.
34. Mid Yell Junior High School is on target and has been designed as a sustainable new build with a range of services and amenities. The new building for Anderson High School has been the subject of delays since it was first proposed in 1991. The council has now agreed a timescale to complete the required statutory consultation process, which will fit in with the Education Blueprint, by December 2010.

## Healthier

35. Performance in this area is mixed but no significant scrutiny risks have been identified with this outcome. The life expectancy figures for Shetland continue to be higher than national average and the 2010 target for reducing levels of smoking was achieved in 2008/09. The percentage of the Shetland population taking part in sport and leisure activities continues to exceed national levels. While performance against targets is positive, there is room for explicit joint partnership working in addressing emerging issues. The LAN will monitor developments in the council's reporting of outcomes.



## Fairer

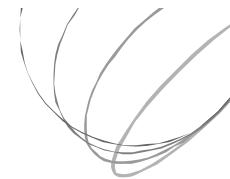
36. Performance across this area is positive with ten of the fourteen indicators improving, and three already approaching 2010/11 targets. As a result there are no significant scrutiny risks identified with this outcome. The main areas showing improvement are supporting older people with care at home, helping vulnerable adults into employment and supporting young people and children. Fostering and adoption services continue to present some challenges as there are insufficient carers to meet the needs of all children unable to return home. A target has now been set by the council and performance is reported on a quarterly basis. The council's target, which it has now achieved, is to recruit three new households per year.
37. The Community Planning Delivery Group reports that there has been an increase in the symptoms of poverty, including the misuse of drugs and alcohol and increased levels of debt, and is working towards a multi-agency poverty framework. The LAN will monitor developments in the council's reporting of outcomes.

## Safer

38. Shetland compares favourably with other local authority areas on crime rates and there is a positive perception amongst the local population of safety within Shetland. The SWIA performance inspection of criminal justice social work services concluded that the service performed well in meeting national targets. As a result there are no significant scrutiny risks identified with this outcome. Some of the data included within the SOA requires to be updated and the council recognises that there is work to be done to improve the mechanisms in place to provide data on some indicators. The council has not reported on domestic abuse incidents or adult protection referrals and the performance measures in relation to the protection of vulnerable children require further development. The LAN will monitor developments in the council's reporting of outcomes.
39. In recent years, the council has been working to improve its approach to dealing with anti-social behaviour. Work is still required to set standards and to introduce monitoring and reporting procedures. The council has an improvement plan to address these issues but no information on progress has yet been published.

## Stronger

40. Performance in this area is variable. With evidence that the population of Shetland is provided with a good level of services, the provision of housing remains a significant issue for Shetland with almost 1,000 people on the waiting list for accommodation in March 2009. There has also been an increase in the number of homeless presentations which leads to more pressure on the housing department.



Despite the mixed performance, the overall assessment is that, on balance, there are no significant scrutiny risks identified with this outcome.

## Greener

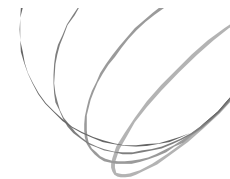
41. Performance is variable across this area. Strong performance has been seen in the low levels of waste sent to landfill due mainly to the use of a Waste Energy Plant which burns waste for a District Heating Scheme. However, performance is below average for the levels of recycling of municipal waste. Despite the mixed performance, the overall assessment is that, on balance, there are no significant scrutiny risks identified with this outcome and monitoring of this area will be included as a matter of course within the annual external audit plan. As part of the annual audit process, Audit Scotland will establish and report on compliance with the Scottish Government and EU targets in this area.

## Wealthier

42. Information on performance is not available for four of the seven measures, including research and development spend and export growth and, in some cases, performance is not always reported in relation to the target set. This makes it difficult to assess performance across this area.
43. Shetland was one of only two areas in Scotland to record an increase in business start-ups during 2008/09, with seven of the projects being supported through the Economic Development Unit. The overall number of VAT registered businesses also increased but the rate of increase was lower than the Scottish average. Unemployment rates are well below the Scottish average and areas such as construction and house prices have been maintained well during the global economic crisis. Therefore, the overall assessment is that there are no significant scrutiny risks identified with this outcome. Progress in developing improved performance information will be monitored.

## Services

44. There are clear indications that the council performs well in terms of service provision in key services, and is reporting improving performance. As a result, our overall assessment is that there are no significant scrutiny risks in education, social care, infrastructure, community economic development and ports and harbour operations. However within other services there is a range of identified scrutiny risks including some uncertainty regarding the housing service improvements. The detail of our evaluation and assessment is contained in Appendix 1. Concerns regarding the cost of providing these quality services are addressed through the corporate assessment.



## Education

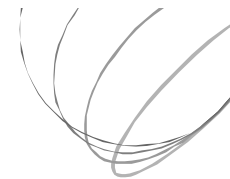
45. No significant scrutiny risks have been identified in Education. There is evidence from inspections and performance indicators that the schools service is performing well in Shetland. HMle inspection reports identify a number of positive areas such as the quality of teaching, partnership working, guidance arrangements and pastoral care. S1/S2 5-14 attainment levels have shown steady improvements. HMle also reports that, in all measures of attainment from S4 to S6, pupils in Shetland secondary schools perform well in comparison to national achievement levels.

## Social care

46. No significant scrutiny risks have been identified in social care. The SWIA performance inspection in 2007 highlighted that the social care services were performing well. The follow up in 2008 identified that good progress had been made with developing an action plan based on SWIA's recommendations. An example of progress is the establishment of an adult protection committee and evidence of effective communication taking place across the agencies involved.

## Housing

47. Areas of uncertainty have been identified within the Housing service. Notwithstanding the fact that the most recent inspection performed by the Scottish Housing Regulator assessed the Shetland Islands Council housing service overall as "fair", there were a number of areas identified for improvement. It was recognised by the SHR that the council collects, analyses and publishes a range of tenant satisfaction information. General satisfaction rates were noted as being high, although results were poorer for the homeless service. The level of rent arrears at 4% is considerably better than the national average of 6.1% and there is also good performance in the average number of weeks rent owed by tenants leaving in arrears. However, there is evidence of a shortage of available housing, with people spending too long in temporary accommodation and, without financial support from the Scottish Government, there is currently no approved strategy for increasing the supply of temporary accommodation. In addition, an SHR inspection in 2007 on repairs to housing identified poor and deteriorating performance in the area of response repairs. Since 2007 the KPIs are indicating that performance is improving in all areas of repairs, and it is now only the area of routine repairs which requires more improvement to reach the target level.
48. SHR highlighted that there are gaps in the council's stock condition which creates risks for the council's investment programmes and its ability to achieve the Housing Quality Standard by 2015. The council has plans in place to address this and it is currently reporting that it is more than 80% compliant with the standard. Following its most recent inspection in 2007, the SHR identified areas for improvement. The council agreed an improvement plan to address these areas and to measure



progress. The SHR will review the level of progress achieved by the council during its planned visit in October 2010.

## **Infrastructure**

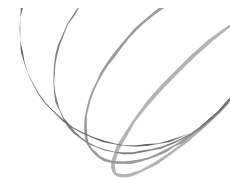
49. No significant scrutiny risks for Infrastructure services have been identified. There was a significant reduction in the cost per property of refuse collection in 2008/09 which meant that the council was able to deliver services below target cost levels. In addition, there were high levels of customer satisfaction achieved by the environmental health service with 96.6% satisfaction levels being reported. The planning service was ahead of the target to assess 20% of listed buildings in 2009, with 31% having been assessed. However, a number of vacancies within the council has contributed to only 50.5% of householder planning applications being dealt with within two months in 2008/09. The council has now committed additional resources to address this issue and continues to work with stakeholders to identify ways to streamline the process. Progress has been made on the inspection programme of bridges and culverts and performance against SPIs for Roads and Lighting were generally achieved.

## **Economic Development Unit**

50. No significant scrutiny risks have been identified in relation to the Economic Development Unit. In 2008/09, Shetland was one of only two areas in Scotland to record an increase in business start-ups. In accordance with council plans, during the months of September and October 2009, 61 grants were awarded to local businesses. However, in 2009/10 the economic climate has necessitated a review of the unit's budget and priority areas. In March 2010, the council's budget was reduced by 25% to £7.4 million although there was an increased allocation to help promote the islands nationally and internationally. The council anticipates that the recently announced agreement with Total to build a new gas terminal will lead to increased employment opportunities in the future.

## **Ports and harbour operations**

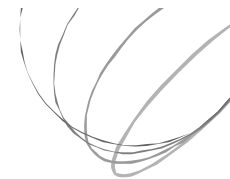
51. No significant scrutiny risks for ports and harbour operations have been identified. The council has been undertaking a review of all port functions over the last 18 months to ensure that future provision matches the throughput of the oil terminal to maintain profitability. Budget reviews have been performed throughout the council and it is now expected that the earlier forecast deficit for Ports and Harbour Operations for 2010/11 will be greatly reduced, if not eliminated. Although there has been a reduction in harbour income due to Schiehallion having been out of operation for much of 2009, this has been partially offset by recent ship-to-ship transfer operations and increased income from fish landings in some smaller ports.



52. Currently, the £11 million capital project for new tugs is running within budget levels but the service is hoping to identify further efficiencies. The status of this project is monitored by Budget Responsible Officers and the Finance Department and reported to the Harbour Board each cycle.

## Implications for scrutiny activity

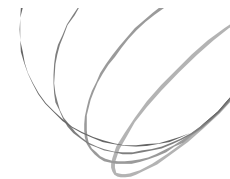
53. SWIA will complete an initial scrutiny level assessment (ISLA) to assess the required amount of external scrutiny of social work services. This is a new risk based approach to the scrutiny of these services. Initially, it is largely a desk top risk assessment exercise which considers risk, need for improvement, current and planned self-evaluation activity. Further scrutiny to be performed by SWIA is dependent on the results of the ISLA. The planned timing of the ISLA is included at Appendix 3. The findings from the ISLA will be discussed with the LAN as part of the ongoing SRA process.
54. Following Ministerial request, HMle will carry out the joint inspection of services to protect children and young people. HMle will also be involved in scrutiny as a result of their statutory obligations.
55. The SHR will review the level of progress achieved by the council against the housing improvement plan during its visit in October 2010. Further scrutiny is dependent on the level of progress that the council has made. SHR also intends to monitor the council's progress towards meeting the 2012 homelessness target and the 2015 Scottish Housing Quality Standard (SHQS).
56. Audit Scotland's annual audit process will monitor key service developments within the council including any areas of service reform, governance issues and the council's progress in responding to the current economic downturn.
57. The LAN will monitor outcome and service performance and development of indicators as part of the ongoing shared risk assessment process.



# Corporate assessment

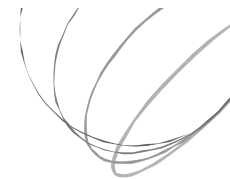
## Corporate Assessment

58. In determining the corporate assessment for Shetland Islands Council, we considered the corporate performance and arrangements in place. The detail of our evaluation is contained in Appendix 2.
59. The quality of working relationships between officers and members can influence the reputation of the council and impact on the efficiency of its services and there is ample evidence of this in Shetland. In recent months, issues have been documented in the media and reported in the annual audit report by Audit Scotland relating to strategic leadership within the council at the member and officer levels. The recent departure of the Chief Executive under a compromise agreement has confirmed our view that these issues have led to significant risks with the council's governance, vision and strategic direction and in demonstrating best value in the use of resources.
60. As noted previously, the council continues to provide a wide range of high quality services. However the cost in providing these services is leading to the council using substantial amounts of its reserves on an annual basis. The use of such levels of reserves cannot be sustained in the longer term. The council now needs to set clear strategic priorities which support its overall aim of maintaining a balance of £250 million of reserves. All scrutiny agencies agreed that the council also needs to start demonstrating that it delivers services in a way which demonstrates best value.
61. This is particularly important in the current financial climate. At 31 March 2009, the council had no loan debt and held investments of approximately £200 million, which gives it a unique position in Scotland. These resources have been used in previous years to help fund revenue and capital expenditure, but this is not sustainable in the long-term if the council's strategy of maintaining a minimum threshold of reserves is to be achieved. The council's overall draw on reserves during the financial year 2008/09 was approximately £23 million. Given that the council had a balance of £280 million of reserves at 31 March 2009, continued draws of similar levels would mean that the reserve fund would be depleted by 2022. However, in the current environment of reduced funding settlements, there is a risk that the reserve fund may be depleted earlier than 2022.
62. The current economic situation means that the public sector in Scotland is under the greatest financial pressure since devolution. There will be significant challenges for public bodies to prioritise spending, identify efficiencies and review commitments to ensure delivery of key targets and objectives and manage financial pressures. To face these challenges, while ensuring sustainability and quality of services, a comprehensive policy-led approach to budgeting is required. Although there has been some improvement in the council's budget setting processes, there continues to be a

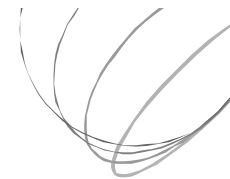


risk that budgets are prepared on an incremental basis with departmental budgets reflecting historic levels and varying little in response to changing priorities.

63. Despite the pattern of under-spending by the council in recent years, in December 2009, the estimates for the 2010/11 budget setting exercise, which allies with the service plans, highlighted a £16.2 million funding gap between the spending aspirations of departments and the actual resources available. Following work by officers with budget responsible officers, the gap was reduced to £5million and work is now being progressed to identify the savings necessary to balance the 2010/11 budget. This illustrates the fact that, rather than the corporate centre proactively setting the overall budget based on available resources, the budget tends to be driven by services. The reactive approach currently being taken by the corporate centre is a direct result of this.
64. The council's capital programme is heavily oversubscribed and in previous years Audit Scotland reported the need for an approved long term plan. To address this, in 2010 the council appointed a head of capital programming and the council is now working towards a 2-5 years plan. Currently, there are several large capital projects being developed and constructed including Anderson High School and the Mareel Centre.
65. The years of high spending by the council have created large expectation levels amongst the community. Any proposed changes in service delivery or capital projects can create anxiety in sections of the community and generate significant political pressures and this, in turn, delays the decision-making process. There are examples of this in several areas of the council, including the lack of an approved long-term capital plan, community unrest surrounding the potential implications of Shetland's Blueprint for Education and the budget cuts in services which were widely discussed in the community and by the local media.
66. The council's 2008/09 financial statements were given a qualified audit opinion for two issues. The first issue was that the council did not include the results of the Shetland Charitable Trust (SCT) in its group financial statements and this was in contravention of the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice (the SORP)*. It was estimated that the inclusion of the SCT results would contribute:
  - a deficit position of approximately £3 million to the Group Income and Expenditure Account
  - net assets of approximately £220 million to the Group Balance Sheet.
67. The second issue related to the fact that the council, in contravention of the SORP, failed to apply the effective interest rate method to certain financial assets to determine the interest and investment income for inclusion within the income and expenditure account. The effect of this is that the council's general fund balance at 31 March 2009 was materially misstated. The council has given assurances that the correct method will be applied in the 2009/10 financial statements.



68. At the time of writing, there is no approved workforce plan for the council as a whole, although a workforce development strategy for the Education and Social Care Department was approved in May 2009. The council faces serious workforce challenges and it is important that these are addressed in the short term so that services in the future can continue to be delivered while achieving Best Value. The population of Shetland is currently approximately 22,000 and is reducing. Added to that, in common with most other areas in Scotland, the population is ageing. The workforce plan should take account of the low population levels, which means that there is a smaller pool of people for recruitment purposes and training plans should be formulated to ensure that the workforce is adequately skilled. Without an agreed workforce plan, there is a considerable risk that council services may be adversely affected due to the lack of appropriately skilled and adequate numbers of officers.
69. The education service budget has been underspent in recent years and this is mainly due to the fact that there are several unfilled vacancies for headteachers in Shetland schools. The council is currently progressing its Blueprint for Education. In May 2007, councillors acknowledged that there will be a reduction within a relatively short timeframe in the number of school pupils within the Shetland population. The challenge for the council is to develop a modern "blueprint" for the shape of the service across Shetland for 10 years time. The Blueprint incorporates the changes required as a result of "Curriculum for Excellence".
70. There is increasing demand for the existing home-based care service and this trend is expected to continue for the foreseeable future. As demand for services increases, the council needs to be more creative in the way services are provided. This includes targeting resources on high priority areas, ensuring care assessments are based on need and not availability, and continuing to work closely and effectively with partners, e.g. the voluntary sector and NHS Shetland.
71. 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 and extra costs being incurred. The audit and scrutiny committee called for the development of best practice guidance for the conduct of capital projects in the council. This has resulted in a best practice methodology report being presented and accepted by the council in May 2009. The council currently has a number of large high profile projects under development and construction including Anderson High School, Mid Yell Junior High School and Mareel Cinema and Music Venue.
72. Following the 2005 best value report, the council made progress in some improvement areas. Key improvements made include the approval of the 2008-11 corporate plan which includes the targets and priorities of the community plan. Governance arrangements are strengthened with the

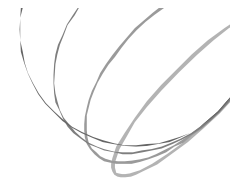


establishment of the audit and scrutiny committee and recently a new head of capital programming was appointed.

73. The council demonstrates good partnership agreements and a commitment to partnership working. This includes developing the Single Outcome Agreement (SOA) and the community plan which has been formally adopted by all partners. The SOA was the result of joint working between Shetland Islands Council, and other bodies including NHS Shetland, Northern Constabulary, Highlands and Islands Fire and Rescue Service, Highlands and Islands Enterprise and Voluntary Action Shetland. A community planning delivery group has been established with partners to provide leadership and facilitation to community planning in Shetland through the adoption and overall monitoring of arrangements. During 2010/11, the group's priority is to prepare for the impact of cuts in the public sector – this will be jointly led by the convenor of the council and the Chair of NHS Shetland.
74. Despite these improvements, due to the slow pace in introducing a range of improvement actions in other key corporate areas such as performance management, asset management and procurement, the council is not currently well placed to demonstrate that it is achieving best value in delivering its services.

## Implications for scrutiny activity

75. The significant corporate risks identified in the council have already resulted in a statutory report being presented by the Controller of Audit to the Accounts Commission. The Accounts Commission asked for further work to be carried out to supplement Audit Scotland's annual audit on these risk areas. This work is currently ongoing and a public hearing has been scheduled for the end of June 2010. The results and implications of this for any further scrutiny work will be considered by the LAN. The results of this work will be a key driver in scrutiny activity over the three year period.
76. As part of the annual audit, Audit Scotland will continue to monitor the council's use of resources and progress of the council's initiatives including the Blueprint for Education and specific large capital projects.



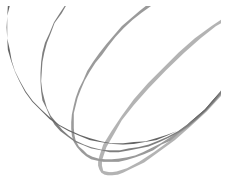
# Conclusion

## Summary of planned scrutiny activity

77. The appendices to this plan show a summary of the evidence we considered and the overall risk assessments made by the local area network (LAN) on the outcome, service and corporate risk assessments. They show the scrutiny response the LAN has decided is appropriate in each area. The shared risk assessment process is designed to ensure the level of scrutiny activity is proportionate based on the assessed risks. These results are then reflected in the Assurance and Improvement Plan (AIP) at Appendix 3 which sets out the basis of our scrutiny risk assessment and the planned scrutiny activity for Shetland Islands Council for the period from April 2010 to March 2013.
78. The focus of the AIP is strategic scrutiny activity which is focused at corporate or whole service level, but there will also be baseline scrutiny at unit level ongoing throughout the period of the AIP. This will include, for example, school and residential home inspections. Scrutiny bodies also reserve the right to make unannounced scrutiny visits. These will generally be made in relation to care services for vulnerable client groups. Audit Scotland's annual audit includes work on the audit of housing and council tax benefit arrangements.
79. We recognise that risk levels will change as significant events occur and as councils take action to address identified risks. Scrutiny bodies, through LAN contacts, will maintain awareness of activity. As new information comes to light, the LAN lead, in consultation with other LAN members, will update the AIP as appropriate. LAN members will draw any significant matters to the attention of the LAN who will determine what action should be taken.
80. The council is expected to initiate contact with the LAN lead where significant events occur that are likely to influence scrutiny activity. Councils are encouraged to maintain contact with LAN leads to discuss any concerns arising from the AIP or joint scrutiny activity.

## Next steps

81. The status of the AIP remains draft until the National Scrutiny Round Table and the Local Government Scrutiny Co-ordination Strategic Group has approved the AIPs for each council. The role of the national round table is to ensure that councils are treated equitably in terms of the assessment of risk and the proportionality of the scrutiny response. The national round table will also ensure that available scrutiny resources are appropriately targeted to areas of greatest risk.



82. Once agreed, the AIP is a public document and councils are expected to consider the AIP at an appropriate committee. Our intention is to publish the national scrutiny schedule on the Accounts Commission web page and on other scrutiny bodies' websites. The AIPs for all councils will also be published on the Accounts Commission website.

# Appendix 1



OUTCOME AND SERVICES RISK ASSESSMENT- SHETLAND ISLANDS COUNCIL			ASSESSMENT KEY:
			Red: significant concerns and risks
			Amber: areas of uncertainty
			Green: no significant scrutiny risks
			Gold: exceptional performance
Strategic Priorities	Initial risk assessment	Evidence/rationale	What we plan to do
<b>SMARTER</b>			
<p>We are better educated, more skilled and more successful, renowned for our research and innovation.</p> <p>Our young people are successful learners, confident individuals, effective contributors and responsible citizens.</p>	<b>No significant scrutiny risks identified</b>	<ul style="list-style-type: none"> <li>Positive inspections from HMle and Care Commission.</li> <li>SIC is doing better than the Scottish average in terms of key school qualification indicators and qualifications in the workforce.</li> <li>Increase in the proportion of school leavers going into positive destinations at March 2009.</li> <li>Enrolment levels in Shetland College continue to be high.</li> <li>The authority continues to give strong support to creativity and innovation in curriculum architecture and content.</li> <li>Exam performance levels for S4 – S6 pupils have improved between 2007 and 2009.</li> <li>More school leavers are going into further education, training and jobs.</li> </ul>	<p>No specific scrutiny activity.</p> <p>Outcome indicators will be kept under review by the local area net work (LAN) as part of ongoing scrutiny work.</p>



Strategic Priorities	Initial risk assessment	Evidence/rationale	What we plan to do
<b>HEALTHIER</b>			
<p>Our children have the best start in life and are ready to succeed.</p> <p>We live longer, healthier lives.</p>	<b>No significant scrutiny risks identified</b>	<ul style="list-style-type: none"> <li>▪ Care commission findings in relation to early years service are generally good.</li> <li>▪ 2009 targets achieved – 60% of children in primary 1 have no signs of dental disease aided by the health promotion in early years centres/schools.</li> <li>▪ Performance against this theme as reported in the SOA progress report is mixed. The partnership is unable to report on 3 indicators and only 45% of indicators are seeing improvement.</li> <li>▪ More up-to-date information is required on mortality from Coronary Heart Disease, together with information on mortalities from cancer, stroke and suicide.</li> <li>▪ While targets are appropriate in improving the health of Shetland's population, there is room for explicit joint partnership working in addressing the emerging issues.</li> <li>▪ Life expectancy figures for Shetland are higher than the national average.</li> <li>▪ The 2010 target for reducing levels of smoking was achieved in 2008/09.</li> <li>▪ The percentage of the Shetland population taking part in sport and leisure activities continues to exceed national levels.</li> </ul>	<p>No specific scrutiny activity.</p> <p>Outcome indicators will be kept under review by the LAN as part of ongoing scrutiny work.</p>



Strategic Priorities	Initial risk assessment	Evidence/rationale	What we plan to do
<b>FAIRER</b>			
<p>We have tackled the significant inequalities in Scottish society.</p> <p>We have improved the life chances for children, young people and families at risk.</p>	<b>No significant scrutiny risks identified</b>	<ul style="list-style-type: none"> <li>A decrease in the number of children living in households that are experiencing deprivation and social exclusion has been seen in 2009, but additional methods of monitoring progress against this indicator could be sought.</li> <li>The partnership reports that there has been a rise in the symptoms of poverty – such as drug and alcohol misuse and increased levels of debt – and so is working towards a multi-agency Poverty Framework.</li> <li>There are currently insufficient numbers of foster carers. The council has a target to recruit three new foster households per year. This target was achieved in 2009. Currently two fostering assessments are active and four more planned.</li> <li>71% of indicators within this theme are improving. Highlights include supporting older people with high levels of care needs at home, supporting vulnerable adults into employment and supporting young people and children.</li> <li>Shetland performs well on levels of employment for people with learning disabilities. 50% of adults known were in employment in 2008. (This was the highest in Scotland).</li> <li>Positive reports from SWIA and the inter-agency inspection of children's services.</li> <li>The children's residential service, Leog, has been assessed as being very good.</li> <li>There has been an increase in the percentage of qualified staff looking after adults and older people in residential accommodation.</li> </ul>	<p>No specific scrutiny activity.</p> <p>Outcome indicators will be kept under review by the LAN as part of ongoing scrutiny work.</p>



Strategic Priorities	Initial risk assessment	Evidence/rationale	What we plan to do
<b>SAFER</b>			
We live our lives safe from crime, disorder and danger.	<b>No significant scrutiny risks identified</b>	<ul style="list-style-type: none"><li>▪ SWIA performance inspection of criminal justice social work services in 2007 found the services well managed and seeking to measure and improve its performance. The service did particularly well in meeting national standards.</li><li>▪ There is a positive perception amongst the population of safety within Shetland.</li><li>▪ Shetland has the highest clear-up rates for criminal offences. It is not possible to comment on whether crime rates are decreasing because the partnership has reported on detection rates rather than crime figures.</li><li>▪ The partnership has not reported on domestic abuse incidents or adult protection referrals. Measures related to the protection of vulnerable children are limited.</li><li>▪ The council has developed an improvement plan to set the standards for its approach to dealing with anti-social behaviour.</li><li>▪ Difficult to assess performance against this theme using outcome data due to weaknesses in the performance management arrangements. Despite the information gaps, where performance is reported it is a positive picture therefore the overall assessment is that there are no significant scrutiny risks identified with this outcome.</li></ul>	No specific scrutiny activity. Outcome indicators will be kept under review by the LAN as part of ongoing scrutiny work. Progress in developing improved performance information will be monitored.



Strategic Priorities	Initial risk assessment	Evidence/rationale	What we plan to do
<b>STRONGER</b>			
<p>We live in well-designed sustainable places where we are able to access the amenities and services we need.</p> <p>We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.</p> <p>We take pride in a strong, fair and inclusive national identity</p> <p>Our public services are high quality, continually improving, efficient and responsive to local people's needs.</p> <p>Our public services are high quality, continually improving, efficient and responsive to local people's needs.</p>	<b>No significant scrutiny risks identified</b>	<ul style="list-style-type: none"> <li>▪ The provision of housing is a significant issue for Shetland. At 31 March 2009 there were almost 1,000 people on the waiting list for accommodation and there has been an increase in the percentage of homeless applications assessed as priority.</li> <li>▪ Rate of new builds has increased to 169 in 2008/09 but the supply of housing still requires to be increased.</li> <li>▪ Mid Yell JHS (to open 2010) is planned as a well designed, sustainable new build with a range of amenities and services. However, there have been significant delays in previous years with the Anderson High School project.</li> <li>▪ The percentage of people taking part in sport and leisure activities continues to exceed the Scottish average.</li> <li>▪ The baseline has still to be established for the target to reduce the number and streamline local strategic groups, committees, working groups, taskforces etc.</li> <li>▪ There is evidence of strong local identity.</li> <li>▪ High and improving levels recorded between 2007 and 2009 of the quality of public services delivered.</li> <li>▪ The level of complaints by service users and their families is very low, only two in the last year.</li> <li>▪ Generally, the care homes and housing support services for adults are of a good standard. There is a flexible approach to meeting the needs of service users which takes account of the island location.</li> <li>▪ More children in remote and rural areas have accessed nursery provision through the use of supported transport, therefore reducing social isolation.</li> <li>▪ Involvement of children and young people in reviewing and developing services was a key strength in the CP inspection (2008). The network of youth</li> </ul>	<p>No specific scrutiny activity.</p> <p>Outcome indicators will be kept under review by the LAN as part of ongoing scrutiny work. Progress in developing improved performance information will be monitored.</p>



Strategic Priorities	Initial risk assessment	Evidence/rationale	What we plan to do
		service provision Youth Voice is well established and given financial and staffing support. Young people are able to influence the Council about issues which are important to them through the involvement of elected members with the Youth Cabinet.	



Strategic Priorities	Initial risk assessment	Evidence/rationale	What we plan to do
<b>GREENER</b>			
We value and enjoy our built and natural environment and protect it and enhance it for future generations. We reduce the local and global environmental impact of our consumption and production.	<b>No significant scrutiny risks identified</b>	<ul style="list-style-type: none"><li>▪ Data is not available for overall ecological footprint or changes to commercial fish stocks.</li><li>▪ The Planning Authority was ahead of the target to assess 20% of listed buildings in 2009 – 31% were assessed.</li><li>▪ There is continued monitoring of the numbers of species within the bird population.</li><li>▪ SIC achieved a reduction in the levels of usage of diesel ultra plus by council vehicles.</li><li>▪ Strong performance in the amount of waste sent to the landfill, 442 tonnes against a target of 2,657 tonnes.</li><li>▪ Performance is below average for recycling of municipal waste.</li></ul>	No specific scrutiny activity. Outcome indicators will be kept under review by the LAN as part of ongoing scrutiny work. Progress in developing improved performance information will be monitored.



Strategic Priorities	Initial risk assessment	Evidence/rationale	What we plan to do
<b>WEALTHIER</b>			
<p>We realise our full economic potential with more and better employment opportunities for our people.</p> <p>We live in a Scotland that is the most attractive place for doing business in Europe.</p>	<b>No significant scrutiny risks identified</b>	<ul style="list-style-type: none"> <li>It is difficult to assess performance under this objective due to gaps in performance information and a lack of clarity with some measures.</li> <li>Unemployment rates continue to be well below the Scottish average and areas such as construction and house prices have been maintained relatively well during the global economic crisis.</li> <li>Shetland was one of only two areas in Scotland to record an increase in business start-ups during 2008-09.</li> <li>Overall number of VAT registered businesses increased (30 more businesses registered); rate of increase is lower than the Scottish average.</li> <li>Despite the information gaps, where performance is reported, it is a positive picture therefore the overall assessment is that there are no significant scrutiny risks identified with this outcome.</li> </ul>	<p>No specific scrutiny activity.</p> <p>Outcome indicators will be kept under review by the LAN as part of ongoing scrutiny work.</p> <p>Progress in developing improved performance information will be monitored.</p>



Council Service	Initial risk assessment	Evidence/rationale	What we plan to do
Executive	N/A	The Executive services performance impacts on all areas of the council. See the corporate assessment also.	Monitoring of issues through the annual audit process.
Education	No significant scrutiny risks identified	<ul style="list-style-type: none"><li>Overall, very strong profile of QIs in HMle inspections.</li><li>Consistent strengths in children's progress in emotional, personal and social development, and literacy and numeracy.</li><li>Consistent strengths in the quality of children's learning experiences, leadership of the headteacher, pastoral care and welfare, and the promotion of equality and fairness.</li><li>HMle reports identify a number of positive areas such as the quality of teaching, partnership working, guidance arrangements and pastoral care.</li><li>School inspection reports overall comment positively on the extent to which children and young people's needs are met, including those with additional support needs.</li><li>National test and examination results are excellent, but costs are well above the Scottish average.</li><li>The council has had difficulty in the past in recruiting headteachers. It is likely that uncertainties in the current school service, including changes in the school system, falling school rolls and the proposals in the Blueprint for Education are factors in recruitment problems.</li></ul>	Audit Scotland – monitoring of the Blueprint for Education as part of the annual audit. HMle – no additional scrutiny identified.



Council Service	Initial risk assessment	Evidence/rationale	What we plan to do
Social care	No significant scrutiny risks identified	<ul style="list-style-type: none"><li>▪ The SWIA performance inspection in 2007 found the service to be performing well. The follow-up in 2008 found that the service had made good progress with the action plan which was based on SWIA's recommendations.</li><li>▪ An adult protection committee has been established and there is evidence of effective communication across the agencies involved.</li><li>▪ Staff absences in the social work service have an impact on service delivery. Procedures to monitor the impact of staff absence on key service areas are developing.</li></ul>	SWIA – completion of an initial scrutiny level assessment (ISLA). Further scrutiny to be performed by SWIA is dependent on the results of the ISLA.
Housing	Areas of uncertainty	<ul style="list-style-type: none"><li>▪ There is evidence that people are spending too long in temporary accommodation and also that there is currently no strategy for increasing the supply of temporary accommodation. The council is due to send SHR an update on its improvement plan in September 2010.</li><li>▪ Management of voids – the council took 63 days on average to let a low demand property in 2007/08 compared to the Scottish average of 44 days. This was improved to 48 days in 2008/09, although SIC was 19<sup>th</sup> out of 26 councils. SIC took 138 days on average to let low demand houses in 2007/08 and this deteriorated further in 2008/09 to 161 days, making SIC 23<sup>rd</sup> out of 26 councils. Percentage of rents lost due to voids is slightly improving from 3% in 07/08 to 2.3% in 08/09 but SIC still ranks 19<sup>th</sup> out of 26 councils.</li><li>▪ The most recent inspection performed by the Scottish Housing Regulator assessed the Shetland Islands Council housing service overall as “fair”. However there were a number of areas identified for improvement.</li><li>▪ An SHR inspection highlighted that the council had weaknesses in assessing, suspending and bypassing applications for housing. An update on progress</li></ul>	SHR – review of progress against improvement plan.



Council Service	Initial risk assessment	Evidence/rationale	What we plan to do
		<p>against the improvement plan is due in September 2010.</p> <ul style="list-style-type: none"><li>▪ An SHR inspection in 2007 on repairs to housing identified poor and deteriorating performance in the area of response repairs. An improvement plan is in place and KPIs indicate that improvement has been made since 2007.</li><li>▪ An SHR inspection highlighted that performance monitoring within housing services had weaknesses. Following the inspection, the council improved its systems. Further information on the effectiveness of the improvements will be available when SHR reviews the council's progress against the improvement plan.</li><li>▪ In relation to the homeless strategy, there is evidence of good partnership working, but weaknesses in monitoring performance were noted. An update on progress is due in September 2010.</li><li>▪ The council collects, analyses and publishes a range of tenant satisfaction information. General satisfaction rates are high, although results were poorer for the homeless service.</li><li>▪ The level of rent arrears at 4% is considerably better than the national average of 6.1% and good performance was also reported in the average number of weeks rent owed by tenants leaving in arrears.</li><li>▪ In 2007 the council charged the third highest rents in Scotland, although this was an improvement on previous years when the council charges the highest rents in the country. The council has stabilised costs and rents and held rent at inflation only for 8 years in a row. There is a need for the council to analyse the cost and value of the housing service and benchmark it and review its sustainability. The council has developed an improvement plan and will report on progress on it in September 2010. An SHR inspection in 2007 highlighted that the council had an insufficient focus on achieving value for money in the</li></ul>	



Council Service	Initial risk assessment	Evidence/rationale	What we plan to do
		<p>procurement of property maintenance and asset management services. Progress on the improvement plan is due to be published in September 2010.</p> <ul style="list-style-type: none"><li>▪ The current uncertainty regarding specific housing service improvements is reflected in our assessment of risks in this service area.</li></ul>	
Infrastructure services	No significant scrutiny risks identified	<ul style="list-style-type: none"><li>▪ There was a significant reduction in the cost per property of refuse collection in 2008/09 which meant that the council was able to deliver services below target cost levels.</li><li>▪ There were high levels of customer satisfaction achieved by the environmental health service with 96.6% satisfaction levels being reported.</li><li>▪ The planning service was ahead of the target to assess 20% of listed buildings in 2009, with 31% having been assessed.</li><li>▪ A number of vacancies within the council have contributed to only 50.5% of householder applications being dealt with within two months in 2008/09. The council has now committed additional resources to address this issue and continues to work with stakeholders to identify ways to streamline the process.</li><li>▪ Progress has been made on the inspection programme of bridges and culverts and performance against SPIs for roads and lighting were generally achieved.</li></ul>	No specific scrutiny activity. Service performance will be kept under review by the LAN as part of ongoing scrutiny work.



Council Service	Initial risk assessment	Evidence/rationale	What we plan to do
Economic development unit	No significant scrutiny risks identified	<ul style="list-style-type: none"><li>▪ The Economic Development Policy Statement 2007-11 was approved which links to the Scottish Government's economic strategy.</li><li>▪ During the months of Sept and Oct 2009, 61 grants totalling £134k were awarded to local businesses in line with policy.</li><li>▪ Shetland was one of only two areas in Scotland to record an increase in business start-ups during 2008/09.</li></ul>	No specific scrutiny activity. Service performance will be kept under review by the LAN as part of ongoing scrutiny work.
Ports and harbour operations	No significant scrutiny risks identified	<ul style="list-style-type: none"><li>▪ Budget reviews have been performed throughout the council and it is now expected that the earlier forecast deficit for Ports and Harbour Operations for 2010/11 will be greatly reduced, if not eliminated. However, with the forecast predictions for a reduction of oil throughput, there is a risk of reduced harbour income. Although there has been a reduction in income due to Schiehallion having been out of operation for much of 2009, this has been partially offset by recent ship-to-ship transfer operations and increased income from fish landings in some smaller ports.</li><li>▪ Currently, the £11 million capital project for new tugs is running within budget levels but the service is hoping to identify further efficiencies. The status of this project is monitored by Budget Responsible Officers and the Finance Department and reported to the Harbour Board each cycle.</li><li>▪ The council has been undertaking a review of all port functions over the last 18 months to ensure that future provision matches the throughput of the oil terminal to maintain profitability.</li></ul>	No specific scrutiny activity. Service performance will be kept under review by the LAN as part of ongoing scrutiny work.

# Appendix 2



CORPORATE ASSESSMENT SHETLAND ISLANDS COUNCIL			
Corporate Assessment area	Initial risk assessment	Evidence/rationale	What we plan to do
Vision and Strategic Direction	Significant concerns and risks	<ul style="list-style-type: none"> <li>In recent months there have been several issues documented in the media and reported in the annual audit report by Audit Scotland relating to strategic leadership within the council at the member and officer levels. This led to a section 102 report. The Accounts Commission requested further work in the area of leadership and strategic direction.</li> <li>The recent departure of the Chief Executive under a compromise agreement has confirmed our view that these issues have led to significant risks with the council's governance, vision and strategic direction and in demonstrating best value in the use of resources.</li> <li>There is a risk that members are either not equipped or are unable to make difficult policy decisions timeously. Evidence of this is the current discussion surrounding proposed school closures and the previous delays in the provision of the new AHS.</li> <li>Some progress has been made in prioritising targets and matching them with resources in terms of capital projects. SIC now needs to align its budget setting and service planning processes to ensure that there is a better match between resources and council priorities.</li> <li>The draft budget for 2010/11 which allies with the service plan highlighted a risk of deficits in several service areas. The council has now introduced new arrangements to align service planning and budget strategy. High level service plans have been approved and a 5 year capital programme has been prepared.</li> <li>The renewal of the corporate plan is nearing conclusion and a Service Review Programme is being developed.</li> </ul>	The Accounts Commission asked for further work to be carried out to supplement Audit Scotland's annual audit on these risk areas.



Corporate Assessment area	Initial risk assessment	Evidence/rationale	What we plan to do
		<ul style="list-style-type: none"> <li>SIC and its community planning partners have a clear long-term vision for Shetland as a “sustainable and self-sufficient community”.</li> </ul>	
Partnership working and community leadership	No significant scrutiny risks identified	<ul style="list-style-type: none"> <li>The community plan was endorsed by the council and formally adopted by all partners.</li> <li>The commitment of staff and volunteers across all agencies is a strength across Shetland. The authority provides a variety of high quality resources and venues. There is a strong ethos of community involvement throughout the authority.</li> <li>The commitment to inclusion and the impact of multi-agency working in supporting young people and families, particularly for pupils with ASN was noted as a key strength in the 2008 INEA report.</li> <li>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 presented to the community planning partnership.</li> <li>The council has a data share website which enables the effective sharing of information among partners. This provides a common point for information for all organisations involved with community planning in Shetland.</li> <li>SIC, in conjunction with Highlands and Islands Enterprise, has published a toolkit which is a reference and learning source for those planning and carrying out activities which engage with the public.</li> <li>Community profiles have been developed in partnership showing the key data for each area within Shetland. This informs decisions on services.</li> <li>Community Care Plans are prepared jointly by SIC and NHS Shetland.</li> <li>A Community Health and Care Partnership (CHCP) Agreement 2009-2012 was approved by the Services Committee in 2009.</li> <li>Performance reporting currently varies across</li> </ul>	No specific scrutiny activity. Monitoring by LAN members as part of ongoing scrutiny work.



Corporate Assessment area	Initial risk assessment	Evidence/rationale	What we plan to do
		community planning partners and there is scope for performance reporting to be more joined-up between partners.	
Community engagement	No significant scrutiny risks identified	<ul style="list-style-type: none"> <li>A community planning delivery group has been established with partners, to provide leadership and facilitation to community planning in Shetland, through the adoption and overall monitoring of arrangements. The group has assigned 'champions' to take forward each of the national outcome areas from the SOA. The planned work includes preparing a co-ordinated joined up and comprehensive response to the economic and financial downturn across all community planning partners.</li> <li>"Your Voice" is Shetland's twice yearly citizens' panel which provides statistical and qualitative information.</li> <li>Data which feeds into the process of planning and delivering services.</li> <li>Local service delivery groups have been established to help planning and delivery at a local community level.</li> <li>The council's 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.</li> <li>Staff use a range of effective approaches to raise public awareness about keeping children safe, including an informative website, local media briefings, household leafleting and public meetings.</li> <li>Good community perception, involvement and understanding of social work services enabling people to remain in their own homes, communities and on the islands.</li> </ul>	No specific scrutiny activity. Monitoring by LAN members as part of ongoing scrutiny work.



Corporate Assessment area	Initial risk assessment	Evidence/rationale	What we plan to do
		<ul style="list-style-type: none"> <li>▪ A 16+ Learning Choices group has been formed to ensure all young people have a suitable offer of learning and access to better advice to reach the right decisions about the opportunities available for the future.</li> <li>▪ The Integrated Children and Young People's Plan (ICYPP) is accessible and informed by wide public consultation.</li> </ul>	
<b>Governance and Accountability</b>	<b>Significant concerns and risks</b>	<p><b>Significant risk areas:</b></p> <ul style="list-style-type: none"> <li>▪ There are currently no personal development plans in place for members nor are there formal mechanisms to monitor the impact of training. Council officers are currently progressing this.</li> <li>▪ There is evidence that members are unable to take the required actions to ensure that the council's agreed financial strategy is achieved. For example, recently, members did not agree the proposed 5 year capital plan, only agreeing a 1 year plan. The past delays in building the new AHS is further evidence of the need for members to take required actions timeously. The council has now agreed a timescale to complete the required statutory consultation process for the new AHS which will fit in with the Education Blueprint, by December 2010.</li> <li>▪ There is evidence that poor working relationships within some areas of the council has affected the decision making process. In July 2009 a Senior Member/ Officer Liaison Group was established to meet each cycle to discuss the key issues affecting the Council. High level of media attention currently which distracts the council from its priorities.</li> <li>▪ Financial reporting needed to be improved. Budget profiling errors were not corrected prior to reports going to members and significant variances were not fully explained. Reporting procedures for budget responsible officers required to be enhanced and</li> </ul>	The Accounts Commission asked for further work to be carried out to supplement Audit Scotland's annual audit on these risk areas.



Corporate Assessment area	Initial risk assessment	Evidence/rationale	What we plan to do
		<p>formalised.</p> <ul style="list-style-type: none"><li>Two qualifications on the council's financial statements. The 1st qualification arises from disagreement about the accounting treatment of Shetland Charitable Trust (SCT). The 2nd qualification arises from the limitation of scope of the audit on the accounting treatment of financial assets.</li><li>There is a possible conflict of interest currently as all members are trustees of Shetland Charitable Trust.</li></ul> <p><b>Areas with no significant risks:</b></p> <ul style="list-style-type: none"><li>The council issues new members with an induction pack which includes a self-assessment analysis to inform training needs and identify areas of expertise.</li><li>A consultation exercise has been commissioned to be carried out with staff, community councils and the public to gather views on how the governance of the council can be improved.</li><li>A number of cross-functional teams have been set up to take forward the council's top 12 priorities including the Blueprint for Education, 5 yr capital programme, housing, BV2 and embedding single status.</li><li>The executive team meets weekly. The Heads of Service join the executive team to form the Leadership team. Once a month, the Leadership Team meets as the Project Board to monitor performance on the Council's Management Improvement Plan. Once a cycle, following the full council meeting, the Leadership team meets to discuss the outcome from that cycle of meetings and to hear presentations on corporate topics of council-wide interest.</li><li>Executive briefings are produced monthly.</li></ul>	



Corporate Assessment area	Initial risk assessment	Evidence/rationale	What we plan to do
<b>Performance management and improvement</b>	<b>Areas of uncertainty</b>	<ul style="list-style-type: none"> <li>▪ Performance reporting currently varies across community planning partners and there is scope for performance reporting to be more joined-up between partners.</li> <li>▪ The Best Value report recorded that the council provides good services but at a high cost. More value for money work is required to evidence that the council is achieving best value. A service review programme has been developed and is awaiting council approval. Value for Money is a key aspect of the council's current high level service planning activity.</li> <li>▪ Risk management is currently progressing and work on the risk register is being further developed.</li> <li>▪ A total of 8 targets and priorities were developed by the Community Planning Board (CPB), now the Community Planning Partnership (CPP) 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 in the council's corporate plan. The targets and priorities are aligned with the national outcomes set out in the Scottish Government's Concordat.</li> <li>▪ The Executive Team meets weekly and has in place an Annual Performance Reporting Plan, where performance management is a standing item on the agenda for a range of corporate issues.</li> <li>▪ A community planning delivery group is responsible for monitoring and delivering on the SOA.</li> <li>▪ There are monitoring arrangements in place for the corporate plan – aligning the outcomes with BV.</li> <li>▪ The council produces an annual performance report in the form of a calendar which is distributed to council offices and public buildings. The calendar indicates both good performance and areas where improvement is required and shows outcomes and targets. It is also forward-looking, detailing developments the council is</li> </ul>	<p>SHR – review of improvement plan in September 2010.</p> <p>Audit Scotland – Review of SOA progress report and SFIs and monitoring of issues through the annual audit process.</p>



Corporate Assessment area	Initial risk assessment	Evidence/rationale	What we plan to do
		planning in the future. The calendar is structured round the 5 national outcomes and shows the council's commitment to achieving the SOA.	
<b>Use of resources - asset management and procurement and information management</b>	<b>Significant concerns and risks</b>	<ul style="list-style-type: none"> <li>▪ The asset and properties service has experienced ongoing staffing issues resulting in a delay in a number of projects over the last 2 years. The service is currently running at 2 FTE below establishment.</li> <li>▪ A planned review in 2008 of the non-housing estate did not take place and has been deferred until 2010.</li> <li>▪ The current strategy for the general fund capital programme is to limit the draw on reserves to £20 million per annum. On this basis, the capital programme in Shetland appears to be heavily oversubscribed with projects to be completed by 2014 amounting to £231 million, excluding the cost of the new AHS.</li> <li>▪ Councillors have yet to demonstrate they are able collectively to take the difficult decisions required to reduce the draw on reserves in line with the agreed financial strategy. Due to the economic climate, there has been a reduction of investment income from £15 million in 2007 to £11.5 million in 2009. The future impact on service activity should be considered.</li> <li>▪ The council does not have a dedicated corporate procurement service and there is a risk that SIC will not maximise potential savings from efficiencies in procurement. Recruitment is required to address this.</li> <li>▪ There is no over-arching information management strategy in place.</li> </ul>	<p>Audit Scotland - Review of developments through the annual audit process and maintaining links with SHR work.</p> <p>SHR – review of improvement plan in 2010.</p>
<b>Use of resources – people management</b>	<b>Significant concerns and risks</b>	<ul style="list-style-type: none"> <li>▪ There are several examples where the council has been unable to fill vacancies, for example, headteachers, and infrastructure services.</li> <li>▪ The current post of chief executive is now vacant and the previous incumbent was only in post for 8 months. A recruitment process for an interim chief executive is now underway.</li> </ul>	The Accounts Commission asked for further work to be carried out to supplement Audit Scotland's annual audit on these risk areas. Audit Scotland's work will include monitoring the council's response to the recent management letter recommending



Corporate Assessment area	Initial risk assessment	Evidence/rationale	What we plan to do
		<ul style="list-style-type: none"><li>▪ There has been a well documented case in the media of a specific personnel issue arising from the chief executive's plans to restructure the council. There are, however, other change management exercises currently being progressed by the council relating to the Education Blueprint and Ports for the Future.</li><li>▪ The Single Status agreement is not yet fully resolved, with a small number of highly paid staff still to be included. This is being progressed by the council and is being linked to the Ports of the Future review.</li><li>▪ There is no agreed workforce strategy in place as a whole, although a workforce development strategy for the Education and Social Care Department was approved in May 2009.</li><li>▪ On 12 February, Audit Scotland issued a management letter to the council to advise them that given the events of recent months, regarding both the Chief Executive's position and his proposed restructuring covering the Assistant Chief Executive's post, the council should review its policies covering recruitment, redeployment, redundancy and disciplinary action.</li></ul>	review of its HR policies.



Corporate Assessment area	Initial risk assessment	Evidence/rationale	What we plan to do
<b>Use of resources – financial management</b>	<b>Significant concerns and risks</b>	<ul style="list-style-type: none"> <li>▪ The costs for providing services are leading to the council using substantial amounts of its reserves on an annual basis. The use of such levels of reserves cannot be sustained in the longer term.</li> <li>▪ All scrutiny agencies agreed that the council does not currently demonstrate that it delivers services in a way which demonstrate best value.</li> <li>▪ The financial allocation for 2010/11 is £1.1 million less than expected. In December 2009, the original draft budget for 2010/11 indicated deficits in several services and an overall deficit in excess of £16 million. Following reviews by officers, £11 million of efficiencies were identified. There remains the risk that budgets may not be achieved if members are unable to agree on the council's policies.</li> <li>▪ The council has experienced difficulties in the past in engaging Budget Responsible Officers (BROs) in the budget setting process resulting in large variances in budgets.</li> <li>▪ There is a risk that, in the current financial climate, the Shetland Charitable Trust may not sustain its level of service provision. SIC has recently taken a number of decisions where services have been transferred back to the council's control. This has financial implications for SIC which have not been fully considered in budgets or risk assessments.</li> <li>▪ Work is still ongoing to demonstrate clear links between service priorities and available resources.</li> </ul>	Audit Scotland – performance of additional work as requested by Accounts Commission as a result of S.102 report. Continued monitoring of all issues through annual audit process.
<b>Equalities</b>	<b>No significant scrutiny risks identified</b>	<ul style="list-style-type: none"> <li>▪ A range of equality schemes are published and reported on annually.</li> <li>▪ All applicants for jobs are asked to complete an Equal Opportunities Monitoring Form.</li> <li>▪ The emphasis on promoting achievement, diversity and equality was noted as a key strength in the 2008 INEA report.</li> <li>▪ Elected Members and senior officers ensure that</li> </ul>	No specific scrutiny activity. Monitoring by LAN members as part of ongoing scrutiny work.



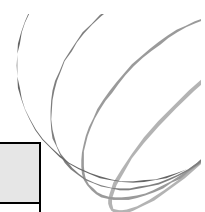
Corporate Assessment area	Initial risk assessment	Evidence/rationale	What we plan to do
		<p>children have equal access to high quality services to meet their needs, no matter how remote the area.</p> <ul style="list-style-type: none"><li>▪ SIC has expressed a commitment to equal opportunities. However, more action is required to mainstream equalities into the delivery of services and to monitor and report performance.</li><li>▪ The council still has a number of staff groups to be considered in the progression towards single status and there is therefore a risk that the council is not addressing inequalities in pay scales for all council employees.</li></ul>	
<b>Sustainability</b>	<b>No significant scrutiny risks identified</b>	<ul style="list-style-type: none"><li>▪ Sustainability is the key theme running through the council's corporate plan.</li><li>▪ The financial climate means that the council is drawing on reserves. The financial strategy and budget setting process is currently being reviewed and a limit to the extent of drawing from reserves has been set. There is a risk that if councillors do not take difficult decisions to support the financial strategy services will not be delivered in some areas or the sustainability of services in the longer term may be at risk.</li></ul>	No specific scrutiny activity. Monitoring by LAN members as part of ongoing scrutiny work.



# Appendix 3

## SHETLAND ISLANDS COUNCIL ASSURANCE AND IMPROVEMENT PLAN 2009-13: SUMMARY OF SCRUTINY AND IMPROVEMENT

2010-11 (Year 1)												
Scrutiny activity	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
SWIA – Initial Scrutiny Level Assessment												
SHR – review of council's progress against housing improvement plan												
Care Commission – inspection of fostering and adoption services												
Audit Scotland – Accounts Commission Statutory Report additional audit work												



2011-12 (Year 2)	
Issues for scrutiny/improvement	Scrutiny bodies/council potential involvement
ISLA – link inspector contact and support for self evaluation	SWIA
Joint inspection of services to protect children and young people	HMIe
Care Commission – inspection of fostering and adoption services	Care Commission

2012-2013 (Year 3)	
Issues for scrutiny/improvement	Scrutiny bodies/council potential involvement
ISLA – link inspector contact and support for self evaluation.	SWIA
Care Commission – inspection of fostering and adoption services	Care Commission





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## REPORT

To: **Audit and Scrutiny Committee**

**23<sup>rd</sup> August 2010**

From: **Policy Manager**

**CE-27-F**

### **Efficiency Statement 2010**

#### **1 Introduction**

- 1.1 Every Council in Scotland is required by COSLA to produce and submit an Efficiency Statement by mid August. This is part of the way the Scottish Government reports progress on their 'Efficient Government Programme'. That Programme sets out a target for the public sector in Scotland of making £1.6 billion in savings over the 3 years to 2010-11.
- 1.2 The attached Appendix is this Council's fourth Efficiency Statement. These Statements are prepared in line with national guidelines, which contain definitions of what they consider to be an "efficiency" saving. Therefore, this is not a list of everything that's been done to save money across Council services.

#### **2 Links to Corporate Priorities and risks**

- 2.1 The Corporate Plan 2010-12, which was agreed by Members on 30<sup>th</sup> June 2010, states that:

*"With the public sector facing unprecedented cuts in spending over the coming years, the Council must act to ensure that it can sustain its levels of service delivery with the money available. Reviewing all our activities, and then taking decisions to eliminate waste, will be key to this".*

Members specifically said that over the next 2 years they will "Agree, and then deliver, efficiency savings, with particular focus on procurement". This report, which sets out the Council's Efficiency Statement for last financial year, helps to provide some evidence of the type of work that's being done to save money in the Council.

- 2.2 The Council's Medium-term Budget Strategy sets the policy of maintaining the Council's General Reserve Fund above a £250 million floor level. It also commits the Council to eliminating the draw on these reserves by 2012-13.

Although this Statement sets out savings of well over £1million for the past financial year, it's clear with the targets that have been set, efficiency measures on their own won't be enough to make savings required in the Budget Strategy.

### **3 Efficiency Statement**

3.1 The Statement is compiled from a number of different sources during the year:

- Service Plans;
- Service performance reports at 6-month and end of year periods;
- Statutory Performance Indicators;
- The Savings Register;
- Committee reports;
- Conversations during the year with officers;
- Consultation with officers during the drafting process;

3.2 The draft Statement was sent out to all Service Managers, Heads of Service and trade unions (UNISON, UNITE and GMB) for comment on Friday 6<sup>th</sup> August. It was also discussed at the Executive team on 10<sup>th</sup> August. All comments have been taken on board so far and generally positive feedback has been received. The Statement was then sent to COSLA on Wednesday 11<sup>th</sup> August, to meet their deadline.

3.3 This document shows that, taken together, the Council made over £1.3 million in efficiency savings last year. Bearing in mind the Improvement agenda that the Council is entering, messages such as these are very important. They help to show to the public, service users, partner organisations, trade unions and external agencies that the Council is trying to improve the way it does things and to save money.

3.4 It's recommended that Efficiency Statements are published by the end of August each year. Therefore, once agreed by this Committee, the Statement will be posted on the Policy section of the Council's Internet site. Figures will also be included in the Council's annual public performance calendar.

### **4 Financial Implications**

4.1 There are no financial implications arising from this report.

### **5 Policy and Delegated Authority**

5.1 As described in Section 10 of the Council's Scheme of Delegations, the remit of the Audit and Scrutiny Committee includes reviewing Council performance information. It is therefore within the Committee's remit to review the Council's Efficiency Statement and make comment to full Council.

## **6 Conclusion**

- 6.1 This short report has introduced the Council's Efficiency Statement for the 2009-10 financial year. As noted, this is a requirement all Scottish Councils must meet.

## **7 Recommendations**

- 7.1 I recommend that the Committee endorse the Efficiency Statement, highlighting any examples of good practice for further discussion, as appropriate.

August 2010

CE-27-F









# Shetland Islands Council

## Efficiency Statement 2010

### Introduction

The Shetland Islands Council is committed to delivering services to the people of Shetland in the most efficient and effective way possible.

The Council's approach to the efficiency agenda is set out in the [Medium-term Budget Strategy](#). This document is refreshed on an annual basis and seeks to set the direction of travel for the budget-setting process. The current Strategy was agreed on 19<sup>th</sup> August 2009. It reiterates the Council's main efficiency policy objective – to eliminate the annual draw on financial reserves to support General Fund revenue spending by 2012/13. It also seeks to deliver on the Council's [Corporate Plan 2010-12](#) aim of being sustainable in everything we do and aligns with the Shetland Community Planning Partnership's [Single Outcome Agreement](#) target to achieve 2% efficiency savings each year.

In order to improve public understanding of this Statement, only efficiency measures that resulted in cash releasing savings have been included in this Statement. However, as mentioned throughout the Statement, on a number of areas, the exact savings have yet to be quantified. These entries have been kept in, as it was felt that they would help illustrate potential areas for future savings and, as such, were seen as ways of sharing good practice. In addition, we have again also chosen to include comparatively small savings from service areas to help highlight the efforts that some areas are making to contribute to the Council's efficiency drive (for instance, the savings made by Community Work and Environmental Health staff by introducing more flexible working patterns and the savings made in Finance by using post Single Status grading / hours).

This Statement does not represent all of the efficiency savings delivered in the Council last year. They are a selection of the kind of things that have been reported and those which managers have highlighted. As our approach to reporting efficiencies matures, it's expected that we will be in a better position to capture more of these improvements in future years.

### Opening Position

At the start of the 2009-10 financial year, the Shetland Islands Council's main efficiency aim was to continue to reduce the amount of Council reserves used for General Fund revenue spending purposes. The Medium-term Budget Strategy, which was agreed by the full Council on 10<sup>th</sup> September 2008, set out a target of drawing no more than £3million during the 2009-10 financial year.

During the year, as well as the underlying economic downturn which put pressure on the value of the reserves, the Council faced several specific challenges:

- Implementation of the Single Status agreement. The impact for many service areas was an increase in basic employee costs, already the Council's highest overhead;
- One of the worst winters in recent memory, which placed unforeseeable pressures on the Winter Maintenance Service;
- A downturn in off-shore oil drilling activity, which resulted in lower levels of income for Waste Services from processing drill cuttings;
- An extended shutdown of the Schiehallion oilfield, resulting in less throughput at Sullom Voe Oil Terminal and thereby reduced income for the Council's Towage Service;
- The continuing growth in demand for elderly care services and care for children with additional needs.

However, despite all the budget pressures, the provisional financial outturn report which was considered by the Council at its meeting on 30<sup>th</sup> June 2010 showed that the Council had used substantially less of its reserves than planned. That helps to provide a foundation for meeting the greater budget challenges of 2010/11 and future years.

### **Efficiency Gains Achieved in 2009/10**

Appendix 1 shows the full list of savings that were achieved in this Council over the 2009-10 financial year. The following section provides a bit more detail on a few of the most notable examples.

#### **Procurement**

Membership of Scotland Excel has yielded around £38,000 so far, although it's acknowledged that there are far more savings that could be made by more effective organisation of the way the Council buys goods and services.

#### **Workforce Planning**

One of the main successes under this heading is the reduction in sickness absence again. It was calculated earlier in the year that based on the cost of sickness absence to the Council a 1% reduction could save £398,976. Therefore the reduction of a further 0.2% between 2008-09 and 2009-10 represented an almost £80,000 saving.

#### **Asset Management**

The Council has placed a lot of emphasis over the past few years in reducing its energy usage. A baseline year was set as 2006-07 from which reductions in energy were to be calculated from. Therefore, the figure shown in the Statement is a combination of the savings made over the years. However, we have included it to show the potential savings that can be made from everyone buying in to the energy reduction message.

## Streamlining Bureaucracy / New Technology

We expanded this section to include new technology this year as we wanted to bring out the central role improved IT systems have in the efficiencies agenda. Key points to note here are the new Integra e-series system that was introduced, which has had a very positive impact on the amount of time taken to process invoices.

Also, the Council's ICT Unit has spent time improving facilities and then promoting the use of video conferencing to services. This has proven to be very successful, with 200 conferences taking place last year. When asked, 70% of respondents said that they used video conferencing instead of travelling to the mainland. Using an estimate cost of £500 per trip to the mainland, this adds up to a substantial saving. It's hoped that this can be expanded further this year – travel request forms now include the question “*Did you enquire if you could attend by video conference?*” to make sure that consideration of video conferencing becomes standard practice.

## Verification

Some services do not have recent customer feedback figures to hand, however, the table below covers three quarters of the savings outlined.

Efficiency area from Appendix	Service area	Measure of continuing service quality
P1	Internal Audit	Annual customer feedback survey February 2010: 90% of respondents said they were “fairly satisfied or very satisfied” with service received.
P2, WP1, SB6	Payroll Services	Annual customer feedback survey February 2010: 92% of respondents said they were “fairly satisfied or very satisfied” with service received.
P4, U6	Safety & Risk	Annual customer feedback survey February 2010: 85% of respondents said they were “fairly satisfied or very satisfied” with service received.
P5, P6, P7	Cleansing Services	94.5% customer satisfaction rate – from Your Voice survey
P9	Trading Standards	91% customer satisfaction rate
WP1, AM2, SB2	Sport & Leisure Services	94.6% customer satisfaction rate
WP2, WP3	Environmental Health	97.2% customer satisfaction rate (103 out of 107 responses)
WP6	Community Work	89% customer satisfaction rate – from Your Voice survey All HMle reports rated the service as “good”.
WP7, SB9	Human	Annual customer feedback survey February

	Resources	2010: 90% of respondents said they were “fairly satisfied or very satisfied” with service received.
WP8	Schools	Very high standard HMle inspections Continued high pupil attainment levels – well above national averages
AM5	Housing Services	98% customer satisfaction rate
AM4, SB3	Library & Information	91.5% customer satisfaction rate
SB1, SB7	ICT Services	Annual customer feedback survey February 2010: 79% of respondents said they were “fairly satisfied or very satisfied” with service received.
SB4	Creditor Payments	Annual customer feedback survey February 2010: 100% of respondents said they were “fairly satisfied or very satisfied” with service received.

### Key Areas Targeted for 2010-11

The Council went through a strategic service planning process between April and June, led by a Finance Resources Working Group (a group made up of Councillors and officials). The outcome of that exercise was the agreement of a savings target for this financial year and for years ahead. The report to Council on 30<sup>th</sup> June 2010 is essentially this Council's route map for savings in future years, setting a target of £9.9million this year and £17 million next year.

As mentioned in Audit Scotland's report “[Improving Public Sector Efficiency](#)” which was published in February this year, it is obvious that 2% efficiency savings alone is not going to be sufficient to meet the huge budget shortfalls being faced by local authorities in the next few years. This Council is no different, as the aforementioned savings targets confirm.

It is recognised that major change takes time to achieve, and it is particularly so if the change is not just going to result in slash and burn cuts that have longer-term impacts on the objectives set out in Shetland's Single Outcome Agreement. Therefore, an [Efficiencies Plan](#) has been developed, which includes both the longer-term reviews which would seek to come up with proposals for substantial changes in the way things are done, as well as the smaller things that can be achieved, with less ‘pain’.

Some examples of the projects being planned for next year are set out in the Appendix. As mentioned, the full list is outlined in the Efficiencies Plan which we are working to implement at the moment.

### Procurement

The main area of activity planned for this year is to recruit a Procurement Manager to seek to capitalise on the efficiencies offered by Scotland Excel. This has been an area that the Council has recognised for a long time is in need of progressing and indeed picked up in

its Best Value 2 corporate self-evaluation carried out in May. It's felt that there are a lot of efficiency savings that can be made in this area.

### **Workforce Management**

The main efficiency projects under this heading are in the Education and Port Operations fields, linked to the 2 reviews that are ongoing. These are examples of the longer-term detailed reviews that are mentioned above. They have the capability of delivering substantial savings for the Council in its running costs, whilst seeking to maintain high standards of service delivery.

Efforts are also ongoing to recover some of the costs of the Single Status deal which was introduced last year.

### **Asset Management**

The Council aims to develop and implement an Asset Management Strategy during the year to pull together its work in this area and seek to make better use out of its accommodation. A few examples are included in the Statement of staff making more use of remote working to reduce costs – this is another area that we would like to develop further.

### **Streamlining Bureaucracy**

Following the successful piloting of LEAN methodology last year, the Council agreed in June to progress with a programme of LEAN events across services. 5 areas have been identified as having potential for Kaizen Blitz events and project mandate documents are being prepared.

In addition, the ICT service is looking to apply LEAN methodology as a standard part of the implementation stage of systems upgrade projects. This will be tested out in the new online planning application and appeals system and the Housing system. The aim will be to improve efficiency in the processes that feed in to the new system, eliminating waste, over processing and defects.

### **Conclusion**

The Efficiency Statement each year is a good opportunity for the Council to draw together some of the work that is ongoing across Council services. It helps to show to members of the public, our partner organisations, service users, trade unions, external agencies and inspectorates that the Council is working hard to improve the way it works and is very focused on saving money.

This Statement has set out 33 savings that were delivered last financial year. When combined, the savings amount to well over £1 million.

Perhaps the most powerful message that comes from a Statement like this is that every effort should be made to make savings, no matter how small, as these can add up to a substantial amount over time.

**Approval**



*Alistair Buchan* (Chief Executive)

*Sandy Cluness* (Convener)

## PROCUREMENT

Theme	Description of Efficiency Measure	Cash releasing	Time releasing	Impact on service delivery and performance / other information
P1	Internal Audit have developed internal capacity to carry out IT audits, replacing the need to buy-in this service from consultants	£3000		No adverse impact on service
P2	Tender of Actuarial Consultancy Services - remained with same actuarial company but a substantial reduction in fees was secured	£14,500		No adverse impact on service
P3	Negotiated discounts with yarn suppliers for knit and weave classes	£250		No adverse impact on service
P4	Savings on Insurance premiums paid by more effective risk management activity	£120,101		No adverse impact on service
P5	Reduce purchase of equipment in Cleansing Services, e.g. litter/dog/cigarette/chewing gum bins by 25%	£4869		No adverse impact on service
P6	Reduce equipment purchase in Cleansing Services, e.g. refuse boxes by 25%	£2604		No adverse impact on service
P7	Reduce refuse sack purchase in Cleansing Services by 10%	£4907		No adverse impact on service
P8	Use of national contracts (Scotland Excel) in the following areas:  Audio Visual & Presentation Equipment, Catering disposables, catering sundries, fitness equipment,	£8,000		There is still a low uptake of this service, since lowest cost can still be found locally. Efficiency savings in this area are expected to increase.

	plumbing materials, vending machines, water coolers, early learning materials, exercise books, science equipment and materials, musical instruments, specialist audio equipment  Purchase of vehicles through the bulk-purchasing contract held with Scotland Excel	£30,000		
P9	Trading Standards annual calibration of small weights reviewed, rationalised and brought in-house	£1,100		
<b>Total</b>		<b>£189,331</b>		

### WORKFORCE PLANNING

Theme	Description of Efficiency Measure	Cash releasing	Time releasing	Impact on service delivery and performance / other information
WP1	Implementation of flexible working in Sport & Leisure Service has reduced overtime costs	£5,000		No adverse impact on service
WP2	Use of Toil and Flexi working rather than overtime payments on Environmental Health	£1,500		A wider flexible arrangement has been applied to Environmental Health staff than the Corporate flexi/toil system, as out of hours inspection can be required 7 days a week and 24 hours a day. This has meant no overtime requests for any of the out of hours planned activity undertaken in the last financial year.
WP3	Promotion of remote working and working from home in Environmental Health	£500		All staff who wish to undertake work from home now do so, reducing unnecessary travel, and therefore

				reduced mileage claims. Hotdesking in place of permanent workstations has also provided efficiency savings, but this is difficult to quantify so is not included in the £500 cashable saving.
WP4	Composite class teaching on BA textiles at Shetland College is saving on lecturing costs	£25,000		No adverse impact reported
WP5	Development of 88 Lerwick & Rural Houses – the design has a requirement for SAP rating calculations on each house at a cost of approx £150 per dwelling. No current in-house resource to do this so training a staff member at a cost of £2000 resulting in future capital savings	£10,000		No adverse impact on service, good example of Council growing its own capacity through training.
WP6	One day a week office in Whalsay has reduced the travel costs of north mainland Community Work staff	£200		Successful pilot. The one-day a week office in Whalsay has reduced travel costs and improved the service to Whalsay. It is now part of the standard week
WP7	Reduction in sickness absence across the Council (5.9% to 5.7%)	£79,795		No impact on service delivery, pure efficiency saving.
WP8	Reduction in teaching numbers to bring levels in line with the requirement for the pupil numbers	£120,000		No adverse impact on service delivery
WP9	Employment of member of staff on post Single Status grade and 35 hours instead of 37	£2,167		No adverse impact on service delivery
<b>Total</b>		<b>£244,162</b>		

## ASSET MANAGEMENT

Theme	Description of Efficiency Measure	Cash releasing	Time releasing	Impact on service delivery and performance / other information
AM1	Reduction in the quantity of vehicle fuel used across the Council.  Part of this has come from the LEAN exercise in Building Maintenance service	£37,576		6.04% reduction in diesel usage in 09/10, compared to 08/09. (which equates to a saving of 41,751 litres). Saving estimated by applying an average price of 90 pence per litre.
AM2	Net cost of the Islesburgh Complex to the Council has been reduced	£30,744		No impact on service.
AM3	Reduction in energy usage across the Council  This includes the following examples from individual services:  <ul style="list-style-type: none"> <li>• £1,500 saved due to installation of motion detecting light switches in the Toilets throughout the Islesburgh Community Centre and low energy lightbulbs implemented throughout Islesburgh Complex Buildings.</li> <li>• The move of Housing staff to new office premises resulted in energy reduction of 6.4%.</li> <li>• Installation of District heating in Old Library Centre made a saving of £4,605 in energy reduction (£3,679 non-weather corrected).</li> </ul>	£291,960 (weather-corrected value)		No adverse impact. The savings figures are based on comparison of 2009/10 with baseline year of 2006/07.
AM4	Reduction in Printing Costs - The Bruce Family Centre uses one colour photocopier/printer for all	£1,000		

	the personnel in the building and this operates on a default to non colour copies and back to back copies			
AM5	Saving in operational costs anticipated due to co-location of Housing staff	£2,000		No adverse impact on service and improvement in service performance due to co-location of staff. £2,000 saving in operational cost includes minor savings in stationary, postage, copier costs, etc, coupled with other efficiency measures such as waste audit
AM6	Reduced number of printers in Management Accountancy from 3 to 1	NYA		No impact on service delivery
<b>Total</b>		<b>£363,280</b>		

#### STREAMLINING BUREAUCRACY / NEW TECHNOLOGY

Theme	Description of Efficiency Measure	Cash releasing	Time releasing	Impact on service delivery and performance / other information
SB1	<p>Increased use of video conferencing facilities.</p> <p>The saving is calculated using an estimated cost of £500 per trip south. (travel and subsistence etc)</p> <p>In 09/10, 200 video conferencing meetings took place.</p> <p>When asked during the drafting of this Statement, 70% of those who used the facilities said that they</p>	£70,000		No impact on service delivery. This efficiency saving also supports the Council's aim of reducing carbon.

	used this technology as an alternative to travelling away to a meeting.			
SB2	Remove charges to School and Youth groups for outdoor education and activities. This will reduce administrative costs within the Department	£500		The removal of charges for outdoor education was implemented from 1 <sup>st</sup> April 2010
SB3	E-mail notification for overdues and reservations being introduced, thus speeding up the service and reducing postage costs	£1,300		No adverse impact on service
SB4	Introduction of Integra E-Series - reduction in staff time processing orders/invoices calculated at 8 fte per annum @ estimated £30k per FTE	£240,000		No adverse impact on service
SB5	Timewriting/ Project Charging system - Annual subscription to a system discontinued and Capital Programme Service has developed our own Excel based system	£1,200		No adverse impact on service
SB6	After Single Status some 500 employees who were paid on a fortnightly basis are now being paid on a monthly basis. This is generating cost savings in payslips and postage in Payroll	£1,344		No adverse impact on service
SB7	IP Telephony System replacing BT Telephone Systems - reduction in call charges, line rentals, maintenance, moves and changes	£238,000		No adverse impact on service. This project has almost been completed, so no further savings expected after this year.
SB8	Reduction in printing costs as a direct result of LEAN exercise in Staffing Recruitment	TBC		No adverse impact on service
SB9	Reduction in advertising costs owing to National Recruitment Portal	£20,000		No adverse impact on service

<b>Total</b>		<b>£572,344</b>		
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<b>OVERALL TOTAL</b>		<b>£1,369,117</b>		
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### SHETLAND ISLANDS COUNCIL - Key Efficiency Areas Targeted for 2010/11

A number of the entries for this coming year cannot be quantified in cashable terms at the moment. However, they are included here so that progress in achieving them can be monitored and reported in the 2011 Efficiency Statement. They are also useful as examples of things that managers are trying to do to save money across the Council. As mentioned earlier in the statement, the full list of efficiency projects that the Council is seeking to deliver is now set out in its [Efficiencies Plan](#).

**NYA = Not yet available**

#### PROCUREMENT

<b>Theme</b>	<b>Description of Efficiency Measure</b>	<b>Cash releasing</b>	<b>Time releasing</b>	<b>Impact on service delivery and performance / other information</b>
P1	Take full advantage of the savings offered by Scotland Excel	NYA		
<b>Total</b>		<b>£ NYA</b>		

## WORKFORCE PLANNING

Theme	Description of Efficiency Measure	Cash releasing	Time releasing	Impact on service delivery and performance / other information
WP1	Maintain trend of reducing sickness absence across Council services – target less than 4.5% overall staff sickness rate for 2010-11	NYA		The impact would be significant on service delivery across the Council
WP2	Potential savings to be delivered from restructure in Youth Services	£25,632		No adverse impact
WP3	Blueprint for Education in Shetland	NYA		Substantial savings could be delivered through the implementation of the proposals agreed by Council on 30 <sup>th</sup> June 2010.
WP4	Review overtime on Refuse Collection Service	NYA		No adverse impact on service expected
WP5	Implementation of the Ports for the Future project recommendations	NYA		Substantial savings in operating costs could come about when the 2 new tugs are in place and crew levels are revised. This is subject to ongoing negotiation with trade unions.
WP6	Reduction in overtime across the whole Council (10%)	£240,000		The Council's aim is to ensure that this reduction won't impact on service delivery
WP7	Reduction in travel and subsistence across the whole Council (10%)	£370,000		No adverse impact on service. Employees will be directed towards video conferencing wherever possible
WP8	Council gardeners from King George the V Park will continue the planned improvement and maintenance of the Islesburgh gardens and grounds, thus saving on external contractors	£500		Reduced costs from the use of external gardening contractors and more efficient use of staff. No impact on service delivery

	fees			
WP9	Reduced staff mileage in Train Shetland	£792		No adverse impact. Saving to be achieved through more effective route planning for training inspections.
WP10	Reduction in primary school teachers to bring staffing levels in line with the Council primary teaching formula	£160,000		
<b>Total</b>		<b>£796,924</b>		

#### ASSET MANAGEMENT

Theme	Description of Efficiency Measure	Cash releasing	Time releasing	Impact on service delivery and performance / other information
AM1	Motion sensors will be installed in Islesburgh House in 2010/11	NYA		No impact on service
AM2	Improved management of Council's vehicle fleet	NYA		<p>This work is still in its infancy, so cannot be quantified at present. However, we can report that the Council now participates in Scotland Excel and actively examines the purchase of used vehicles where appropriate. The Council's vehicle fleet, excluding Ports and Harbours, has been reduced from 322 to 298 (7.5% reduction), and the introduction of a lubricating oil additive is yielding savings of 2% to 5% per vehicle.</p> <p>Vehicle management systems are being</p>

				introduced which should allow Fleet Management Unit enhanced insight into vehicle use and utilisation.
AM3	Reduce number of printers at 64 St Olaf Street from 4 to 2	NYA		No adverse impact.
AM4	Activation of thermostats in Old Library Centre to be explored	NYA		No adverse impact
AM5	Connecting Islesburgh House to the Lerwick District Heating Scheme will achieve significant energy savings	£9,500		Reduced energy costs and no impact on service delivery.  This saving was not achieved during 2009-10 as there was a technical problem during the installation of the District Heating Scheme. However, it is anticipated that these problems will be solved, the system will be fully operational and the anticipated saving can be achieved during 2010/11.
AM6	Project to utilise Asset Register Database to ensure more efficient use of corporate assets	NYA		No adverse impact
AM7	All old streetlights are being replaced by new, energy efficient lamps, which should reduce energy costs.	NYA		No adverse impact
AM8	Continue to reduce diesel fuel being used across the Council, to meet the Council's target of a 5% reduction each year.	NYA		No adverse impact

AM9	Full implementation of new heating system at Train Shetland centre should lead to savings in fuel costs	NYA		No adverse impact
AM10	Following analysis of usage, removal of non-used community mini-bus.	£1,125		No adverse impact owing to the fact that analysis shows the bus is not used.
<b>Total</b>		<b>£10,625</b>		

#### STREAMLINING BUREAUCRACY / NEW TECHNOLOGY

Theme	Description of Efficiency Measure	Cash releasing	Time releasing	Impact on service delivery and performance / other information
SB1	Implementation of new housing management system should lead to a number of operational efficiencies, e.g. introduction of appointments system for repairs	NYA		No adverse impact
SP2	Implementation of new online planning system and potential LEAN event to help its implementation should reduce the amount of defective applications being dealt with.	NYA		No adverse impact
SP3	Increased use of electronic Committee papers, reducing the amount of paper agenda being sent out	NYA		No adverse impact
SP4	Reduction in costs due to streamlining of processes under Single Status	£60,000		No adverse impact

	<p>Introduction of the e-series of Integra will result in reduced admin.</p> <p>Financial Admin Review project is ongoing which should result in increased efficiency and less bureaucracy</p>			
SP5	The Revenues Service is participating in a number of Department for Work and Pensions projects, which once complete will make the benefits system less onerous for the claimant and also improve processing times	NYA		No adverse impact
SP6	Complete the transfer from paper to online booking system (reduces paper costs, staff time and time taken to book on courses)	NYA		No adverse impact
SP7	Train Shetland is exploring options with Social Care's training team regarding the use/sharing of the Training Manager Pro system for organising training.	NYA		Potentially improved customer experience for Social Care staff and time savings for all staff administering training.
<b>Total</b>		<b>£60,000</b>		

### SHARED SERVICES

Theme	Description of Efficiency Measure	Cash releasing	Time releasing	Impact on service delivery and performance / other information
SS1	Service Level Agreements with Shetland Charitable Trust reduce recharges to the	NYA		No adverse impact

	Council by creating an income source.			
SP2	Increase efficiency at Revenues, Charlotte House by sharing premises with Citizens Advice Bureau and the Pensions Services	NYA		No adverse impact
<b>Total</b>		<b>£ NYA</b>		

#### OTHER

Theme	Description of Efficiency Measure	Cash releasing	Time releasing	Impact on service delivery and performance / other information
O1	Environmental management and resource savings throughout the council	NYA		No adverse impact. Second round of audits in progress will be reporting on these later this year
O2	Continue progression on new legislation, which will allow the Council more scope on investing its funds. The new legislation would give us more opportunities to try and achieve greater returns	NYA		No adverse impact
<b>Total</b>		<b>£ NYA</b>		

<b>OVERALL TOTAL</b>		<b>£867,549</b>		
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## **REPORT**

**To: Audit and Scrutiny Committee**

**23 August 2010**

**From: Service Manager – Safety & Risk  
Executive Services**

### **Council Housing – Property Damage over 5 years Report No: LA-35-F**

#### **1 Introduction and Background**

- 1.1 The new computer system within Safety and Risk allows a much greater opportunity for statistical analysis than its predecessor and consequently enables the council to have a considerably better understanding of general risk performance and associated consequences.
- 1.2 The purpose of this report is to apprise Members of incidents of Council Housing property damage over the last 5 years and demonstrate areas where focussed Risk Management activity will be applied in a concentrated effort to bring about a reduction in this area.

#### **2 Links to Corporate Priorities and Risk**

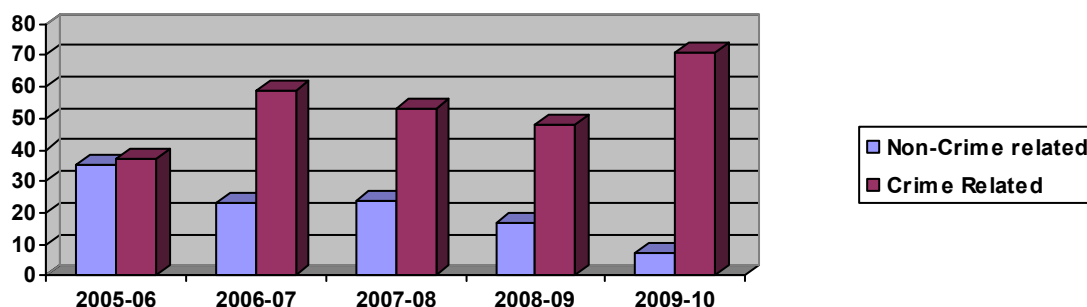
- 2.1 This report supports Corporate Priorities in relation to the following sections of the Corporate Plan 2010-2012:
  - *Section 4 – Organising Ourselves Better: Use of Resources*  
*With the public sector facing unprecedented cuts over the coming years, the Council must act to ensure it can sustain its levels of service delivery with the money available. Reviewing all our activities, and then taking decisions to eliminate waste, will be key to this.*
- 2.2 Clearly, for every £ the Council is required to spend repairing needless or avoidable damage, there is one £ less that can go towards providing a range of high quality services. In a time of severe public sector budget cuts, the challenge of delivering quality services at an affordable and sustainable level has never been more difficult. A fundamental part of achieving this is the accurate identification and management of risk, which will thereby result in an overall reduction in the level of wasted resources.
- 2.3 This report concentrates solely on the cost of Council Housing property damage, focussing primarily on one area within that which, by itself, amounts to a significant sum of money that could potentially have been redirected in a more positive way for the benefit of the whole community.

#### **3 Current Position**

- 3.1 The 1880 Council houses throughout Shetland are covered by a dedicated insurance policy against which claims are lodged as appropriate. Taking the last 5 years as our range, the average number of claims per annum is 75, which means that, on average, just under 4% of Council houses will be subject to property damage in any given year.
- 3.2 For the purpose of this report, the claims have been broken down into 4 main categories, 3 of which have arisen from some form of criminal activity, with the remainder (i.e. fire, flood, storm, etc) being grouped together under the heading "non-crime related".
- 3.3 The statistics, below, make for interesting and informative reading. In the financial year 2009-10, for example, just 7 claims out of a total of 78 fell into the non-crime related category. The other 71 claims were either as a result of malicious damage, break-ins, or Police raids and amounted to a staggering 91% of all Housing property damage for the year, but in any event averages out at 72%, or in other words, almost  $\frac{3}{4}$  of Housing property claims for the year.

<b>2005-06</b>	<b>No.</b>	<b>Total No.</b>	<b>%</b>	<b>Cost</b>	<b>Total Cost</b>	<b>%</b>
Break Ins	1	37	51%	84	11753	38%
Malicious Damage	30			7294		
Police Raids	6			4375		
Non-crime related	35			18683		
<b>TOTAL NUMBER</b>	<b>72</b>		<b>TOTAL</b>	<b>30436</b>		
<b>2006-07</b>						
Malicious Damage	52	59	72%	10598	12105	28%
Police Raids	7			1508		
Non-crime related	23			30846		
<b>TOTAL NUMBER</b>	<b>82</b>		<b>TOTAL</b>	<b>42952</b>		
<b>2007-08</b>						
Malicious Damage	48	53	69%	9186	13176	22%
Police Raids	5			3990		
Non-crime related	24			47730		
<b>TOTAL NUMBER</b>	<b>77</b>		<b>TOTAL</b>	<b>60906</b>		
<b>2008-09</b>						
Malicious Damage	41	48	74%	10115	15535	12%
Police Raids	7			5420		
Non-crime related	17			119669		
<b>TOTAL NUMBER</b>	<b>65</b>		<b>TOTAL</b>	<b>135204</b>		
<b>2009-10</b>						
Break Ins	9	71	91%	2119	22505	87%
Malicious Damage	46			12046		
Police Raids	16			8341		
Non-crime related	7			3428		
<b>TOTAL NUMBER</b>	<b>78</b>		<b>TOTAL</b>	<b>25934</b>		
	<b>Grand Total</b>			<b>295432</b>	<b>75074</b>	

- 3.5 As can be seen from the above statistics, the claims relating to criminal activity have increased over the last 5 years. For ease of reference, this is depicted in the graph below:



- 3.6 On the positive side though, it should also be noted that non-crime related claims for housing property damage have steadily and significantly decreased, which would suggest that our Council House maintenance and refurbishment works are of a high standard, as considerably fewer houses are suffering damage as a result of severe weather, electrical faults/fire, burst water pipes, etc. Assuming this to be the case, it stands as a good example of a well managed risk since there has been a steady reduction since 2005-06 culminating in an 80% reduction in those types of claims.
- 3.7 With regard to the management of the crime-related claims to Housing properties, Safety & Risk Services staff will devise an initiative to try and tackle the problem and bring about a reduction in these types of incidents. It is expected that this will be a long term strategy since it will involve changing public perceptions and practice through community education but it is hoped that over time, with the right strategy, improvements can be realised.

## 4 Financial Implications

- 4.1 Reducing the frequency and severity of incidents and claims is a major part of eradicating wasted resources. All the Housing property damage over the last 5 years has resulted in direct costs to the Council of £295,428. However, the indirect costs of incidents and claims have been calculated by industry experts as falling between 8 and 36 times that of the direct cost. Applying this calculation to the crime-related claims, gives a real cost to the Council, and in turn to the Shetland Community, of somewhere between £600k and £2.7m just for that grouping alone.
- 4.2 If we consider those values in relation, for example, to the annual cost of music tuition, knitting instruction, or perhaps the one-off cost to construct a skate park, or cover football pitches in astro-turf, it is easy to demonstrate that when resources are diverted in one direction then they cannot be available for use in another. The consequence of that clearly means that the Council is forced to

make unpopular but necessary and proportionate cuts in spending. In other words, the resources spent on repairing the needless damage that some of our Housing stock is currently subjected to could otherwise be used for new or improved services for the community if these incidents could be sustainably eliminated or, at least, significantly minimised.

## **5. Policy and Delegated Authority**

- 5.1 The role of Audit and Scrutiny Committee is to carry out a corporate scrutiny role to evaluate the effectiveness of the Council as an organisation and ensure that effectiveness is actively monitored and measured, as detailed in Section 11 of the Scheme of Delegation.

## **6 Recommendations**

- 6.1 I recommend that the Audit and Scrutiny Committee note the content of this report.

Report no: LA-35-F  
Our Ref: SP/A&S

11 August 2010



## REPORT

To: **Audit and Scrutiny Committee**

**23<sup>rd</sup> August 2010**

From: **Policy Manager**

**CE-28-F**

### **Public Performance Reporting Framework 2010**

#### **1 Introduction**

- 1.1 Keeping the Shetland public up to date on what the Council is doing and how it is performing is one of the fundamental elements of good governance. It is also an important part of a Council's ability to show that it is delivering Best Value and therefore meeting its Local Government in Scotland Act 2003 obligations.
- 1.2 Since 2005, this Council has organised its thinking on how it fulfils these obligations through a "Public Performance Reporting Framework". The latest version, refreshed for 2010 and the forthcoming round of performance report publishing, is attached to this report today.

#### **2 Links to Corporate Priorities and risks**

- 2.1 This report does not contribute to any specific outcome in the Corporate Plan 2010-12. It is in front of members of the Audit and Scrutiny Committee for discussion and comment. However, clear communication of performance is of fundamental importance to the governance of the Council.
- 2.2 In terms of risks, failure to have such a framework and failure to show that an organised approach is taken to performance reporting may be considered a "risk trigger" by Audit Scotland and be commented on in the annual report to Members from the Controller of Audit. Bearing in mind the significant challenges in dealing with the issues already highlighted by Audit Scotland / Accounts Commission, it's therefore important that we do not add more by failing to give this type of issue enough attention.

#### **3 The Framework**

- 3.1 All Councils in Scotland are required to produce information on their performance and make it available to members of the public throughout the year. Not only that, Councils are required to produce the information in a

way that will engage people, taking account of what they know that the public is interested in finding out.

3.2 As the name would suggest, the attached Public Performance Reporting Framework draws together this Council's approach to reporting to the public. It brings into one place the obligations upon the Council to report to the public and seeks to show how we are meeting these.

3.3 The Framework covers financial information reporting, Statutory Performance Indicators, service-level reporting as well as corporate reporting. Having this refreshed each year at the Executive and the Audit and Scrutiny Committee, is valuable evidence of senior management and Members taking an active interest in how performance is fed back to members of the public. That being one of the fundamental elements of openness and accountability, it is a vital part of being able to demonstrate that the Council is delivering Best Value.

## **4 Financial Implications**

4.1 There are no financial implications arising from this report.

## **5 Policy and Delegated Authority**

5.1 As described in Section 10 of the Council's Scheme of Delegations, the remit of the Audit and Scrutiny Committee includes reviewing Council performance information. It is therefore within the Committee's remit to review the Council's Public Performance Reporting Framework and make comment to full Council, if considered appropriate.

## **6 Conclusion**

6.1 This short report has introduced the Council's Public Performance Reporting Framework for the 2009-10 financial year. Although production of such a Framework is not a stated legal requirement, it is a good piece of evidence to show that the Council is seeking to meet its Best Value obligations.

## **7 Recommendations**

7.1 I recommend that the Committee discuss and endorse the Public Performance Reporting Framework 2010.



## **Shetland Islands Council**

# **Public Performance Reporting Framework August 2010**

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## **Aim**

This document seeks to formalise the Council's approach to Public Performance Reporting (PPR) for 2009-10, ensuring that this meets statutory requirements and reflects best practice.

Effective performance reporting is a vital element of the Council's Performance Management Framework, as agreed on 22 June 2004. As part of this, it is important that the Council provides information that is relevant, meaningful and in such a way that it allows the public to make a reasonable evaluation of how it has performed in the past year.

By doing so, it will ensure that the Council will be able to more effectively demonstrate accountability, thereby contributing towards the duty to secure Best Value.

## **Section 1 Corporate Performance Reporting**

### **1.1 Statutory Performance Indicators (SPIs):**

Under the Accountability of Local Authorities (Publication of Information about Finance and Performance) (Scotland) Regulations, the Council must (i) publish SPIs in such a way as to ensure that they are readily accessible to members of the public within Shetland and (ii) raise public awareness of the production of the report by effectively advertising its availability. These must be published by 30th September each year.

The SPIs are reported to the Audit and Scrutiny Committee each year. This allows Members to scrutinise the data and follow-up with officers on any areas that appear to indicate a drop in performance or learn from good performance. Over the past 4 years this has led to more detailed investigations taking place into Housing Voids, cost of collecting Council tax, gender equality, use of Council vehicles, use of Council buildings and employee sickness absence.

### **1.2 Financial Performance Reporting**

Under the Accountability of Local Authorities (Publication of Information about Finance and Performance) (Scotland) Amendment Regulations, the Council must produce:

- A summary of its tangible assets and their value at the end of the financial year, sources of income, the amounts derived from these sources and the Council's expenditure during the financial year
- Its trading accounts for significant trading operations in the financial year or an abstract of these
- A summary of its expenditure under significant works contracts

Again, these must be published in such a way as to ensure that they are readily accessible to members of the public within Shetland.

Finance Services publish the Annual Accounts to meet these statutory requirements by 31 October each year.

### **1.3 Method for reporting SPIs and Annual Accounts**

The Annual Financial Accounts have traditionally been sent to partner organisations, senior management in the Council and have been made available in the Shetland Library. It is felt that this method is the most effective way of publishing the report as it is specifically targeted to meet the needs of individuals/organisations most likely to require the information. This has also proven to be a cost effective method, so will be repeated again this year.

Public interest in the SPIs is minimal. Some of them are referred to in the public performance calendar, but experience over the years has shown that providing this data to members of the general public is not well received. It is considered to be more efficient to provide one copy of the SPIs for public information on the Council's internet site [www.shetland.gov.uk](http://www.shetland.gov.uk).

### **1.4 Single Outcome Agreement performance reporting**

With the signing of the Single Outcome Agreement (SOA) between the Shetland Community Planning Partnership and the Scottish Government, the Council is committed to providing performance data on the progress being made to achieve the targets and outcomes set out in that document.

The Guidance issued by the Scottish Government suggests that Councils should integrate the reporting of SOAs with their annual public performance reporting arrangements. Therefore, the Council's public performance calendar will be structured using the outcomes from the SOA (Stronger, Wealthier & Fairer, Greener, Smarter, Healthier and Safer). Information deemed to be of particular interest to the public from the SOA end of year report will be included in the calendar.

The collated SOA annual report will also be reported to the Audit & Scrutiny Committee and be made available on the Council's internet site.

### **1.5 Sustaining Shetland**

As well as the detailed SOA end of year report, the Council produces "Sustaining Shetland" each year. Pre-dating SOAs, Sustaining Shetland is an attempt to measure the quality of life in Shetland using 8 high-level indicators. (Population, Cross-Cutting Themes, Wealthier & Fairer, Smarter, Stronger, Healthier, Safer and Greener).

The aim of this document is to measure our progress in delivering on the "Shetland Resolution" (the long-term aspirations for Shetland over the next 25 years). Being circulated widely, it also aims to provide service providers in Shetland with good quality information to help inform policy direction and decision-making.

It has evolved over the past few years and is now very closely aligned with the SOA themes. So, in the interests of efficiency and reducing bureaucracy, we will produce one document that covers Sustaining Shetland and the SOA end of year report for the 2010-11 reporting year.

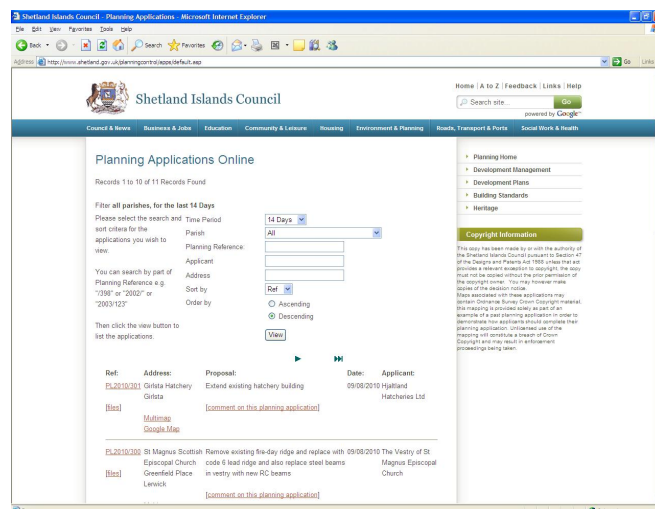
## Section 2 Service-level reporting


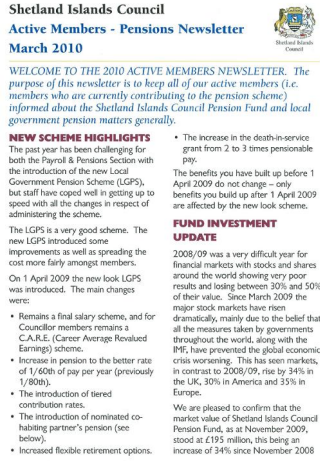

**2.1** The key principle underpinning public performance reporting is accountability, in that it involves both “*being held to account and giving an account*”. There are examples across the Council where services are routinely providing this type of information to service users and the public. A few of these are detailed in section 2.2.

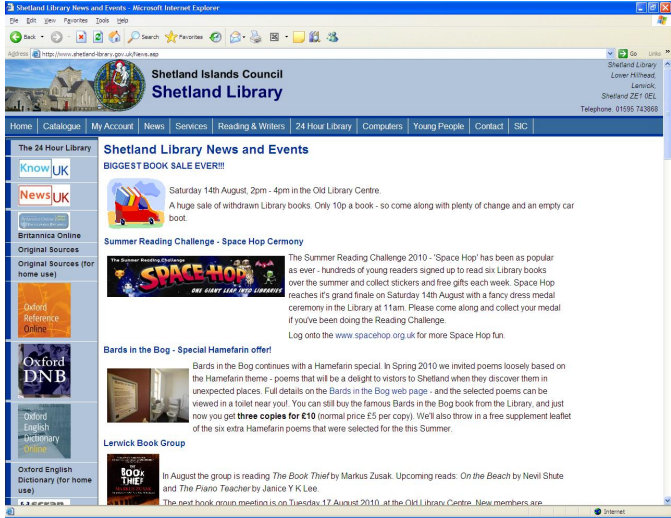

**2.2** A few examples of public performance reporting include;

Service area	Reporting mechanism
Policy Unit	<p>Executive Briefing circulated every 6 weeks to all staff and Members</p> 
Executive Office	<p>All press releases are available on the front page of the Council's internet site</p> 

Service area	Reporting mechanism
Ports and Harbours	<a href="#">Ports and Harbours Newsletter</a> issued every 2 months
Waste Management Services	<a href="#">Compost Newsletter</a>
Planning	<a href="#">Planning website</a>



Service area	Reporting mechanism
Community Work	<p><u>Community Newsletters</u> produced by local offices</p> 
Pensions	<p>Annual Pensions Newsletter sent out showing performance of pension fund</p> 
Housing	<p><u>Shetland Tenants Forum Newsletter</u> produced every 6 months</p> 

Service area	Reporting mechanism
Adult Learning	Annual Newsletter
Schools	Standards and Quality report
Library Information &	<p><a href="#">Shetland Library news</a>, regular press releases and internet site kept up to date</p> 
Train Shetland – Vocational Training	<p>Annual Newsletter</p> 

Most other services use their service performance reports to keep service users informed. The Council's internet site is also updated in November and May with performance summaries. Members of the public, staff, trade unions etc, can therefore access these as they choose. In the spirit of openness and accountability, all Committee agendas and minutes of meetings are published on the Council's Committee Information System site. These are available through this link:

<http://www.shetland.gov.uk/coins/>

The approach therefore is a mix of “push” – where the Council actively feeds information to service users and “pull” – where they are encouraged to self-serve from a central information source.

## **Section 3            Corporate Public Performance Reporting**

### **3.1    Performance Reporting**

Under the same Regulations as outlined in paragraph 1.2 above, the Council must produce:

- a summary statement setting out the strategic arrangements it had in place under section 1 of the 2003 Act during the financial year immediately preceding that in which the statement is made.
- what it did under those arrangements and to what effect, including an account of how it has had regard to the need to meet the equal opportunity requirements and how what it did contributed to the achievement of sustainable development.

This must also be produced by 31 October each year in such a way as to ensure that it is readily accessible to members of the public within Shetland.

The rest of this document will deal with the approach to public performance reporting for the coming year.

### **3.2    Stakeholders**

Before performance reporting can be truly effective, the Council must be aware of its stakeholders and their performance information needs and interests.

In terms of performance reporting, the Council’s main stakeholders can be defined as;

- Council Tax payers;
- Citizens;
- Service users;
- Local Businesses;
- Community Planning Partners – NHS Shetland, Northern Constabulary, HIE Shetland, Shetland Charitable Trust, Voluntary Action Shetland, Highlands & Islands Fire & Rescue;
- Individual Community Councils;
- Shetland Arts Agency, Shetland Amenity Trust and Shetland Recreational Trust;
- Lerwick Port Authority;
- Elected Members;
- Voluntary Organisations;
- Employees;
- Trade Unions;

### **3.3    Information to be reported**

Guidance suggests that stakeholders want the following information:

- (i) How the Council is taking into account their needs and views in service delivery;
- (ii) That they are receiving, or have access to, the same levels and quality of service regardless of where they live;
- (iii) How the Council is spending its money, whether they are achieving value for money and whether quality is being considered;
- (iv) Information which provides a balanced view of Council performance;
- (v) What progress is being made against achieving specified service targets;
- (vi) Where they can find out further performance information if required;
- (vii) Where to go and what to do if things are going wrong; and
- (viii) How they can feed back their views about any aspect of the performance information.

### **3.4 Accessibility**

It's acknowledged that local Government performance data is often presented in a format that is not easy to understand. Therefore, in order to ensure that the information provided in the PPR is accessible to as many stakeholders as possible, the document will be checked to ensure that it is written in Plain English, avoids jargon and statistical/technical vocabulary wherever possible.

Last year we engaged the help of former newspaper and BBC Radio Shetland editor Councillor Jonathan Wills who helped to simplify the language being used. This proved to be very effective.

We will also seek to accommodate any requests for the report to be translated or provided in another format, such as Braille or audiotape. The Council, together with the NHS, now has a list of over 50 local volunteers, providing 25 languages for translation and interpretation work and they can be asked to help, if appropriate. We have also engaged "Language Line" who provide interpretation and translation services.

### **3.5 Medium for reporting**

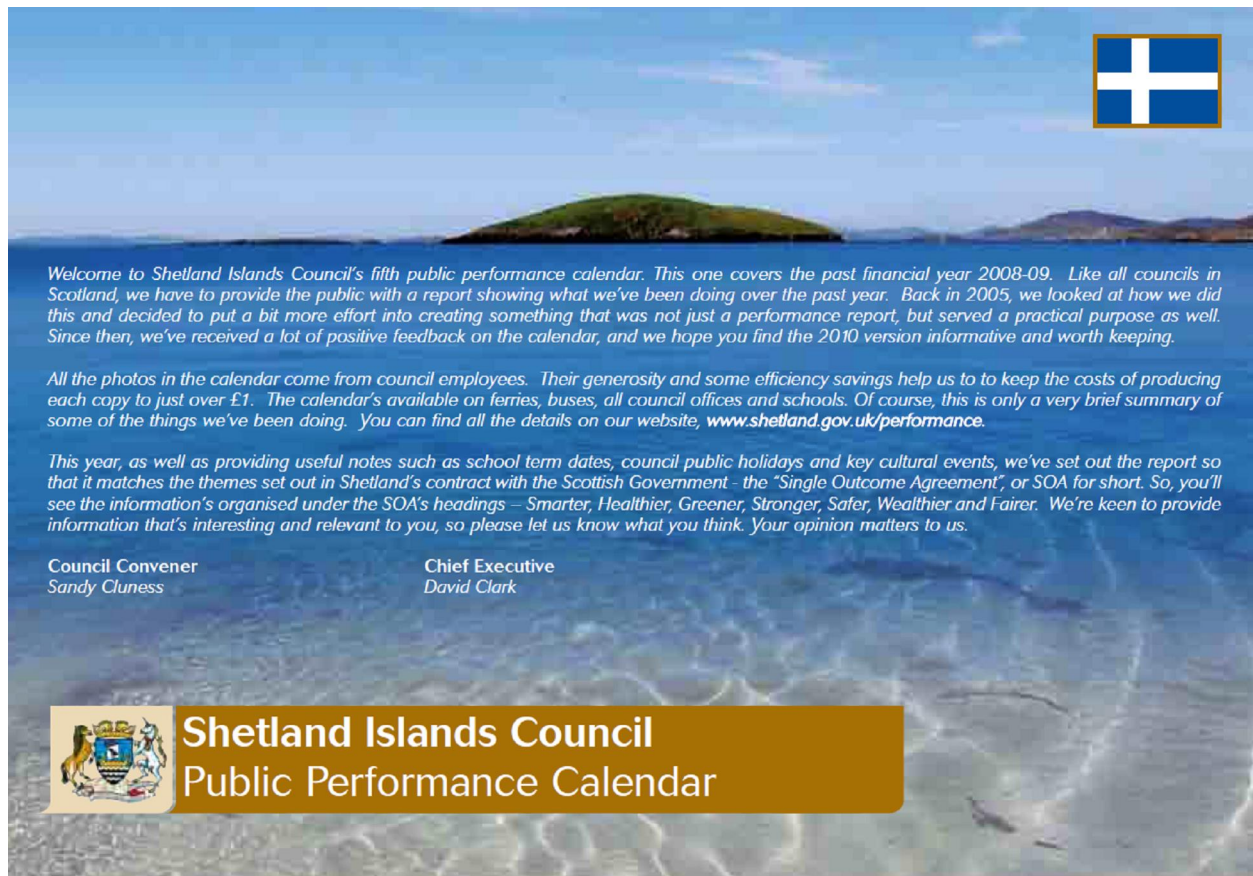
Last year's performance report was the fifth that was produced in a calendar format. It sought to combine summary performance information taken from the end of year performance reports, with other interesting local dates, employee photos and useful contact numbers. The aim of this approach, as outlined in the Public Performance Reporting Frameworks 2005-09, was to create a report that members of the public did not necessarily see as a performance report. It was hoped that by producing the performance calendars in a format that people could find a practical use for, they would be retained throughout the year.

With the development of the Single Outcome Agreement, the Council is now required to co-ordinate the reporting of achievements against SOA targets each year. This is meant to align with the Council's PPR Framework. However, owing to the fact that this Council's performance report is a calendar and the SOA contains many indicators and outcomes, a separate annual report will again be created for the SOA. The calendar will refer to the key outcome areas though, and provide information on the areas that we feel would be most interesting / engaging for the public. It will also contain a link to the website address where the SOA annual report and 'Sustaining Shetland' are available.

## Section 4 Public Performance Report – 2009-10

### 4.1 Format

#### 4.1.1 Best Practice



The Shetlands Islands Council PPR calendar has been highlighted as a method of best practice by the Social Work Inspection Agency in their 2006/07-inspection report;

***“An annual public performance report was sent out to every household in the form of a calendar. This was part of the effort to inform people who use services and the public about the council’s performance. Social care services were featured along with other council services.”*** (Page 51 – 06/07- inspection report)

The Improvement Service also asked for a copy of our calendar so that they can flag it up on their website for other councils to see, as an example of good practice.

Several Scottish Councils have also asked for copies (most recently, Western Isles Council), as they see this mechanism as a valuable way of engaging with the public on performance. Traditional mechanisms, such as leaflets through doors or expensive glossy reports appear to be failing to engage the public in local authority performance in Scotland.

#### **4.1.2 Method**

The call that went out for employees to submit their photos for inclusion in last year's calendar again proved to be particularly successful. Employee responses clearly showed that they value the opportunity to forward their pictures and are engaging with the production process. We received around 100 employee photos last year. It is therefore proposed that this cost effective method of getting photos for the calendar be repeated again this year.

#### **4.2 Printing and distribution**

Performance information needs to be communicated to stakeholders in a format that meets their needs. There are two ways in which we, as a Council can do this. The "push" and the "pull" methods, as mentioned earlier. The push method is where communication is distributed directly to stakeholders. For instance when we sent the calendar, to all households (2006). The "pull" method is where information is made available, for stakeholders to access as they please. For instance last year, we provide calendars to various locations, such as the library, care centres, inter islands ferries and council offices.

A press release was sent out to highlight to members of the public that the calendar was available for collection. This ensures that only those who actually want a calendar receive one, it decreases the number of individuals who dump the calendar and it again keeps down the production costs.

If this option is chosen again, we would suggest that we to print approximately 2,000 copies. Shetland Litho (2006 and 2009 calendar printer) and Millgaet Media (2005, 2007 and 2008 calendar printer) could again be approached to submit quotes for design and printing.

Through this method of production and distribution, we have substantially reduced the costs of the calendar. It is doubtful that we would reach such a large audience in such a cost effective way using another medium.

#### **4.3 Timing of production**

The recommended date for publishing the PPR is 31 October each year. In order to distribute the calendar when most people want one, we will again make this available during the second week of December. This has proven to be acceptable to Audit Scotland.

#### **4.4 Evaluation of PPR for future years**

This Framework has been developed for 2009-10 public performance reporting, building on the Frameworks that were established for the last 5 years. In order to ensure that arrangements for performance reporting are reviewed at least annually, the Framework will be refreshed each year, and agreed by the Executive and reported to Audit & Scrutiny Committee, prior to production of the performance report.





## REPORT

**To: Audit and Scrutiny Committee**

**23 August 2010**

**From: Human Resources Manager**

**Report No: CE- 29 F**

**Subject: Investors In People**

### **1.0 Introduction**

- 1.1 At a recent meeting the Audit and Scrutiny Committee asked the Human Resources Manager to provide information on the Investors In People Award and in particular whether there is progress being made on the Council's achievement of the Award.

### **2.0 Links to Corporate Plan 2010–12 and Risk Analysis**

- 2.1 Section 4 of the Council's Corporate Plan, 2010 – 2012, Organising Ourselves Better is a priority for the Council. The Investors In People Framework provides the Council with a tool that helps working towards developing a clear vision and strategic direction to meet the Council's objectives.

### **3.0 What is Investors In People**

- 3.1 Investors In People (IIP) describes itself as the UK's leading business improvement tool for people and management, and was introduced in 1991. IIP's main objective is to improve organisational performance through the management and development of people.
- 3.2 The approach taken by IIP has undergone considerable change over recent years to reflect customer feedback, moving away from a structured 'one size fits all' approach to one that provides employers with choice

focused entirely on business priorities to meet each organisation's unique needs.

- 3.3 The new approach is designed to offer practical support to help drive the organisation forward, with a development path to take you to where you want to be. This new 'framework' approach can help towards other external audits e.g. HMIE as it demonstrates the connections between processes, policies and people (Appendix A).
- 3.4 Each organisation signed up to the Award is assigned to an IIP Centre in order to develop a partnership approach. An IIP Assessor carries out a review of what is happening and not happening in the organisation by spending time in the organisation and speaking to employees. They then help define priorities and select the most relevant parts of the Framework to focus on that have clear links with the main objectives of the organisation.
- 3.5 There are four levels of IIP recognition:-
- The Standard: which all organisations need to meet to become recognised, there are 39 set evidence requirements to be met. If you meet The Standard, your score will be 39.
  - Bronze: 65 evidence requirements including points at The Standard level.
  - Silver: 115 evidence requirements including points at The Standard level.
  - Gold: 165 evidence requirements including points at The Standard level.

The different levels recognise continuous achievements, rewarding organisations for building on what they have previously done.

- 3.6 The basic package provided by IIP to support organisations to achieve the award includes:-
- Planning Activity to identify the organisation's priorities and tailor the assessment to support future goals
  - On-site visit and evidence gathering against IIP The Standard
  - Comprehensive written report focusing on development opportunities and continuous improvement
  - Continuous Improvement Feedback Session
  - Annual maintenance visit or discussion
- 3.7 The cost to the Council to participate in the award is based on the number of employees, for the Council this will be approximately £9375 plus VAT and subsistence costs for the visiting Assessor.
- 3.8 There are two different approaches to take to achieve IIP, either corporately for the organisation as a whole as a single exercise or as a series of building blocks. The advantage of taking the building block

approach is that each part of the organisation can be assessed independently, achieving its own success whilst contributing to the achievement of the Council as a whole. Taking single corporate approach means that the award cannot be achieved until ALL services have achieved.

#### **4.0 Current SIC Situation**

- 4.1 There are six services who have achieved the IIP Award, they are:-
- Shetland College
  - Bruce Hostel
  - Train Shetland
  - Library
  - Schools Service Management team
  - Community Care
- 4.2 Following a number of discussions between HR and Investors In People a commitment was made in June 2010 to support the remaining SIC services to achieve Investors In People. A further meeting is planned for late August to discuss the plans and preparations needed to take us to the first assessment.
- 4.3 Following that meeting, a workshop will be delivered to all remaining services to raise awareness of the benefits of the Award and what is required to achieve it. It is anticipated that a rolling programme will be developed to ensure that there is adequate support in place.
- 4.4 Western Isles Council has recently achieved the IIP Award for the whole organisation, achieved over a 4-year period taking the building block approach.
- 4.5 It is estimated that a member of the HR team would need to work on supporting services to achieve accreditation for one day per week and the work gathering evidence within each service would take around 8 weeks of dedicated officer time.
- 4.6 In order to retain their accreditation, Community Care allocated their review and assessment work to one person who worked only on this for one week.

#### **5.0 Financial Implications**

- 5.1 The cost of the Award can be met from within the Corporate Training budget. There may be costs associated with staff time required within the service areas to work on the assessment and evidence gathering exercise. These costs would require to be met from within existing resources. .

- 5.2 The challenges facing the Council over the next few years mean that the IIP Framework and process can help the Council identify opportunities and be prepared to meet those challenges, which will help the Council to succeed in delivering the improvements and savings necessary.

## **6.0 Policy and delegated authority**

- 6.1 The role of Audit and Scrutiny Committee is to carry out a corporate scrutiny role to evaluate the effectiveness of the Council as an organisation and ensure that effectiveness is actively monitored and measured, as detailed in Section 11 of the Scheme of Delegation.

## **7.0 Summary**

- 7.1 The Investors In People Framework provides the Council with a continuous improvement tool that contributes towards developing a clear vision and strategic direction to meet the Council's objectives. It benefits individuals as well as the organisation by helping organisations get ahead by developing and managing their employees, which increases motivation and morale.
- 7.2 Six council services have already achieved the award and the Council has signed a 'commitment' to work towards becoming an Investor In People employer.

## **8.0 Recommendation**

- 8.1 I recommend that the Audit and Scrutiny Committee note the content of this report and support the Councils work towards achieving Investors In People by taking a 'building block' approach.

Ref: Audit and Scrutiny\_230810/CE-29-F/DB

Date: 13 August 2010

**The Investors in People Standard - One framework linked to organisational measures**

1	2	3	4	5	6	7	8	9	10
<b>Level 1 – the core evidence requirements of the Investors in People Standard. Necessary to be recognised as an Investor in People.</b>									
Vision Purpose Strategy Plan  Involving people	Learning needs  Plans & resources  How impact evaluated.	Encouraging contribution  Equality of opportunity for development and support	Clarify the leader <sup>ship</sup> and management capabilities needed to lead, manage & develop people.	Managers are effective and can describe how	Recognising and valuing contribution	Ownership and responsibility is encouraged  Involvement in decision making	People's learning and development needs are met	Investment in learning can be quantified  Impact can be demonstrated	Evaluation results in improved people strategies
<b>Levels 2-3 – exceeding or significantly exceeding the requirements of the Investors in People Standard. [at least 50% = L2, 100% = L3]</b>									
Core values  Use of KPIs  Social responsibility  Involving people and stakeholders	Learning and development strategy to build capability  Innovation and flexibility in developing people	Recruitment  Diversity  Work life balance  Constructive feedback is valued  Structure makes the most of talents	Leader <sup>ship</sup> & Management capabilities for now and the future  Review and support managers to acquire capabilities	Top managers as role models  Coaching is used  Plan and develop people's careers	Reward and recognition strategies  Understand what motivates people  Success is celebrated	Effective consultation  Sharing knowledge and information	Effective use of internal and external resources  Innovation and flexibility of approach  Opportunity to achieve full potential	Contribution of people strategies is measured and evaluated  Impact on KPIs can be described	Self review is used  Information from external review is used  Effective feedback methods are used to understand peoples views
<b>Level 4 – measures which identify excellence in practice. [necessary to meet all for overall conclusion at L4]</b>									
Values at the heart of strategy  Social responsibility at heart of culture	A culture of continuous learning	Recruitment ensures a diverse, talented workforce  Diversity links to business strategy  Work life	L&M strategy links to business strategy and takes account of external good practice  Everyone encouraged to develop	Top managers as inspirational leaders  Coaching is part of the culture  Culture of openness and	Reward and recognition strategy externally benchmarked  Benefits strategy beyond legal requirements	Consultation and involvement is part of culture  A culture of continuous improvement  People can challenge the	All learning is valued  Mentoring is used  Support for personal development	Flexible and effective approaches to measuring return on investment  Return on investment in people is reported to	Internal and external benchmarking is used  People's views of how they are managed improves

		balance links to business strategy	leadership capabilities	trust		way things work		stakeholders	
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## REPORT

To: **Audit and Scrutiny Committee**

**23<sup>rd</sup> August 2010**

From: **Policy Manager**

**CE-26-F**

### **Audit & Scrutiny Committee Work Programme 2010-11**

#### **1 Introduction**

- 1.1 For the past 3 years we have pulled together a Work Programme for the Audit & Scrutiny Committee. This has proven useful for both Members and officers as it has ensured that everyone is aware of the topics that are coming up. It has also given the Committee something that they can review their progress against at the end of the Council term each year.

#### **2 Links to Corporate Priorities**

- 2.1 This report does not directly contribute to the priority areas set out in the Council's Corporate Plan 2010-12. However, the audit and scrutiny function is an important part of ensuring that the Council is challenging itself and delivering continuous improvement.
- 2.2 Ensuring that there are mechanisms in place for delivering effective governance and accountability are fundamental Best Value 2 characteristics which all Councils in Scotland are required to meet. At the moment governance and accountability are viewed by Audit Scotland as key risk areas for the Council, so it's perhaps more important than ever that Audit and Scrutiny is carrying out its role effectively.

#### **3 Work Programme**

- 3.1 The attached Work Programme has been developed following discussion with members of the Audit & Scrutiny Committee. It includes the cyclical reports that appear every year, plus the issues that have been raised by members of the Committee over the past few months. It also seeks to take on board the feedback that has been provided on how the Committee is operating.
- 3.2 The aim of the Programme is to have roughly 6 or 7 agenda items per meeting. However, if other items arise during the year that require to be

added, there is capacity to do so. This is therefore a “work in progress” and will be updated during the year as new items arise. (for instance, it’s likely that the Committee will be involved in monitoring action taken to deal with the Accounts Commission’s findings)

- 3.3 Members may find it useful to refer to the Committee’s “Guide to Scrutiny” when considering whether a potential work programme topic is within the remit of the Committee.

## **4 Financial Implications**

- 4.1 There are no financial implications arising from this report.

## **5 Policy and Delegated Authority**

- 5.1 As described in Section 10 of the Council’s Scheme of Delegations, the remit of the Audit and Scrutiny Committee includes reviewing Council performance information. This report sets out the Committee’s work programme for the coming Council session, so is within the Committee’s remit to agree.

## **6 Conclusion**

- 6.1 This short report has introduced the work programme for this Committee covering the August 2010 to June 2011 Council session.

## **7 Recommendations**

- 7.1 I recommend that the Committee discusses the Work Programme and agrees a final version which will be implemented over the coming months. Once agreed, the Programme will be communicated to all staff and be added to the Council’s internet site.

August 2010

CE-26-F



## Audit and Scrutiny Committee

### Work Programme – August 2010 to June 2011

The aim of this Work Programme is to help Members of the Audit and Scrutiny Committee and supporting officers to organise agenda items for meetings during this coming Council session. It's hoped that this will help to manage the Committee's workload as well as improve Members' information on future agenda topics.

The Programme will be updated as new items arise during the year.

Meeting date	Agenda Items	Officer responsible
<b>23<sup>rd</sup> August</b>	Assurance and Improvement Plan	John Smith
	Public Performance Reporting Framework	Peter Peterson
	Annual Complaints Monitoring Report	Jan Riise
	Efficiency Statement 2010	Peter Peterson
	Investors in People	Denise Bell
	Audit & Scrutiny Work Programme 2010-11	Peter Peterson
	<u>Standing items</u> Risk Management item	Sandra Pearson
	Governance	Alistair Buchan

Meeting date	Agenda Items	Officer responsible
<b>27<sup>th</sup> September</b>	Single Outcome Agreement – 2009-10 end of year report	Emma Perring
	Statutory Performance Indicators 2009-10	Peter Peterson
	LEAN Update – Single Shared Assessment process	Christine Ferguson (TBC)
	Business Continuity Management	John Taylor
	Benchmarking of Council services	Peter Peterson
	Fleet management project - update	David Polson
	<u>Standing items</u> Risk Management item	Sandra Pearson
	Governance	Alistair Buchan

Meeting date	Agenda Items	Officer responsible
<b>15<sup>th</sup> November</b>	Attendance Management Project – update	Marie Gordon
	ICT e-mail security study	Stuart Moncrieff
	6-month internal audit progress report	Crawford McIntyre
	Corporate Plan 2010-12 – 6 month progress report	Alistair Buchan
	Re-let times for high demand housing	Vaila Simpson
	Diesel usage – 6-month update	Peter Peterson
	Annual Accounts and Report to Members from the Controller of Audit	Graham Johnston
	<u>Standing items</u> Risk Management item	Sandra Pearson
	Governance	Alistair Buchan

Meeting date	Agenda Items	Officer responsible
<b>January (exact date still to be set)</b>	Statutory Performance Indicators – annual comparative analysis with Orkney Islands and Western Isles Councils	Peter Peterson
	Customer feedback monitoring	Peter Peterson
	Energy usage - update	John Simpson
	Transport audit – progress report	Michael Craigie
	Legal audit – progress report	Jan Riise
	<u>Standing items</u> Risk Management item	Sandra Pearson
	Governance	Alistair Buchan

Meeting date	Agenda Items	Officer responsible
<b>March (exact date still to be set)</b>	Overtime update	Hazel Tait

	Employee numbers	Alistair Buchan
	Other items TBC	
	<u>Standing items</u> Risk Management item	Sandra Pearson
	Governance	Alistair Buchan

Meeting date	Agenda Items	Officer responsible
<b>May (exact date still to be set)</b>	Corporate Plan 2010-11 end of year progress report	John Smith
	Other items TBC	
	<u>Standing items</u> Risk Management item	Sandra Pearson
	Governance	Alistair Buchan

Meeting date	Agenda Items	Officer responsible
<b>June (exact date still to be set)</b>	Annual review of Audit & Scrutiny activity	Peter Peterson
	12-month internal audit progress report	Crawford McIntyre
	Other items TBC	
	<u>Standing items</u> Risk Management item	Sandra Pearson
	Governance	Alistair Buchan

Other items will come up throughout the year, such as reports of interest from bodies like Audit Scotland and items generated at Audit and Scrutiny Committee meetings.