

MINUTE

A & B

**Audit and Scrutiny Committee
Council Chamber, Town Hall, Lerwick
Monday 15 November 2010 at 10.00am**

Present:

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

Apologies:

A Doull

In attendance (Officers):

A Buchan, Chief Executive
S Cooper, Head of Environment and Building Services
G Johnston, Head of Finance
J Riise, Head of Legal and Administration
J Smith, Head of Organisational Development
C McIntyre, Service Manager – Internal Audit
J MacLeod, Single Status Project Manager
M Gordon, Human Resources Adviser
E Perring, Policy Manager
P Peterson, Policy Manager
L Gall, Policy Officer
L Adamson, Committee Officer

Chairperson

Mrs F Grains, Chairperson of the Committee, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None.

| Min. Ref. | Subject | Action / Info |
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| 48/10 | <u>Minute</u> The minute of meeting held on 27 September 2010 was confirmed, on the motion of Mrs F Grains. | |

| Min. Ref. | Subject | Action / Info |
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| 49/10 | <p><u>Matters Arising</u></p> <p>The Committee noted the report “Audit and Scrutiny – Matters Arising” by the Single Status Project Manager (Appendix 1).</p> <p>The Chairperson commented that she welcomed the update report on matters arising from previous meetings. In introducing Mr J MacLeod, the Council’s Single Status Project Manager, who had recently been tasked to provide support to the Audit and Scrutiny Committee, the Head of Organisational Development advised that the intention was that a “Matters Arising” report would be included on the agenda for future meetings of the Committee.</p> <p>Mr A Duncan moved that the “Matters Arising” report should be a standing item at future meetings. In seconding, Mrs C Miller said that she had found the report exceptionally helpful.</p> <p>Mr G Robinson commented that little progress had been made on the issues referred to in Section 3.3 - “Complaint Against Dr Wills – spending of money on lawyers”, and Section 3.15 “Cost of External Legal Advice”. Referring to Section 3.15, the Head of Legal and Administration explained that a review was currently being undertaken on the provision of legal advice to Councils, to possibly access information through a Scottish Government portal, with the aim to reduce costs. He added that an update report would be presented to a future meeting of the Committee.</p> <p>In response to questions from Mr A Duncan relating to the instances of “Claimant Error” reported in Appendix C, the Single Status Project Manager reported that the advice from the Revenue Support Manager was that the Fairer Scotland Funding for the Housing Adviser post will cease at the end of this financial year, and the work involved in assisting claimants will pass to the Housing Outreach Workers. The Single Status Project Manager advised that he would report on the training provided to the Housing Outreach Workers at the next meeting.</p> <p>As Chairperson of the Homelessness Sub-Committee, Mrs C Miller said there was a need for the complex welfare benefit system to be addressed and understood, and asked that a report be presented to Committee to provide Members with a better understanding of the issues.</p> <p>In referring to Chart 1 of Appendix E, Mr Duncan noted that the percentage of permanent accommodation cases being reassessed was much higher in Shetland, compared to other</p> | <p>Single Status Project Manager</p> <p>Head of Legal and Admin</p> <p>SS Project Manager</p> |

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| | <p>areas of Scotland. The Head of Organisational Development advised that he would follow this up with the relevant officer.</p> <p>In referring to Appendix F, Mr Duncan stated that the amount of overtime worked in the Council was horrendous. He said that although he was aware there were some exceptional circumstances when overtime had to be worked, this was an area where savings had to be made. In response to a question from Mr Duncan, the Chief Executive advised that he could not provide detail on the level of overtime that was non-statutory, compared to statutory, however he confirmed that all matters will feature in the detailed review of the budget strategy, and this would include overtime working. Mr Duncan commented that he would expect some savings to the Council's overtime budget following implementation of Single Status with most staff now working an additional 3 hours per week. The Chief Executive confirmed that the review would be addressing that issue, and he added that there was no doubt that efficiency savings and other measures that can be applied will form ways to make savings.</p> <p>Mr Duncan referred to recent information he had received on the amount of foreign travel undertaken by Council Members and officers, and reported that this was another area where significant savings could be made. During the discussion, Ms L Baisley suggested that a review should address all travel outwith Shetland. The Chief Executive confirmed that a report was being prepared to Council on a review of all travel, which would determine, in a considered manner, what travel is required to be undertaken in the future. Mr G Robinson expressed his disappointment that the information relating to foreign travel had not been distributed to all Members of the Committee. The Chairperson confirmed that a full report would be presented to Committee in January.</p> | Head of Org Dev |
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| 50/10 | <p><u>Report to Members and Controller of Audit by the Auditor</u> The Committee considered a report by the Chief Executive and Head of Finance (Appendix 2).</p> <p>In introducing the report, the Head of Finance advised that the Action Plan at Appendix B, which had been agreed by Audit Scotland, outlines the actions necessary to address the issues raised in the report.</p> <p>Mr A Duncan said that having read the report thoroughly, this was a very damning report for the Council, and he found the language used to be very emotive and stronger than has been used in the past.</p> <p>In referring to Section 15, Mr Duncan outlined his concern</p> | |
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| | <p>relating to the unreconciled figure of £531,000. The Head of Finance advised that this matter arose from the audit is the subject of one of the actions in the Action Plan. He added that he was in discussions with the Chief Executive and the staff concerned to develop proposals to meet the future requirements. Mr Duncan advised that he had also been very disappointed to read the comments in Section 17 of the report. The Head of Finance explained that being mindful of overheads and resource allocation the Council has been running a lean financial accounting service, however in retrospect the resources have been too limited and with new financial regulations and practices there is a need for additional resources in the future.</p> <p>Mrs C Miller referred to the Income and Expenditure Account on Page 11, and requested further detail on the increase in expenditure relating to a number of the service areas, to the Council meeting in December. The Head of Finance explained that the £36m difference relates to a number of items, however the main elements were the transfer between capital and revenue, the accounting treatment of pension liabilities under FRS17, the activities of SDT being grouped in the accounts of the Council, and the full first year costs and some individual elements of back pay in regards to Single Status. The Head of Finance confirmed that a detailed report would be presented to Council in December.</p> <p>In referring to Points 6 and 7 in the Action Plan, Mrs Miller said that she was disappointed to note the issues relating to the Whole of Government Accounts (WGA) return and International Financial Reporting Standards (IFRS), however she noted the reassurance that resources will be in place to ensure that the concerns are not repeated. The Head of Finance explained that the Council's WGA submission had only been one week late, however he accepted that this was not a satisfactory outcome. He advised that implementation of IFRS would be a major challenge for the coming financial year, however he reassured Members that he would be working with the Chief Executive and officers in Finance and other areas of the Council to address the shortcoming manifested in the 2009/10 accounting exercise.</p> <p>Mrs Miller referred to Page 40 of the report, to the areas that had been identified within the Housing Service, and stated that there was a need to focus on a strategy to address the supply of temporary housing, and that the Committee should take account of this requirement as it will impinge on budgets in the future.</p> <p>In response to a question from Mrs Miller, the Head of Finance explained that the move towards IFRS is part of the ongoing trend to push public sector accounting towards more standards and conventions applying to private sector accounting. He advised that he would not expect the statements to include any</p> | <p>Head of Finance</p> <p>Head of Finance</p> |
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additional detail, however this was a trend that the Council has to follow and will require additional resources.

In response to a question regarding pension liabilities, the Head of Finance provided an update on the reform of the Pension Scheme at national level and the Scottish wide Pension Pathfinder project. He added that the Council was opposed to any proposal to merge some or all Scottish Government Pension Schemes into a larger or possibly single scheme in Scotland.

The Chief Executive said that at a time when there was a requirement for reductions in Council spending, he supported the need for additional resourcing of the finance function to meet additional pressures associated with new requirements. He added that he was acutely aware of the housing issue raised by Mrs Miller, and said that options were being explored through the CMT.

Dr J Wills referred the group accounts audit qualification at Page 9 of the report. In highlighting a number of points raised by Audit Scotland, he stated that there was a need for Audit Scotland to accept the fact that SCT is a separate organisation from the Council. Dr Wills stated that his view was that the Trust should be independent of the Council and that Councillor Trustees should be a minority.

Dr Wills then summarised Audit Scotland's comments relating to "financial relationships" at Section 28 of the report. Dr Wills advised that he had opposed the proposal for the SRT to subsidise Council use of its facilities, and he clarified that Shetland Recreational Trust, Shetland Arts and Shetland Amenity Trust were not subsidiaries of the Council or the Trust, but they were independent Trusts.

The Head of Finance advised that there was commitment in the Action Plan for a full appraisal of the issues raised by Dr Wills for completion by September 2011.

In referring to Page 29 of the report, Mr G Robinson reported that Audit Scotland had requested that the Council disclose to the public, through the abstract of accounts, details of the negotiated settlement paid to the former Chief Executive, and the Council had refused this request.

(Mrs C Miller declared an interest).

Mr Robinson advised that Members had been made aware that the information would be disclosed should Audit Scotland or the Accounts Commission request disclosure, and he was extremely annoyed that the information had not been reported to Council. Mr Robinson moved that the Committee approve the recommendations in the report, and ask that details on the negotiated settlement be brought to Council in January. Dr J

Head of
Finance

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| | <p>Wills seconded.</p> <p>The Head of Legal and Administration clarified that the compromise agreement contained a confidentiality clause but made provision for either party to the agreement to respond to Audit Scotland or the Accounts Commission on matters relating to the agreement. The Council had responded to all questions put by both Audit Scotland and the Accounts Commission and had provided copies of the agreement on request. He said that representatives of Audit Scotland had been in attendance at the previous Committee when the advice had been given to Members, that the Council was bound by that contract not to make further disclosure of it and so could not put additional information into the public accounts. He said that the issue at the last Committee was not the question of reporting to Members but was about putting the information into the public domain. He said that the Council could not do that without breaching that agreement. If on the other hand Audit Scotland or the Accounts Commission were considering putting the matter into the public domain they will need to seek their own advice on the legality of that.</p> <p>Mrs Miller moved, as an amendment, that the Committee approve the recommendation in the report. Ms L Baisley seconded.</p> <p>During summing up, Mr G Robinson requested that a report be presented to full Council in January confirming the agreement with the former Chief Executive, as to this date it had still not been presented to Members. Voting took place by a show of hands, and the result was as follows:</p> <table data-bbox="316 1272 821 1344"> <tr> <td>Amendment (Mrs C Miller)</td> <td>3</td> </tr> <tr> <td>Motion (Mr G Robinson)</td> <td>4</td> </tr> </table> <p><i>(Dr J Wills left the meeting).</i></p> | Amendment (Mrs C Miller) | 3 | Motion (Mr G Robinson) | 4 | |
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| 51/10 | <p><u>Single Outcome Agreement – 2009-10 Outturn Report</u></p> <p>The Committee noted a report by the Policy Manager (Appendix 3).</p> <p>After hearing the Head of Organisational Development introduce the report, Mrs Miller said that with the reduced funding in the public sector there was a need to try to encourage growth in the private sector to address the balance in the economy of Shetland, and she suggested that this issue should be included as an additional Performance Indicator to give it more focus. The Head of Organisational Development explained that developing and increasing jobs in the private sector was a strategic priority for the Council and the</p> | |
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Community Planning Partnership and was actively being addressed through the Community Planning Delivery Group.

In response to a question from Mr A Duncan relating to Section 4.4 of the report, the Head of Organisational Development advised that the non-reporting of some indicators did not relate to any particular areas of the Council. He advised that the intention is to move away from the indicators which prove difficult to report on, to find more straightforward means of reporting, to get a better balance of the important indicators to give a more indepth view.

In response to a question from Mr Duncan relating to the Local Indicator “We will export more high quality products”, the Head of Organisational Development commented that Shetland’s principal high quality product was its people, however areas that could be developed would be adding value to ICT, knowledge based industries and there would be some scope in the agriculture and fishing industries, and in high quality energy.

In referring to Page 12, Mr Duncan said that he welcomed the report that 500 welfare benefit checks had been carried out in Shetland during 2009-10, however he noted the comment regarding the numbers of benefit applications refused due to insufficient information. The Single Status Project Manager reported that the Revenue Services Manager had indicated that some instances related to individuals refusing to give any financial details, or when applicants realised they were not entitled to housing benefit and had not completed the process.

In response to a question regarding Local Indicator 37, “To increase the number of young people from families experiencing poverty or disadvantage who are receiving free, discounted or supported services”, the Policy Manager (E Perring) reported that the latest figures indicate that income deprivation is stabilising, and the issues highlighted in the Shetland research are still relevant and work continues to address these. She advised that a desktop exercise is to be undertaken to determine the levels of income inequality in Shetland and the Head of Finance has agreed to assist in providing information relating to high/low earners and seasonal employment.

In response to questions relating to the fuel poverty indicator, the Policy Manager (E Perring) reported that the Energy Assistance package has been in place since the latest statistics were reported, which may be having a positive impact, however there could be an increase in poverty generally with the outlook of less jobs and the impact of less services.

Ms L Baisley reported on a recent article in the “Shetland Times” offering free monitors to record energy uses. She added that having contacted the service, she found the

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| | <p>information to be very helpful.</p> <p>Ms Baisley commented that fuel poverty would continue to be on the increase in Shetland with the rise in fuel prices. The Policy Manager reported on the work that had been undertaken this year to improve some of the indicators.</p> | |
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| 52/10 | <p><u>Corporate Plan 2010/12 – Progress Report</u></p> <p>The Committee noted a report by Head of Organisational Development (Appendix 4).</p> <p>In introducing the report, the Head of Organisational Development outlined the progress that had been made on each of the seven key priorities that had previously been agreed by the Council.</p> <p>In response to a question from Mrs C Miller, the Head of Organisational Development outlined the various challenges associated with rolling out broadband to other areas of Shetland. Mrs Miller commented that any financial issues have to be addressed as improved telecommunications links with a number of the Council's priorities and is the way forward for Shetland.</p> <p>In response to a question, the Head of Environment and Building Services advised that details on the Smart Grid project would be presented to a future meeting of Infrastructure Committee.</p> <p>Mrs Miller said that she was delighted that the Council was once again progressing with house building, and suggested that there could be merit in drawing from the reserves to invest in Council housing stock, and to get a return on the investment through the rents. The Chief Executive commented that this appeared to be one area where there was a significant mismatch between the Council's aspirations and delivery. He advised however that options for future provision were being discussed at CMT and with Members, and this would continue to be looked at in the budget process.</p> <p><i>(Mr G Robinson left the meeting).</i></p> <p>Ms L Baisley said that the considerable progress being made with community growing and allotments in Shetland, which would link to the healthier and greener objectives, should be acknowledged in the Corporate Plan. The Head of Organisational Development agreed that areas where progress has been made should be reported on.</p> <p>In response to a question from Ms Baisley, the Head of</p> | |
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| | <p>Organisational Development advised that the intention is that GIRFEC will be applied to all children.</p> <p>In noting that the majority of the targets had received a 'green' rating, and there were only 2 'reds', Mr A Duncan said that this was an excellent report and congratulated all the staff involved. In referring to Mrs Miller's earlier comments on the need to address future house provision, Mr Duncan advised that discussions were ongoing to address future house building, and progress was being made with a report on options being presented to the next Services Committee.</p> | |
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| 53/10 | <p><u>Internal Audit – Six Monthly Internal Audit Progress Report 2010/11</u></p> <p>The Committee noted a report by the Head of Finance (Appendix 5).</p> <p>After hearing the Service Manager – Internal Audit introduce the report, Mr A Duncan outlined his concerns regarding the issues with Webroster. The Service Manager – Internal Audit advised that he would relay Mr Duncan's concerns to management in Education and Social Care.</p> <p>In referring to Section 5.2 of the report, the Chairperson congratulated the Service in being awarded continued accreditation.</p> <p>In referring to the issues identified relating to Members Allowances, Ms L Baisley enquired to the circumstances which would require travel to be booked less than 14 days prior to departure. The Service Manager – Internal Audit explained that there were instances when Members received relatively short notice to attend meetings, however he said there were instances when travel could be booked sooner when prices would be significantly lower.</p> <p>The Chief Executive commented that Members would have many concerns to raise, however he asked that some restraint is exercised to allow focus on the more important issues.</p> | Manager - Internal Audit |
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| 54/10 | <p><u>Promoting Attendance Update</u></p> <p>The Committee noted a report by the Human Resources Manager (Appendix 6).</p> <p>In introducing the report, the Human Resources Adviser referred Members to Section 7, which outlined the progress being made in relation to achieving an absence rate of below</p> | |
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| | <p>4.5%.</p> <p>Ms L Baisley commented on the notable improvement in the Council's sickness absence levels, however she said that further improvements still had to be made. In response to questions from Ms Baisley, the Human Resources Adviser reported that the Council's position was that long-term absences were regarded as any period longer than 4 weeks. She added that each absence is managed as it progresses, and it is important that managers keep in regular contact with the absentee.</p> <p>Mr A Duncan said that he welcomed the report, which had involved a significant amount of research and contained interesting information.</p> <p>In response to a question from Mr Duncan, the Human Resources Adviser explained that return to work interviews would be held when an employee had been absent from work 3 or more times within a 6 month period, or absent for more than 10 days within that period. In response to a further question, she advised that there could be merit in managers conducting return to work interviews with staff following each period of absence, and currently this happened in practice in certain areas of the Council. She added that this proposal could be discussed further with managers and Union representative. She added that the Service Manager – Internal Audit had prepared options to improving absence management for presentation to CMT.</p> <p>In response to a further question, the Human Resources Adviser reported that from the summary information provided by Internal Audit there has been fairly poor compliance with the triggers outlined in the Council's Absence Management Policy. She explained that this could relate to the timing of the information received by Managers and the complexities of the triggers. The Human Resources Adviser confirmed that these were areas that would be addressed in association with Internal Audit and CMT.</p> <p>In referring to Appendix 1, the Chairperson asked that additional information be provided in future reports, to illustrate the proportion of absenteeism that is short and long-term.</p> <p>The Chairperson thanked the Human Resources Adviser for the information provided.</p> | <p>H R Adviser</p> |
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| 55/10 | <p><u>Items for Future Discussion</u></p> <ul style="list-style-type: none"> • Single Status. | |
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| | <ul style="list-style-type: none">• Risk Management.• Training update for Members.• The use of Smart Cards/collection of ferry fares. The Service Manager – Internal Audit advised that the project had commenced to look into a replacement system for ferry ticketing.• Reports to Committee on the Council’s Improvement Plan, as a standing item. | |
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The meeting concluded at 11.55 a.m.

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F B Grains
Chairperson