

The Accounts Commission for Scotland

Agenda

Meeting on Thursday 20 January 2011,
in the offices of Audit Scotland, 18 George Street, Edinburgh

The meeting will begin at 10:00 am

1. **Apologies for absence**
2. **Declarations of interest**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 13, 14 and 15 in private.
4. **Minutes of meeting of 9 December 2010**
5. **Minutes of meeting of the Performance Audit Committee of 9 December 2010**
6. **Chair's introduction:** The Chair will report on recent activity and issues of interest to the Commission.
7. **Update report by the Controller of Audit:** The Commission will consider a report from the Controller of Audit on significant recent activity in relation to the audit of local government.
8. **Public Services Reform (Scotland) Act 2010:** The Commission will consider a report on duties arising from the Act.
9. **Scottish Government Spending Plans and Draft Budget 2011/12:** The Commission will consider a briefing.
10. **Grampian Police and Grampian Joint Police Board - Best Value Audit and Inspection:** The Commission will consider a joint report by the Controller of Audit and Her Majesty's Inspectorate of Constabulary for Scotland.
11. **Shetland Islands Council:** The Commission will consider a report by the Controller of Audit on the annual audit 2009/10.
12. **2010 Local Government Overview:** The Commission will consider a report by the Controller of Audit.
13. **Grampian Police and Grampian Joint Police Board - Best Value Audit and Inspection:** The Commission will consider the action it wishes to take on the report.
14. **Shetland Islands Council:** The Commission will consider the action it wishes to take on the report.
15. **2010 Local Government Overview:** The Commission will consider the action it wishes to take on the report.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of the meeting of the Commission of 9 December 2010	AC.2010.11.1
Agenda Item 5: Minutes of the meeting of the Performance Audit Committee of 9 December 2010	AC.2010.11.2
Agenda Item 7: Update report by the Controller of Audit	AC.2010.11.3
Agenda Item 8: Report by the Secretary and Business Manager	AC.2010.11.4
Agenda Item 9: Report by the Secretary and Business Manager	AC.2010.11.5
Agenda Item 10: Note by the Secretary and Business Manager Report by the Controller of Audit and HMICS	AC.2010.11.6 AC.2010.11.7
Agenda Item 11: Note by the Secretary and Business Manager Report by the Controller of Audit	AC.2010.11.8 AC.2010.11.9
Agenda Item 12: Note by the Secretary and Business Manager Report by the Controller of Audit	AC.2010.11.10 AC.2010.11.11

A digest of recent media coverage and other issues that may be of relevance to the Commission is also enclosed.

ACCOUNTS COMMISSION

MEETING 20 JANUARY 2011

MINUTES OF PREVIOUS MEETING

Minutes of the meeting of the Accounts Commission held in the offices of Audit Scotland at 18 George Street, Edinburgh, on Thursday, 9 December 2010, at 11:00 am

PRESENT: John Baillie (Chair)
Michael Ash
Colin Duncan
Bill McQueen
Christine May
Colin Peebles
Linda Pollock
Douglas Sinclair (Deputy Chair)

IN ATTENDANCE: Fraser McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement
Barbara Hurst, Director of Performance Audit
Fiona Kordiak, Director of Audit Services
Mark Brough, Secretary & Business Manager
Russell Frith, Assistant Auditor General [Item 8]
Ronnie Nicol, Assistant Director, Performance Audit Group [Items 12 and 13]
Graeme Greenhill, Portfolio Manager, Performance Audit Group [Items 12 and 13]
Corrinne Forsyth, Performance Auditor, Performance Audit Group [Item 13]
Angela Cullen, Assistant Director, Performance Audit Group [Item 14]
Dick Gill, Portfolio Manager, Performance Audit Group [Item 14]
John Lincoln, Project Manager, Performance Audit Group [Item 14]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 4 November 2010
4.	Minutes of meeting of the Performance Audit Committee of 4 November 2010
5.	Minutes of meeting of the Financial Audit and Assurance Committee of 18 November 2010
6.	Chair's introduction
7.	Update report by the Controller of Audit
8.	Pension scheme accounts and 2010/11 audit
9.	South Ayrshire Council Best Value audit progress report – follow-up meeting with Council leadership
10.	Conduct of Commission business
11.	Statutory performance indicators – 2010 Direction
12.	Edinburgh Trams
13.	Maintaining Scotland's Roads
14.	The Cost of Public Sector Pensions

1. Apologies for absence

Apologies were received from Jim King and Graham Sharp.

2. Declarations of interest

Colin Duncan declared an interest in relation to Item 9, in respect of having professional contacts with a number of elected members of South Ayrshire Council, and left the meeting during consideration of that Item. Christine May declared an interest in relation to Item 11, as Chair of the Scottish Library and Information Council.

3. Minutes of meeting of 4 November 2010

The minutes of the meeting of 4 November 2010 were submitted and approved.

4. Minutes of meeting of the Performance Audit Committee of 4 November 2010

The Commission noted the minutes of the meeting of the Performance Audit Committee of 4 November 2010.

5. Minutes of meeting of the Financial Audit and Assurance Committee of 18 November 2010

The Commission noted the minutes of the meeting of the Financial Audit and Assurance Committee of 18 November 2010.

The Commission noted the current issues in councils and the accounting and auditing updates to which the Committee had drawn its attention.

6. Chair's introduction

The Chair reported on—

- The publication on 25 November of the Controller of Audit's report and the Commission findings on Strathclyde Partnership for Transport.
- An invitation from Argyll and Bute Council for representatives of the Commission to visit and discuss progress since its Best Value audit. The Commission agreed that a meeting should be arranged at a suitable date.

7. Update report by the Controller of Audit

The Commission considered and noted a report by the Controller of Audit providing an update on significant recent activity in relation to the audit of local government.

During discussion, the Commission noted that—

- Auditors are currently in the process of presenting annual reports to councils and audit committees;
- The Scottish Government's Draft Budget for 2011/12 had been published on 17 November, and included an accompanying document entitled *Efficiencies from improvement to scrutiny*;
- Funding is to be withdrawn from the Sustainable Development Commission, possibly leading to increased focus on the role that Audit Scotland can play

in auditing the way in which public bodies respond to their sustainable development duties.

8. Pension scheme accounts and 2010/11 audit

The Commission considered a report by the Assistant Auditor General on arrangements for the audit of the first set of separate local authority pension scheme annual accounts, and—

- agreed to set a deadline for completion of the audit of the local authority pension scheme reports and accounts for 2010/11 of 1 December 2011; and
- noted that the deadline for future years is likely to be 30 September.

9. South Ayrshire Council Best Value audit progress report - follow-up meeting with Council leadership

The Commission considered and noted a report of a meeting between Commission members and representatives of the leadership of South Ayrshire Council on 17 November.

Following discussion the Commission agreed that the Chair should write to the Council with a copy of the report, highlighting the positive developments noted at the meeting.

10. Conduct of Commission business

The Commission considered a report by the Secretary and Business Manager on practical and procedural issues arising from the decision of the Commission to hold its meetings in public.

Following discussion, the Commission—

- agreed to amend its Standing Orders to include new paragraphs 14-18 in order to facilitate the handling of business, and to make other minor wording changes; and
- agreed formal guidance to ensure that decisions on how it will consider business, and the circumstances in which it may decide to consider any item of business in private, are as clear and transparent as possible.

The Commission agreed that processes to gather feedback on its meetings should be considered, and that it would consider a review of how its web-site supports its business.

The Commission also considered issues relating to the management of public records and agreed—

- to transfer the minutes of Commission meetings from 1974 to 1994 to the National Archives of Scotland, and
- to authorise the Secretary and Business Manager to consider the approach to compliance with new public records obligations in due course.

11. Statutory performance indicators – 2010 Direction

The Commission considered a report by the Director of Best Value and Scrutiny Improvement incorporating a draft 2010 direction on statutory performance information to be provided under section 1 of the Local Government Act 1992.

The draft direction leaves the information to be published by local authorities unchanged. The draft direction also includes an introduction that indicates that the Commission wishes to encourage the local government community to implement and sustain the infrastructure that will be required to deliver an effective set of performance information for the public that meets the statutory expectations of comparability across councils and over time.

The Commission approved the terms of the draft direction, subject to minor amendments being made to the introduction.

The Commission agreed that consideration should be given in the future to changing indicator 12b in the direction, 'Library users: number of borrowers as a percentage of the resident population', so that it more adequately reflects the range of services now provided by libraries.

12. Edinburgh Trams

The Commission considered a report by the Director of Performance Audit inviting it to consider a progress report and emerging messages on the interim performance audit of the Edinburgh Trams project, being prepared on behalf of the Commission and the Auditor General.

The Commission approved the emerging messages as the basis for a draft report, subject to consideration being given to a number of points raised in discussion.

The Commission agreed that a final draft report should be circulated to all Commission members by correspondence for comment, with any comments to be finalised by the Chair and Deputy Chair.

13. Maintaining Scotland's Roads

The Commission considered a report by the Director of Performance Audit inviting it to consider and approve the draft performance audit report '*Maintaining Scotland's Roads: a follow-up*', prepared on behalf of the Commission and the Auditor General.

The Commission approved the draft report for publication, subject to consideration being given to a number of points raised in discussion and noted that no separate key messages document would be published for this report.

14. The Cost of Public Sector Pensions

The Commission considered a report by the Director of Performance Audit inviting it to consider and approve the draft performance audit report '*The Cost of Public Sector Pensions in Scotland*', prepared on behalf of the Commission and the Auditor General.

The Commission approved the draft report for publication, subject to consideration being given to a number of points raised in discussion, and agreed that the key messages should be finalised accordingly.

ACCOUNTS COMMISSION

MEETING 20 JANUARY 2011

NOTE BY THE SECRETARY AND BUSINESS MANAGER

2010 LOCAL GOVERNMENT OVERVIEW REPORT

Purpose

1. The purpose of this note is to introduce the Controller of Audit's annual overview report on issues arising from the local authority audits.

The report

2. The Commission has a standing direction to the Controller of Audit to produce an overview report on issues arising from the audit of local authority accounts. The Controller's report for 2010 is enclosed. The report is made under section 102(1)(a) of the Local Government (Scotland) Act 1973 (as amended by various subsequent pieces of legislation including the Local Government in Scotland Act 2003).
3. Throughout the past year (primarily through discussion by the Financial Audit and Assurance Committee) the Commission has had a number of opportunities to consider and comment on how the style and presentation of the report might be developed.
4. The Commission noted that feedback from the local government community indicated that the most useful part of previous overview reports has been that on the use of resources, and that it would be helpful for the report to be published as early as possible because it provides useful background and context to the budget-setting process in councils.
5. The Commission agreed, therefore, that the focus of the report should be on strategic resource management in a broad sense, while maintaining a focus on the impact on the users of council services. The Commission also noted that publication of the report shortly after the Auditor General's NHS overview report (which this year focuses on a strategic financial overview) would demonstrate a joined up public audit approach to reporting on two sectors that make up two-thirds of the Scottish budget.
6. There will be further opportunity in the coming year for the Commission to consider how best the overview report can develop.

Action by the Commission

7. The legislation provides that, on receipt of a Controller of Audit's report, the Commission may do, in any order, all or any of the following, or none of them—
 - (a) direct the Controller of Audit to carry out further investigations;
 - (b) hold a hearing;
 - (c) state its findings.

Consideration of the report

8. The Commission is invited to consider how it wishes to proceed.

9. In previous years it has been the Commission's practice to make findings on the Controller of Audit's report, emphasising points which it considers of particular significance. For information, a copy of the Commission's findings on the overview report for 2009 is attached as an Appendix. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers and councils.

Publication

10. It is intended to publish the Controller of Audit's report, including any Commission findings, on 28 January. The report and findings will be circulated to all local authorities and released to the media.
11. The Commission is also invited to consider how it might wish to engage with the local government community on the issues identified in the report and the Commission's findings. The Chair has written to COSLA to suggest a meeting with the leadership around the time of the publication. The Chair has also been invited to give evidence to the Scottish Parliament Local Government and Communities Committee on the report on 9 February. The Parliament's Public Audit Committee may also agree to consider the report in a similar way.

Conclusion

12. The Commission is invited to consider the Controller of Audit's overview report and decide how it wishes to proceed.

Mark Brough
Secretary and Business Manager
12 January 2010

Appendix

ACCOUNTS COMMISSION

Overview of the local authority audits 2009

Each year the Accounts Commission asks the Controller of Audit to produce an overview report on issues arising from local authority audits. The Commission has considered the report for 2009.

The Commission notes the relatively stable financial position in 2008/09 and the commitment which has gone into significant trading operations to make more of them profitable. We welcome evidence of sound accounting performance, with almost all councils achieving clean audit certificates on their financial statements. The Commission also acknowledges and welcomes the substantial commitment that councils have made in responding to their Best Value duty to secure continuous improvement.

The Commission welcomes evidence of areas in which councils are providing good quality outcomes for citizens – for example, in targeting care services more effectively to meet needs, and in working well with local partners to deliver aspects of addiction services. We also welcome the serious consideration of shared services development in a significant number of councils.

These are positive developments. Councils, however, must focus on the scale of the challenge ahead. More progress is still needed on many of the findings the Commission made on the 2008 overview report. Councils need to improve the way they assess how they are contributing to outcomes that meet the distinct needs of their communities. The Commission acknowledges the investment in developing single outcome agreements, although this has served to re-emphasise the need for significant improvement in performance management and reporting.

The impact of the recession - reduced income and increased demand for some council services - has already started to materialise in the period covered by this year's report. But, as councils are aware, the future budget position is expected to be substantially more difficult and an urgent response is required.

Projections made at the time of the last UK budget in April 2009 show real terms reductions in the Scottish budget of between seven and 13 per cent between 2009/10 and 2013/14. While definitive figures must await future spending review outcomes, subsequent estimates indicate that the outlook may, if anything, be even more difficult. Councils, therefore, need to prepare now to deal with the extremely challenging combination of increased demand and reduced resources. Incremental approaches to achieving savings and efficiencies cannot be expected to be sufficient to address this.

The scale of the budget challenge demands radical thinking about service design. Councils need to continue to think, urgently and radically, about services - what they are delivering, how they are meeting needs and what are the most effective and efficient ways to deliver them. Elected members and senior officers have difficult decisions to make on the allocation of resources. At the heart of this decision-making should be robust options appraisal and effective scrutiny. This means that members and officers must have accurate and relevant information.

Councils, therefore, urgently need to ensure that they have comprehensive baseline data on service outcomes and costs and are able to integrate this within performance management systems. In doing so, we urge councils to examine and draw on evidence of service improvement and good practice. More effective workforce planning and management, and further progress on asset management and procurement, are also essential.

This year's report also shows that there is still considerable room to standardise, simplify and streamline services. There is scope for progress on shared services, but equally for simplifying and standardising common processes within and across the 32 councils so that they can demonstrate to their taxpayers that they are delivering value for money.

We look forward to working with the local government community to take forward the issues in these findings.

ACCOUNTS COMMISSION

MEETING 20 JANUARY 2011

MINUTES OF PERFORMANCE AUDIT COMMITTEE

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of Audit Scotland, 18 George Street, Edinburgh following the meeting of the Accounts Commission on Thursday, 9 December 2010.

COMMITTEE MEMBERS PRESENT:

Douglas Sinclair (Chair)
Michael Ash
John Baillie
Christine May
Colin Peebles

OTHER COMMISSION MEMBERS PRESENT:

Colin Duncan

IN ATTENDANCE:

Barbara Hurst, Director, Performance Audit Group
Angela Canning, Assistant Director, Performance Audit Group
Angela Cullen, Assistant Director, Performance Audit Group
Ronnie Nicol, Assistant Director, Performance Audit Group
Fraser McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement
Mark Brough, Secretary and Business Manager
Beth Hall, Portfolio Manager, Performance Audit Group [Item 4]
Gill Miller, Performance Auditor, Performance Audit Group [Item 4]
Mark Roberts, Portfolio Manager, Performance Audit Group [Items 5 and 6]
Carolanne Macdonald, Project Manager, Performance Audit Group [Item 5]
Douglas Black, Project Manager, Performance Audit Group [Item 6]

Item no.

Subject

1. Apologies for absence
2. Declarations of interest
3. Minutes of meeting of 4 November 2010
4. Community planning partnerships – Performance audit project brief
5. Modernising the planning system – Performance audit project brief
6. Performance audit on the Climate Change Delivery Plan – update and proposal
7. Any other business

1. Apologies for absence

Apologies were received from Jim King.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 4 November 2010

The minutes of the meeting of 4 November 2010 were submitted and approved.

4. Community planning partnerships – Performance audit project brief

The Committee considered a report by the Director of Performance Audit setting out a draft project brief for a performance audit entitled *Community planning partnerships*, to be conducted jointly on behalf of the Accounts Commission and the Auditor General.

The Committee approved the project brief, subject to consideration being given to the following points raised in discussion:

- As well as local government representatives, it may be useful to consider representatives from other public and private sectors, either for the advisory group or as other contacts.
- The audit could highlight the different audit arrangements among the partners and the difficulty of ensuring a shared understanding of accountability for the partnership.
- The audit could usefully examine the notable practice demonstrated by different partnership models, and get a clear sense of what is happening at community engagement level as well as strategic partnership level.

5. Modernising the planning system – Performance audit project brief

The Committee considered a report by the Director of Performance Audit setting out a draft project brief for a performance audit entitled *Modernising the planning system*, to be conducted jointly on behalf of the Accounts Commission and the Auditor General.

The Committee approved the project brief, subject to consideration being given to the following points raised in discussion:

- It would be helpful for the audit to examine the extent to which the new system has been able to achieve the twin objectives of making the system more efficient while also giving more influence to local communities.
- Consideration should be given to the scope including more explicit examination of the experience of users of the system, particularly in regard to assessing progress made in modernising the system, and the role of elected members.
- Given their statutory role, community councils might usefully be involved in the audit, perhaps as members of the project advisory group.
- The audit should highlight the level of delegation given to officers in the system, and any comparative data about the impact of this on performance.
- The title of the audit may need amended so as not to prejudge conclusions.

6. Performance audit on the Climate Change Delivery Plan – update and proposal

The Committee considered a report by the Director of Performance Audit setting out an update on a proposed performance audit on the *Climate Change Delivery Plan*, to be conducted jointly on behalf of the Accounts Commission and the Auditor General.

Following discussion, the Committee agreed that the audit is likely to be more effective if conducted in two phases:

- The first phase to focus on the Scottish Government's performance in establishing arrangements to meet the objectives of the climate change legislation and how it has planned for successful implementation; and
- The second phase to cover the performance of other public bodies, including local authorities, with regard to climate change obligations.

The Committee agreed to recommend to the Commission that the performance audit programme be amended so that the proposed first phase be conducted as an audit on behalf of the Auditor General, and the timing of the proposed second phase be kept under review with a view to conducting an audit jointly on behalf of the Accounts Commission and the Auditor General at an appropriate point.

7. Any other business

There was no other business.

ACCOUNTS COMMISSION

MEETING 20 JANUARY 2011

REPORT BY THE CONTROLLER OF AUDIT

UPDATE REPORT

Introduction

1. The purpose of this regular report is to provide an update to the Commission to keep it informed of significant recent activity in relation to the audit of local government.

Local government issues

2. Regular reports to the Financial Audit and Assurance Committee provide an update on issues arising in local government. The next such report is current being prepared by local auditors for the Committee's meeting on 10 February.
3. Angus Council has appointed Richard Stiff, currently deputy chief executive at North Lincolnshire Council, as its new chief executive to replace David Sawers, who is retiring in February.
4. City of Edinburgh Council's new chief executive, Sue Bruce, has taken up her post and replaces Tom Aitchison who retired at the end of December.
5. The Scottish Ministers have appointed Jacquie Roberts, previously chief executive of the Scottish Commission for the Regulation of Care (Care Commission), as interim chief executive of the new scrutiny body Social Care and Social Work Improvement Scotland. She took up the role on 8 December on secondment to the Scottish Government. In an open recruitment process the appointment panel had not been able to recommend anyone to Ministers to appoint as a substantive chief executive. To help smooth the transition to the new body, David Wiseman has returned from secondment to take up the role of acting chief executive of the Care Commission.

Parliamentary news

6. At its meeting on 8 December 2010, the Public Audit Committee took evidence from the Scottish Government on the performance audit *Getting it right for children in residential care*. The Committee will now draft its own report. At the same meeting the Committee considered and noted a response from the Accountable Officer on its report on the first Commonwealth Games performance audit progress report.
7. At its meeting on 12 January 2011, the Auditor General briefed the Public Audit Committee on the follow-up performance audit on *Improving energy efficiency*.
8. On 17 December, the Scottish Commission for Public Audit published its report on Audit Scotland's proposed budget for 2011/12. In recommending that the proposed budget should be approved, the SCPA welcomed Audit Scotland's efforts to reduce the cost of audit and to identify further efficiencies. It also stressed again the importance of maintaining a high quality, independent audit function in times of financial restraint.

Other issues

9. I previously advised the Commission that the House of Commons Communities and Local Government Committee had decided to conduct an inquiry into the audit and inspection of local authorities. The Committee is currently drafting a programme of oral evidence, with sessions likely to take place between early February and late March, and a report expected to be published in May or June. Audit Scotland has made a written submission focusing on the need to ensure smooth arrangements for taking forward the National Fraud Initiative (NFI). The NFI exercise is undertaken in partnership with the Audit Commission, which carries out the data matching on behalf of Audit Scotland.

Conclusion

10. The Commission is invited to consider and note this report.

ACCOUNT COMMISSION

MEETING 20 JANUARY 2011

REPORT BY THE SECRETARY AND BUSINESS MANAGER

**OBLIGATIONS AND POWERS UNDER THE PUBLIC SERVICES REFORM
(SCOTLAND) ACT 2010 AND OTHER LEGISLATION**

Purpose

1. A previous briefing for the Commission in May 2010 summarised the main provisions of the Public Services Reform (Scotland) Act 2010. The purpose of this report is to provide the Commission with an update on certain provisions. This report focuses particularly on provisions in that Act and others that impose new duties or responsibilities on the Commission itself or on other public bodies relevant to the work of the Commission.
2. The report also invites the Commission to consider and agree how it will demonstrate compliance with certain obligations.

Background

3. The Public Services Reform (Scotland) Act 2010 is a wide-ranging piece of legislation. It combines various strands of work, including general public sector simplification and scrutiny reform proposals.
4. The Act was passed by the Scottish Parliament on 25 March 2010 and received Royal Assent on 28 April. The Act allows for different provisions to be brought into force on different dates. Most parts of relevance to the Commission are already in force.

Provisions directly relevant to the Accounts Commission

Information on Exercise of Public Functions

Background

5. Part 3 of the Act requires detailed reporting of a range of financial information by various public bodies. The bodies to which this applies are listed in Schedule 8, which includes Audit Scotland, the Accounts Commission and most audited bodies. It does not include local authorities, but does apply to regional transport partnerships.
6. The provisions require listed public bodies to produce, as soon as reasonably practicable after the end of each financial year, a statement—
 - a) of expenditure in relation to public relations, overseas travel, hospitality and entertainment, and external consultancy;
 - b) specifying the nature of any payment made which is over £25,000;

- c) specifying the number of individuals within the organisation with remuneration over £150,000;
 - d) stating the steps it has taken in the year to—
 - i. promote and increase sustainable growth through the exercise of its functions; and
 - ii. improve efficiency, effectiveness and economy in the exercise of its functions.
7. These provisions have been brought into force with effect from 1 October 2010. The Commission is obliged, therefore, to produce a statement on these matters as soon as practicable after 31 March 2011.
8. Scottish Ministers have issued guidance on these requirements, to which public bodies must have regard. The guidance suggests that it is best practice to provide at least some of this information on a regular basis throughout the year, and that publication need not be limited to inclusions in the body's annual report.

Proposal for compliance

9. All of the Commission's resources are provided through Audit Scotland. Expenditure by Audit Scotland is not separately identified or accounted for according to whether it is on behalf of the Commission (which is subject to these duties) or the Auditor General (who is not).
10. In practice, to comply with 7 a) and b) above it will be very difficult to discern the proportions of expenditure which relate to the Commission. In principle, it would also appear unhelpful to seek separate reporting on any financial matters by the Commission.
11. It is suggested, therefore, that the Commission may wish to ask Audit Scotland to produce information in a manner that satisfies the Commission that it is complying with its statutory obligations. (This would parallel the way in which the Commission complies with its duties under the Freedom of Information Act and Data Protection Acts, where schemes are managed on its behalf by Audit Scotland.)
12. Audit Scotland is separately obliged to comply with this Part of the Act. The Audit Scotland Board will be asked at its meeting on 27 January to consider how it should comply with these duties, and will welcome the Commission's views.
13. In preparation for the Board meeting, Audit Scotland staff have developed options that suggest that the Board may wish to:
- Include an 'Expenditure' section on the website as the principal means of publication of this information, with a note to explain that the information is published jointly by Audit Scotland and the Commission.
 - Publish information quarterly on this webpage in relation to expenditure on public relations, overseas travel, hospitality and entertainment given, and external consultancy.
 - Publish information quarterly on this webpage in relation to payments with a value in excess of £25,000.
 - Comply with Scottish Government guidance on good practice by also aggregating payments to suppliers and publishing this information (on a half-year and end-year basis) where the aggregate is in excess of £25,000. This will make transparent those organisations dealt with on a

regular basis but for smaller amounts of expenditure below the £25,000 threshold.

14. Although the publication of this information will be through the Audit Scotland website, the Commission will be able to include on its part of the site a brief statement on its compliance with the obligations and direct interested parties to the information. Consideration can also be given to whether summary information might usefully be included in both the Commission and Audit Scotland's annual reports.
15. At present no individuals within the Commission or Audit Scotland receive remuneration over £150,000. A statement to reflect this can be included in the website, and confirmed in the annual report and accounts of Audit Scotland (which include expenditure on Commission members).
16. Scottish Government guidance does not provide any significant further detail on how scrutiny bodies might fulfil the requirement to publish statements to demonstrate compliance with 7 d) i and ii above. It is suggested that a free-standing statement on each of the duties should be added to the website by Audit Scotland after the end of each financial year. It is suggested that approval of the content of this statement should be delegated to the Chair in his capacity as a member of the Audit Scotland Board. The Commission can also consider when producing its own annual report, whether a further statement could usefully be made by it.
17. **The Commission is invited to consider whether to accept the proposals in paragraphs 13 to 16 above.**

Duty of user focus and duty of co-operation

Background

18. Part 8 of the Act requires certain scrutiny bodies to secure, and demonstrate, continuous improvement in user focus in the exercise of their scrutiny functions.
19. Part 8 also requires certain scrutiny bodies to co-operate with each other and with Scottish Ministers in order to improve the exercise of their scrutiny functions in relation to various public bodies (including local authorities).
20. These duties have been brought into force with effect from 1 October 2010. The Scottish Government has produced guidance on complying with them. Both duties apply to the Commission (but not to either Audit Scotland or the Auditor General).

Proposals for compliance

21. In responding to consultations on the draft Scottish Government guidance, the Commission set out its current activity in support of co-operation and how it has aimed to secure user focus to date. This covers both the direction set by, and the activities of, the Commission itself and the work of Audit Scotland and appointed auditors on behalf of the Commission.
22. The responses showed that there is significant existing activity, but also a number of areas that require further consideration. For example, further thought needs to be given to the most appropriate mechanisms for gauging and

measuring success in improving user focus; or to how the perspective of service users can be taken fully into account in the governance and design of activities. The Commission has also previously agreed that it should consider its role in scrutiny co-ordination and co-operation further at its strategy seminar in early 2011.

23. It is suggested, therefore, that—

- The principal means by which the Commission should report on compliance with the duties of user focus and co-operation should be its annual report.
- In order to integrate this with its overall objectives, the Commission should agree to consider this further at its strategy seminar.
- The seminar should seek to identify a baseline statement for inclusion in the 2010/11 annual report and a means by which progress can be measured and reported.

24. **The Commission is invited to consider whether to accept this proposal.**

Complaints handling

Background

25. Part 8 also inserts new sections into the Scottish Public Services Ombudsman Act 2002 to:

- require the Ombudsman to publish a statement of principles concerning complaints handling procedures;
- require all authorities listed in the Ombudsman Act (i.e. including the Accounts Commission, Auditor General and Audit Scotland, and virtually all audited bodies) to have a complaints handling procedure which complies with the principles and to submit it to the Ombudsman;
- allow the Ombudsman to publish model complaints handling procedures;
- allow the Ombudsman to declare that an authority's procedure does not comply with the relevant model and to require modifications;
- require the Ombudsman to monitor practice and promote best practice.

26. These duties were brought into force with effect from 1 August 2010. The Ombudsman (SPSO) has consulted on and prepared a draft statement of principles on complaints handling. This is currently before the Scottish Parliament for approval. Further work will be undertaken to develop a model complaints handling procedure, and a 'Complaints Standards Authority' is being set up as part of SPSO to support improvement.

Proposals for compliance

27. At present Audit Scotland has a complaints procedure for use by those who are not satisfied with the service provided to them by Audit Scotland. There are no separate complaints procedures for the Auditor General or the Commission. This helps to avoid confusion for anyone wishing to complain.

28. It would appear likely that this situation may remain sufficient. As all staff resources for the Commission are provided by Audit Scotland, a complaint about the standard of service provided by staff supporting the Commission would be handled under the Audit Scotland complaints procedure. A complaint about the

conduct of Commission members themselves would be in relation to the Commission's Code of Conduct, and would therefore be a matter for the Standards Commission rather than the complaints procedure. A complaint about a decision of the Commission (for example, its findings or, ultimately, a sanction it imposed) would be a matter to be pursued through statutory appeal procedures or an action for judicial review.

29. One option for compliance with the new duties would, therefore, be to seek approval from the SPSO for the principle that the Commission does not require a separate scheme from that of Audit Scotland. (This would be similar to the approval of the Scottish Information Commissioner that a separate publication scheme is not required for the Commission.)
30. However, the Commission will want to be satisfied that the position outlined in paragraph 28 covers all eventualities. If so, the Commission will wish to ensure that Audit Scotland consults it when conducting any revision of its complaints procedure to ensure that it complies with the principles and any model set by the SPSO. The Commission will also wish to ensure that its position is adequately explained so that interested parties are aware of the appropriate methods of complaint.
31. **The Commission is invited to consider whether to accept these proposals.**

Other main provisions in the Public Services Reform (Scotland) Act 2010

Order-making powers

32. Part 2 applies wide order-making powers to a broad range of public bodies, allowing the Scottish Ministers to bring forward in regulations future proposals for reform of the structure and functions of public bodies. This is intended to allow for flexibility to reform the public sector further, without the need for primary legislation on each occasion. The exercise of the power is limited in various respects, and proposals are subject to various stages of consultation and parliamentary scrutiny before they can be enforced.
33. The order-making powers have been brought into force with effect from 1 August 2010. They will lapse automatically after five years unless renewed for a further period of five years, with the possibility of further subsequent extension.
34. The Accounts Commission is listed in Schedule 5 of the Act, meaning that the powers apply to it. The Commission should, therefore, be aware of these powers, although no action is required.

Audit Scotland governance

35. Part 8 also provides for changes to the governance of Audit Scotland, principally affecting the composition of the Audit Scotland Board. It requires that the Board consists of the Auditor General, the Chair of the Accounts Commission and three independent non-executive members. The three members will be appointed by the Scottish Commission for Public Audit (which will also select the Chair of the Board), and determine the terms and conditions of appointment.
36. The Board currently consists of the Auditor General, the Chair of the Accounts Commission and two independent non-executive members. The Scottish

Commission for Public Audit is currently recruiting a third non-executive member.

37. The Act also provides that a future holder of the post of Auditor General for Scotland will be appointed for a single non-renewable fixed term of eight years.

Joint inspections

38. Part 8 of the Act also allows Scottish Ministers to require certain scrutiny bodies to undertake joint inspections for a particular purpose. This does not apply to the Accounts Commission or Audit Scotland.

Social Care and Social Work and Health Care: Scrutiny and Improvement

39. Part 5 makes provision for the establishment of a new social care scrutiny body – Social Care and Social Work Improvement Scotland (SCSWIS) – by amalgamating the functions of the Care Commission, the Social Work Inspection Agency and some elements of the duties of HMIE. Part 6 makes provision for the establishment of a new health care scrutiny body – Health Improvement Scotland (HIS) – by amalgamating the functions of NHS Quality Improvement Scotland with some functions of the Care Commission for the regulation of independent health care services.
40. The organisational development of SCSWIS and HIS is being handled jointly in many respects, and the powers and approaches of both bodies have many parallels. Their creation is described as working in tandem with the wider new duties on user focus, co-operation and joint inspection. Both bodies will be required to prepare inspection plans and detail a programme in line with ‘best regulatory practice’.
41. Parts 5 and 6 have no direct effect on the Accounts Commission, except in that they change the inspection bodies with which the Commission is working as part of its scrutiny co-ordination gate-keeping role.

Obligations and powers under other legislation

The Housing (Scotland) Act 2010

42. The Commission may also wish to note that the Scottish Parliament passed the Housing (Scotland) Act 2010 on 3 November. This Act includes provisions reforming the Scottish Housing Regulator (SHR). The SHR is one of the scrutiny bodies involved in the co-ordination of local government scrutiny led by the Commission.
43. The Commission may wish to note that the Housing (Scotland) Act 2010 includes several provisions of direct interest to it—
 - The Act requires the SHR to prepare and periodically review a statement setting out how it intends to perform its functions, and to consult the Commission (among others) before doing so.
 - The Act includes a specific section entitled ‘Involvement of the Accounts Commission’. This requires the SHR to, at such intervals and in such manner as it considers appropriate, consult the Commission about the performance of the SHR’s general functions in relation to

local authority landlords, and to publish a statement about how it intends to comply with that duty.

- The SHR is required, so far as is consistent with the proper performance of its functions, to seek to secure co-operation between it and other relevant regulators (which include the Commission).
- Scottish Ministers are required to prepare and review from time to time a Scottish Social Housing Charter and before doing so must consult the Commission (among others).
- The SHR may set and review performance improvement targets for social landlords and before doing so must consult the Commission (among others).
- The SHR must notify the Commission (and various other stakeholders) of the types of inquiry on which it intends to publish reports, and consult the Commission (among others) before preparing a code of practice on how it intends to make inquiries and a code of practice on how it intends to make regulatory interventions.
- The SHR must consult the Commission (among others) before taking action to appoint a manager for a local authority or a local authority landlord where the landlord has failed, or is at risk of failing, to perform its duties.
- The SHR must consult the Commission (among others) before it issues guidance about how social landlords should involve people such as tenants, homeless persons and people using housing services in the preparation of information for the SHR.

44. These provisions are notable in that they appear to be the first legislative expression of matters relating to the Commission's scrutiny co-ordination role. The Commission should, therefore, be aware of these powers, although no immediate action is required.

Conclusion

45. The Commission is invited to note this report. In particular, the Commission is invited to—
- consider and agree whether it accepts the proposals in paragraphs 13-16 on publication of information in relation to exercise of public functions;
 - consider and agree whether it accepts the proposals in paragraph 23 on compliance with the duties of user focus and co-operation;
 - consider and agree whether it accepts the proposals in paragraphs 29 and 30 to pursue compliance with complaints handling duties;
 - note the obligations on Scottish Ministers and the Scottish Housing Regulator to consult the Commission on various matters arising under the Housing (Scotland) Act 2010.

Mark Brough
Secretary and Business Manager
12 January 2011

ACCOUNTS COMMISSION

MEETING 20 JANUARY 2011

REPORT BY THE SECRETARY AND BUSINESS MANAGER

SCOTLAND'S SPENDING PLANS AND DRAFT BUDGET 2011/12

Purpose

1. The purpose of this paper is to provide the Commission with background briefing on the Scottish Government's draft budget for 2011/12, in particular some of the implications for local government.
2. The Commission is invited to note this report.

The UK Government Spending Review

General issues

3. The UK Government's Spending Review was announced on 20 October 2010 and presented UK budgets for the period 2011-15. The Government stated that it had prioritised the NHS, schools, early years provision and the capital investment required to support long-term economic growth.
4. As a result of the Government's prioritisation, departmental budgets other than health and overseas aid will reduce by an average of 19% in real terms over the four-year period, with some reducing by considerably more. The total level of government expenditure as a percentage of GDP is planned to return by 2014/15 to the level of 2006/07, from a peak in 2009/10.
5. The overall departmental spending limit (DEL) resource budget is planned to reduce by 8.3% in real terms over the period. The DEL capital budget is planned to reduce by 29% over the period. The Government states that, in order to fund capital programmes of high economic value, it has increased the capital budget by £2.3 billion a year by 2014/15 compared to the plans set out in its June 2010 budget. It also announced an increase in the average interest rate charged by the Public Works Loan Board on all new loans to an average of 1.00% above the Government's cost of borrowing. This took immediate effect and will result in additional borrowing costs for public bodies.

Local government in England

6. Councils in England will have an overall budget cut of 7.1% per year across the period, but will be given greater discretion over spending and grant ring-fencing will end. Some of the key elements of the Spending Review for local government in England are:
 - Local government resource funding to councils will reduce by 28% in real terms over the Spending Review period, one of the highest departmental reductions.

- The Government has said that reductions in spending are matched by a radical reform programme that gives councils unprecedented freedoms and flexibilities and far more control over their budgets. The measures include an end to ring-fencing of almost all revenue grants from 2011/12, radically reducing the number of core grants, and giving councils greater local discretion to target council tax benefit on local priorities from 2013/14.
- Reducing barriers to effective joint working by establishing the first Community Budgets in 16 local areas from April 2011 to help councils and their partners to work together to support families with complex needs, with all places to be able to operate these approaches from 2013-14.
- Reforming performance information requirements and reducing the reporting and inspection burden on local government. The Government said that it has handed control of nearly 5,000 top-down targets to local councils to amend or drop as they see fit and will develop a single list of all of central government's data requirements from local government, to take effect from April 2011.
- Funding has been provided to support a council tax freeze in 2011/12, with the Government saying it has provided sufficient funds to cover the income that would otherwise be generated by a 2.5% council tax rise.

Scottish block allocation

7. The Scottish departmental expenditure limit (DEL) shows a total real terms reduction of 10.6% over the period to 2014/15 compared to the baseline of 2010/11.
8. The cumulative real reduction in Scottish resource spending over this period (6.8%) is less than that for the UK as a whole (8.3%) – in large part due to Scotland's resource spending benefiting through the Barnett formula from the decision to protect health and education spending in England.
9. By way of contrast, the Scottish capital allocations are projected to fall by 38.4% over the same period, compared to a reduction of 29% for the UK as a whole. This is largely due to the Barnett formula consequences of substantial cuts in capital spending on social housing and on schools in England.
10. The reduction is weighted to the first year of the period, with a real terms reduction of 5% in total DEL from 2010/11 to 2011/12. In particular, the reduction in the capital budget is heavily weighted to the first year of the period.
11. It should be noted that the Scottish Government has presented the baseline for 2010/11 in a different way from the Treasury. The Scottish Government had exercised the option of deferring its share (estimated at £332 million) of the £6 billion cuts in the UK Government's emergency 2010/11 budget. The Treasury removed this amount from the 2010/11 baseline. It also removed end-year flexibility drawn down in the 2010/11 budget.
12. The Scottish Government has included these amounts in its presentation of the 2010/11 baseline. Its presentation gives a total real terms reduction in the Scottish DEL over the Spending Review period of 11.3% (representing an 8.6% reduction in resource spending and a 36.5% reduction in capital spending). The Scottish Government's presentation shows the real terms reduction in total DEL in the first year of the period as 6.2%, a total cash reduction of £1.3 billion.

13. On the Treasury's figures, the 6.8% reduction in the Scottish DEL resource budget compares to reductions of 7.5% for Wales and 6.9% for Northern Ireland. The 38.4% reduction in the Scottish DEL capital budget compares to reductions of 41% for Wales and 37% for Northern Ireland. These are not strict like-for-like comparisons as the other devolved administrations took different decisions on deferral of their shares of the 2010/11 budget cuts.

The Scottish Government's Spending Plans and Draft Budget 2011/12

Key features of the draft budget

14. On 17 November, the Scottish Government announced its draft budget for 2011/12. Its allocation of the budget across portfolios varies significantly. Health and Wellbeing has a small cash increase, amounting to a real terms reduction of 1.1%, whereas most other portfolios have a real terms reduction of over 10%. As a result the Health portfolio's share of the Scottish budget will rise in 2011/12 from 32.2% to 33.8%.
15. The headline figures for portfolios mask considerable variation across budget lines within portfolios. It is only at lower levels ('Level 2') that the significant 'winners and losers' become apparent, none of which are directly significant for local government.
16. For example, four level 2 budget lines show real terms increases. The two largest of these are:
 - The 'Learning' budget, which covers Scottish Government spending on schools, has increased by £30.9 million (which equates to 22.2% in real terms). This appears to be largely due to a £37.8 million increase in the 'Schools, People and Places' line to support capital expenditure in 2011/12.
 - The 'Active' budget increases by £12.3 million (which equates to 20.4% in real terms) due to the contribution to the costs of the Commonwealth Games.
17. All other level 2 budget lines show a real terms reduction. There are reductions of £215.8 million for the Scottish Further and Higher Education Funding Council (13.7% in real terms); £94.2 million for the Housing and Regeneration budget (20.8% in real terms); and £104.4 million for the Scottish Prison Service (23.7% in real terms). Support for borrowing by Scottish Water has been reduced from £150 million to zero, meaning that the Scottish Water and Climate Change budget line shows the largest real terms reduction. The Government stated that Scottish Water is in a strong cash position and can sustain its investment programme in 2011/12 without Government support for borrowing.
18. Some of the policies that the Scottish Government has said are required to balance the 2011/12 budget are:
 - setting a 3% target for efficiencies in 2011/12
 - selling surplus assets, securing further savings of £61 million from procurement and using innovative approaches for funding infrastructure investment

- tightening public sector pay policy
 - continuing to simplify the public bodies landscape and make further savings from scrutiny.
19. On pay policy, the Scottish Government announced its intention to freeze public sector pay for 2011/12 for those earning above £21,000. It intends to implement a minimum living wage of £7.15 per hour and provide a minimum annual increase of £250 for those earning under £21,000. It can, however, only implement these measures for those groups of staff whose pay remits are within its control.
 20. The savings realised by this pay freeze depend on what might otherwise have happened to pay inflation. If pay would otherwise have stayed constant in money terms (i.e. a rise of 3.2%, representing the October 2010 rate of CPI), the freeze is assumed to deliver something just over £100 million.
 21. No changes have been made to entitlement to the main demand-led budgets – concessionary travel, free personal and nursing care, and prescription and eye examination charges.
 22. On capital, the Scottish Government has carried forward a £100 million underspend from 2010/11 to help support capital spending in 2011/12, and has made an unspecified reallocation of some resource spending to capital. It states that capital spending has a more significant potential impact on economic growth.
 23. Major national infrastructure projects are to be prioritised for capital spending – the Forth replacement crossing, the South Glasgow Hospitals project and the Schools for the Future building programme. The cost met from resource budgets to fund unitary charges for existing PFI/PPP projects is expected to peak as a share of the DEL resource budget at around 2.3 per cent in 2015-16. The Scottish Government has announced that it intends to hypothecate an additional 1 per cent of the DEL resource budget, which will provide at least £250 million of revenue support to be used to fund up to £2.5 billion of capital expenditure delivered through the non-profit distributing model of public private partnerships.

Local government funding

24. The baseline total allocated by the Scottish Government in the draft budget for support to local government in 2011/12 is £11,548 million, a cash reduction of £438.3 million on 2010/11, or 3.7%. In real terms this is a reduction of 5.5%, which compares to an overall real terms cut of 4.8% across the rest of the Scottish budget. The Government stated that this package of support is focused on growing the Scottish economy and protecting frontline services, and that it maintains the share of the Scottish budget allocated to local government at 34.5%.
25. The resource allocation (i.e. resource grants and distributed income from non-domestic rates) of £10,856 million is a reduction of £286.9 million on 2010/11, or 2.6% in cash terms.
26. Support for capital of £691.8 million is a reduction of £151.4 million, or 18%. In real terms this is a reduction of 19.5%. Of the capital allocation to local authorities, £120.2 million (19%) is ring-fenced and £520.9 million (81%) is

distributed as general capital grant. In addition, £20.2 million has been allocated to fire boards and £20.5 million to Strathclyde Partnership for Transport.

27. The total resource funding includes an assumed income from non-domestic rates (NDR) of £2,170.5 million. This is a real terms increase of £62.6 million (3%) over 2010/11. This includes £30 million assumed income from a new supplement on large retailers, which is subject to approval by the Parliament. Should the NDR income be lower than this assumption, the Scottish Government will bear that risk and increase general revenue grant to compensate.
28. The figures above do not include income from council tax. The Scottish Government is making £70 million available to cover the presumed cost of freezing council tax. The draft budget also contains a £70 million 'change fund' to help manage social care pressures. This is not included in the local government package above. It is to be held by health boards but shared with councils. (This mirrors a similar fund set up by the UK Government in the Spending Review to redirect £1 billion from the protected NHS budget.)
29. The budget settlement has been negotiated and agreed between the Scottish Government and the COSLA leadership. It is conditional on local authorities signing up to the terms of the agreement, which include a commitment to meet a number of key policy priorities. Should councils not agree, the Scottish Government has said that it will reduce their resource allocation by 6.4% (which it describes as the average fall in resource budgets for non-protected areas of the Scottish budget) rather than 2.6%.
30. Some of the main elements of the package are that councils would be required to:
 - remain committed to the delivery of the Single Outcome Agreements
 - freeze council tax for 2011/12
 - contribute to maintaining police numbers at at least 17,234 throughout 2011/12
 - maintain the teacher:pupil ratio in P1-P3 and protect the number of teacher posts as far as possible
 - agree to an independent review of the McCrone agreement on teachers' pay and conditions to be available for implementation by August 2012
 - continue to deliver free personal care, with payments uprated for 2011/12.
31. On 9 December, the Scottish Government announced the proposed distribution of funds to local authorities for 2011/12. Allocations are arrived at using the standard distribution formula. While the average cash reduction in resource budgets is 2.6%, the range of reductions is from 0.3% to 4.9% depending on how the formula applies to individual councils.
32. In total, a 6.4% reduction would reduce the total local government resource allocation by a further £426 million. The provisional allocation shows that, should

councils refuse the package offered by the Scottish Government, the 6.4% cash reduction in resource budgets will be distribution in a range of reductions from 4.5% to 9.2%. By way of example, should Glasgow City Council not agree to the package, the Scottish Government would hold back £51.6 million from its resource allocation – a reduction in cash terms of 7.1% instead of 3.6%.

Process for agreeing the Scottish Government's budget for 2011/12

33. The draft budget published on 17 November is essentially a white paper by the Scottish Government for consultation and political scrutiny. The formal stages of the budget process begin when the Scottish Government introduces a Budget Bill to the Parliament in mid January. This is then subject to different stages of possible amendment and approval as it is scrutinised, with a final vote likely to take place in early February. The current proposals are, therefore, subject to change.
34. The funding proposal for local government is subject to this continuing political process. It has been reported that the Scottish Government received confirmation from all 32 councils by 21 December that they would accept the package. The Budget Bill to be introduced in the Parliament in January will, therefore, include the whole amount proposed to be allocated to local government. Following approval of the Budget Bill, the Government will table the Local Government Finance Order 2011, setting out the formal allocations of funding to councils for 2011/12, less the amounts that would be held back if a 6.4% cut was applied.
35. The funds held back will be released by means of a further order which the Scottish Government will table in the Parliament only after councils have given formal assurance that the budgets they have passed include provision to deliver all the commitments specified in the package. Councils are asked to confirm this in writing to the Scottish Government by 28 February.

The Scottish Budget beyond 2011/12

36. The UK Government's Spending Review indicates the profile of spending to 2014/15. While that profile sets expectations of likely future budget levels, it is highly contingent and variance is possible for numerous reasons. The formal allocations for each financial year will not be set until the UK Government's budget each Spring, and amendments to the Scottish budgets may arise as a consequence of changes to the overall UK budget or changed spending priorities within it.
37. In November 2010 the Scottish Government published detailed figures for only 2011/12. Alongside the draft budget it announced the establishment of the Christie Commission on the Future Delivery of Public Services. The Government explained its publication of one-year figures in part by saying that it expects changes to the configuration of budgets to arise from the work of the Commission.
38. Following some political debate on the subject, the Scottish Government announced in a statement on 8 December that it would publish illustrative figures for the years 2012/13 to 2014/15, and that it would do so before the Budget Bill is considered in late January 2011. Any such illustrative figures will remain highly contingent. It is not yet clear how they will influence political

debate or assist public bodies to pursue informed longer-term planning around priorities.

39. The UK Government's Spending Review included an announcement on legislation to implement the proposals of the Calman Commission on Scottish Devolution. A Scotland Bill has been introduced and is currently being scrutinised by the Scottish Parliament. It is possible that some of the provisions of this Bill, including extended borrowing powers and greater control over some tax revenues, could affect the Scottish budget in the course of the spending review period.

Implications of the spending plans for Scottish local government

40. In its draft budget, the Scottish Government recognised that local government will be faced with a number of very difficult decisions in order to accommodate the reduction in funds and increased inflation and demand pressures. It states that these may well require increased efficiencies including service redesign and the possibility of improving on the ability to generate additional income.
41. The draft budget highlighted specific cost pressures on local government such as, for example—
 - significant increases in annual spending on waste management required to meet statutory targets by 2020
 - the increasing cost of the free-at-point-of-delivery services
 - pressures on health and social care services from the ageing population
 - the additional £20 million required in 2011/12 to cover the increased revenue payments required for completed PPP/PFI schools projects, and
 - £7.8 million for new responsibilities under the Flood Management Act.
42. The real terms expressions of figures throughout this report are calculated using the GDP deflators used in the Scottish Government's draft budget - 1.9% for 2011/12, 2.3% for 2012/13, 2.6% for 2013/14 and 2.7% for 2014/15. It has long been assumed that the real costs pressures faced by different services areas – and consequently the actual purchasing power of their allocated funding – varies markedly and may not be adequately represented by the GDP deflator. There is, however, no reliable source of information on this.
43. A report to the Financial Audit and Assurance Committee in November 2010 outlined in some detail the savings plans that had been announced by councils at that point. All of the plans described in that report were made prior to publication of the Scottish Government's draft budget and, in most cases, prior to the UK Government's Spending Review.
44. Councils have been working with the Centre for Public Policy for the Regions on estimating the potential impact of likely government funding scenarios. The actual resource budget position for 2011/12 is marginally better than predicted, while the capital budget is significantly lower than predicted. The fall in the overall Scottish Government capital budget is particularly steep, exceeding the projections of the Independent Budget Review by £400 million over the Spending Review period. Local government has received a slightly lower cut in capital than the average across other portfolios.

45. While the budget position beyond 2011/12 is uncertain, the likely pattern of reductions over the four-year period, with cuts heavily weighted to the first year, is broadly consistent with the planning assumptions used by councils.
46. Much of the publicity around local government budgets has to date centred on projected workforce reductions and voluntary severance schemes being offered by councils. Local government has already set a pay freeze for all staff in 2011/12, with no £21,000 threshold.
47. What is not yet clear is how the action required to meet the immediate budget pressures in 2011/12 will work in tandem with longer-term service prioritisation. The forthcoming performance audit on Scotland's public finances will provide further analysis of how public bodies are planning for these significant changes. The Controller of Audit's 2010 local government overview report submitted to the Commission today also considers some of the issues facing councils.

Mark Brough
Secretary and Business Manager
11 January 2011

ACCOUNTS COMMISSION

MEETING 20 JANUARY 2011

NOTE BY THE SECRETARY AND BUSINESS MANAGER

**BEST VALUE AUDIT AND INSPECTION OF GRAMPIAN POLICE AND GRAMPIAN
JOINT POLICE BOARD**

Purpose

1. The purpose of this paper is to introduce the report of the Best Value audit and inspection of Grampian Police and Grampian Joint Police Board. The Commission is invited to consider the report and decide which of the options for action it wishes to take.

The report

2. This report is the third joint Best Value audit and inspection report to be produced by the Controller of Audit and Her Majesty's Inspector of Constabulary for Scotland (HMICS). The process has been influenced by the latest developments arising from the joint scrutiny planning process and BV2 development, and by the evaluation of the two pilot police Best Value audits.
3. Insofar as the report relates to the Board, it is made by the Controller of Audit under section 102 of the Local Government (Scotland) Act 1973 as amended by subsequent legislation, including the Local Government in Scotland Act 2003. The report is made by the Controller of Audit to the Commission. The report is also being sent to the Board, which is comprised of elected members from the three constituent councils – Aberdeen City, Aberdeenshire and Moray. The Board is required to supply a copy of the report to each member of the Board and to make additional copies available for public inspection.
4. The Accounts Commission and HMICS each have statutory powers to audit and inspect BV in police authorities. The Commission is only able to take action in relation to the best value audit of the police authority, in this case the Joint Board. HMICS's judgements, relating solely to the police force and Chief Constable, are outside the Commission's remit. HMICS is directly accountable to Scottish Ministers.
5. The legislation provides that, on receipt of a Controller of Audit report, the Accounts Commission may do, in any order, all or any of the following, or none of them:
 - (a) Direct the Controller of Audit to carry out further investigations;
 - (b) Hold a hearing;
 - (c) State its findings.

Consideration of the report

6. The Controller of Audit and members of the audit team from Audit Scotland will be present at the Commission meeting to answer questions, along with Andrew Laing, HMICS, and HMICS staff.

7. If the Commission considers that it requires further information to proceed with its consideration of the report, it may direct the Controller of Audit to carry out further investigations. If the Commission is satisfied with the information which it has, it may wish to proceed to make findings unless members consider that a hearing is necessary.
8. The circumstances in which the Commission may wish to hold a hearing are likely to include:
 - where the Commission has serious concerns about the performance of a local authority as demonstrated in the audit report
 - where there is a strong difference of opinion between the Controller of Audit and the local authority.
9. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make enforcement Directions requiring authorities to take such action as is specified in the Direction.
10. HMICS may also wish to add findings to the report in respect of the police force.

Media

11. Once the report is sent to the Board it is effectively in the public domain and may attract media interest. As with council Best Value audits, it is not intended that any media comment should be made by the Commission until it has deliberated on the report. The approach to media presentation will be agreed between the Commission and HMICS in order to ensure that the joint report together with any findings agreed by the Commission have the maximum impact in promoting improvement in police services.

Conclusion

12. The Commission is invited to:
 - consider the joint report by the Controller of Audit and HMICS on the Best Value audit and inspection of Grampian Police and the Grampian Joint Police Board; and
 - decide how it wishes to proceed.

Mark Brough
Secretary and Business Manager
12 January 2011



Grampian Police and Grampian Joint Police Board

Best Value Audit and Inspection

January 2011

AGENDA ITEM 10
Paper: AC.2011.1.7

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Commission findings

HM Inspector of Constabulary findings

Introduction

This joint report is made by the Controller of Audit to the Accounts Commission under section 102(1) of the Local Government (Scotland) Act 1973 and by Her Majesty's Inspector of Constabulary (HMIC) under section 33 of the Police (Scotland) Act 1967.

The Local Government in Scotland Act 2003 introduced new statutory duties relating to Best Value and Community Planning. Its provisions apply to local authorities, including police authorities, and require specifically that:

- councils and police authorities secure best value (defined as achieving continuous improvement in the performance of functions)
- police authorities and chief constables participate in the community planning process.

The Act also amended the audit arrangements set out in the *Local Government (Scotland) Act 1973* to cover best value and gave powers to the Accounts Commission to examine best value in police authorities. Her Majesty's Inspectorate of Constabulary Scotland (HMICS) has a statutory duty under section 33 of the *Police (Scotland) Act 1967* to inspect police forces and common police services, and to report to Ministers on their state and efficiency. The 2003 Act extends this to include provision for HMICS to inquire into and report to Scottish Ministers on whether a local authority is carrying out its functions both as a police authority and in relation to a number of matters including best value.

The 2003 Act is supported by more detailed statutory guidance on Best Value and Community Planning, and a series of advisory notes on specific topics such as elected member leadership. This guidance is designed to be descriptive rather than prescriptive, defining the goals that organisations should aim for but allowing them local discretion on the methods and routes they use. The Scottish Government has issued further guidance for police authorities and forces. This guidance includes *Justice Department Circular 11/2003 Best Value Guidance and the Guidance for Members of Police Authorities and Joint Boards* (June 2007).

The scope of Best Value and Community Planning is broad and the guidance and statute indicate that a successful *police authority* will:

- work in tandem with the chief constable to develop a clear set of priorities that respond to the needs of the community in both the short and longer term
- be organised to support the delivery of these priorities
- meet, and clearly demonstrate that it is meeting, the community's needs
- operate in a way that drives continuous improvement in all its activities.

Similarly, a successful *police force* will:

- work with its partners and the police authority/police authorities to develop a clear set of priorities that respond to the needs of the community in both the short and longer term
- be organised to deliver these priorities
- meet, and clearly demonstrate that it is meeting, the community's needs
- operate in a way that drives continuous improvement in all its activities.

The key objectives of this joint audit and inspection were to:

- assess the extent to which the Grampian Joint Police Board and Grampian Police are meeting their duties under the Local Government in Scotland Act 2003 and complying with Scottish Government guidance
- agree planned improvements with the local authorities, force and the board, to be reviewed by external auditors and HMICS on an ongoing basis.

As Best Value and Community Planning encompass a wide variety of activities, it is not realistic to audit or inspect everything in depth. For this reason we plan our detailed work in two ways:

- where possible we draw on the findings of other scrutiny processes, such as the work carried out by other inspectorates
- we select certain aspects of the force's and board's performance for detailed investigation. We use a wide range of sources, including the force and board's own assessment of their performance, reports issued following external audit and inspections and the Scottish Policing Performance Framework (SPPF) to assess risks and scope our work to inform this selection.

Our joint report reflects this proportionate approach, with detailed commentary in some areas and limited coverage in others. It also presents the picture we found at the time our main audit and inspection work was conducted, in June and July 2010. The report includes a corporate assessment of the Joint Board and the force, while the performance assessment covers only the force.

We gratefully acknowledge the co-operation and assistance provided to the team by Councillor Martin Greig, Convener of Grampian Joint Police Board; Chief Constable Colin McKerracher, Grampian Police; Jane MacEachran, Clerk to the Board; and all other elected members and staff involved. We are also grateful to the representatives of the three councils and the force's community partners who agreed to participate in the audit and inspection process.

The tripartite arrangements and police authorities' leadership role

The force is governed through a tripartite arrangement between the chief constable, the joint police board ('the board'), and Scottish Ministers. As the force covers more than one local authority area, a joint police board comprising members from the three constituent authorities acts as the police authority. Scottish Ministers retain overall responsibility for policing policy at national level. Grampian Joint Police Board is responsible for setting the police budget, holding the chief constable to account and ensuring that best value is achieved. The chief constable is responsible for the operational aspects of policing within the force area.

The effect of these arrangements is that the board and the chief constable, although they have different roles, must work in tandem to achieve best value. In this report, we only make judgements on the board and force, but all parties to the arrangement, including the Scottish Ministers, have responsibility for the overall performance of the police service.

Constituent authorities are responsible for appointing the members of a joint board and for allocating funding. The board is a separate legal entity and councils have no separate residual responsibilities beyond appointing members and funding. However, in practice, the constituent councils, primarily Aberdeen City Council provide administration support, clerking services, and training and development for board members.

The existing guidance for policing (*Circular 11/2003 and Guidance to Members, June 2007*), sets out expectations of the board. This can be found at Appendix 1 of this report.

Summary

Overall conclusions

Grampian police and the Grampian Joint Police Board have many of the key elements of best value in place. The force and the board have an effective working relationship and have a shared vision for policing in Grampian, based on agreed priorities. The vision and priorities are clearly articulated in the force's strategies and plans. The systems and processes which support the delivery of best value are sound overall, though there are some areas requiring improvement.

The joint police board demonstrates many of the characteristics of best value and continues to develop its approach to governance and scrutiny. Board members actively scrutinise the performance of the force, have a good understanding of their local communities and work in partnership with the chief constable to help shape the policing priorities for the area.

There are some areas where improvement is required. The board must ensure it implements an Independent Custody Visiting Scheme as a matter of priority. It is currently failing in this statutory duty and is the only board in the UK not to have an operational scheme in place. It also needs to become more proactive in working with the force to develop a long-term financial strategy.

There is a culture of continuous improvement within the force and the force executive provides strong leadership, with a clear vision for the future based around community policing. The force has a well-defined structure and sound governance arrangements. Force priorities are clearly linked to force operational strategy and are reviewed, refreshed and published annually within its strategic plan, 'Platform for Success'. The force's performance management arrangements are sound, but can be improved by using more comparative information to report performance more effectively and in a more balanced way.

Service performance is good, the level of recorded crime is reducing overall and in 2009/10 was at its lowest level for seven years for crimes of violence, indecency, dishonesty, and reckless behaviour. Satisfaction rates with the force are high and improving. The force and its partners are making good progress on most of the shared policing priorities captured in the single outcome agreements covering public sector organisations in Aberdeen City, Aberdeenshire and Moray. Drug enforcement performance deteriorated between 2008/09 and 2009/10 and there have been increases in racially motivated crime and complaints against the police.

The force has a track record of strong financial management and has sound financial controls in place and has reported efficiency savings in excess of targets. Like all public sector organisations, the force is now facing severe financial pressures and has taken a number of short-term measures to deliver some savings. The force recognises that it needs a better understanding of what specific activities cost in order to inform difficult decisions about where resources will need to be directed in order to sustain performance in priority areas. The force is currently developing a long-term strategy, setting out how it intends to deal with these pressures.

In April 2010, the force introduced a new policing model, based on feedback from the public. 'Local Policing - Closer to You', saw the re-organisation of traditional response and community policing resources into policing teams based in local communities across the force to increase visibility and support community engagement. Aberdeen Division has carried out an interim '90 day review' of the new model and has identified that some operational refinements are needed to improve its effectiveness. It plans to carry out a further review in April 2011 to assess the impact of the new arrangements.

Part 1: Corporate assessment

Vision and strategic direction

Grampian Joint Police Board

The board is actively involved in helping to shape the strategic vision and priorities for police services in Grampian.

1. Board members are actively involved in developing the force's strategic priorities. The board is involved at various stages to help shape the policing priorities, which are set out in the force's strategic plan 'Platform for Success'.
2. At a local level, board members help to shape policing priorities during the year through their attendance at area committees and through informal contact with Divisional Commanders and their staff. At a corporate level, they attend the force's annual conference and the senior managers' conference and take part in the annual planning day, together with key strategic partners and senior police officers, to determine force priorities for the year ahead. Board members have an active role in scrutinising the force's use of resources and are involved in the community safety partnerships. These partnerships help to develop the policing priorities contained within the Single Outcome Agreements (SOAs) which identify the priorities for public sector agencies in Aberdeen City, Aberdeenshire and Moray.
3. The board also helps set the strategic direction of the force through its annual appraisal of the chief constable's performance. As part of his Performance Development Review (PDR), the chief constable agrees a series of objectives with the convener and the two vice-conveners, which are subject to the endorsement of the board. These objectives help set the wider strategic agenda for the force as a whole.

Grampian Police

The force has a clear vision and strategic direction, which is informed by community consultation and dialogue with partner agencies. The force's strategic plan 'Platform for Success' has evolved over the past five years and is refreshed on an annual basis to update the force's priorities, values and principles.

The force has a clearly defined planning cycle and force priorities contain a mix of national policing priorities, local issues and business support objectives. Force priorities link directly to the force control strategy.

4. At a strategic level, the force is led by a force executive which demonstrates strong and effective leadership. The force executive drives force operational activity and strategic delivery using robust management arrangements.

5. The force's strategic plan 'Platform for Success' clearly articulates the force's vision and strategic direction and is reviewed, refreshed and published on an annual basis. The annual review is informed by widespread consultation with local communities and partner agencies and consideration of emerging national and local issues.
6. The force has identified nine strategic priorities for 2010-2011 in partnership with the board (Exhibit 1). These cover both outward facing operational priorities and internal business support priorities. All of the operational priorities are clearly articulated within the force control strategy and this helps to ensure that they are communicated clearly and consistently to staff.

Exhibit 1

Force Strategic Priorities 2010/11

- **Antisocial behaviour** – We will deal with unacceptable conduct, which negatively impacts on the quality of life within the communities we serve, in conjunction with Local Authority strategies.
- **Community focus** – We will engage and work with partners and the community to deliver improved policing services based on the principles of a community focussed approach.
- **Public protection** – We will safeguard children, young persons and vulnerable adults, from risk of physical emotional and sexual abuse or neglect and effectively manage offenders through the development of internal partnership processes.
- **Road casualty reduction** - We will achieve a steady reduction in the numbers of those killed or seriously injured, with the ultimate vision of a future where no one is killed on the roads in Aberdeen, Aberdeenshire and Moray and the injury rate is much reduced.
- **National security** – We will counter the threat from terrorism and domestic extremism.
- **Serious organised crime and drugs** – We will reduce the harm caused by serious organised crime and in particular controlled drugs, within the communities we serve.
- **Violence** – we will target violence and make Grampian a safer place to visit, work and live in.
- **Efficiency and productivity** – We will maximise frontline resources through effective and efficient resource and financial management to ensure suitably trained staff are in place to deliver our mission.
- **Force reputation and standards** – We will maintain professional and ethical standards of behaviour from all staff in order to improve the delivery of quality policing services and to enhance public trust and confidence.

Source: Sustaining and Developing our Platform for Success 2010/11 - Grampian Police

7. Priorities are communicated effectively throughout the force and are evident in the divisional and departmental Business Area Plans. This strengthens the understanding of strategic priorities at a local level and helps to ensure that the force directs operational activity and resources towards priority areas. We found that knowledge and awareness of force priorities amongst staff was good. The

priorities are also clearly highlighted on the force's website and are easily accessible to members of the public.

8. The force is committed to community policing and community engagement. During 2010, the force adopted a new policing model called 'Local Policing – Closer to You' (Exhibit 2).

Exhibit 2

'Local Policing – Closer to You': A community focussed policing model

This model will introduce local policing teams across all communities in the Grampian Police area with local officers working with partner agencies and the communities, responding to local needs.

Our new approach will be launched under the title 'Local Policing – Closer to You', involving the key activities of 'Consult, Listen, Respond and Feedback'.

'Consult and Listen' reflects the need for effective engagement between local police officers, local communities and partners, with a view to identifying and agreeing those local issues which need to be resolved.

'Respond' will be driven through a set of locally based policing teams which will operate within clearly defined areas, engage effectively with communities, and deliver policing to a set of standards.

Twenty-four local policing teams will operate across the Grampian Police area, each led by a local policing inspector. These officers will be empowered to work with their communities and partners to deliver quality local services.

'Feedback' will be the responsibility of Local Policing Inspectors who will inform communities of progress made against agreed issues through the provision of the 'Local Policing Update'

Source: Grampian Police – 'Community Focus: Local Policing – Closer to You', Overview and Delivery Plan, March 2010

9. The model combines 24/7 response and community officers into a joint team based in the local community. This aims to provide enhanced levels of visible patrol and problem solving at a beat level, while maintaining the appropriate coverage for response work. The new arrangements also seek to improve the force's engagement and communication with local communities.
10. The project plan supporting the delivery of 'Local Policing - Closer to You' acknowledged the need to devise qualitative performance measures to help assess the effectiveness of the new policing model. The force has access to some qualitative data from focus groups, which supported the development of the community engagement strategy, but it does not have a baseline against which it can measure the impact of the new arrangements.
11. During the summer of 2010, Aberdeen Division carried out an interim '90 day review' of the new arrangements to assess how they were bedding in. The review found that local policing teams were carrying out more proactive policing activity within communities, which had in turn led to increased demand on resources. The force plans to further review and refine specific operational practices to balance the demands on local policing teams. The review also identified the need to develop a

property strategy to support local policing teams and revise how it deploys its resources at an operational level. This included the need to review the allocation of officers across the local teams, review the shift patterns and improve the supervision arrangements. In April 2011, the force will conduct a further, more comprehensive review of the policing model to better assess the impact of the new arrangements.

Governance and accountability

Grampian Joint Police Board

Board members have a good understanding of their role and the basic governance arrangements are sound. The board is aware of where further improvements are required and has been implementing changes to its governance arrangements during 2010.

The board is currently failing to meet its statutory duty to have an operational Independent Custody Visiting Scheme in place.

12. The board has 15 members, made up of six councillors from Aberdeen City Council, six from Aberdeenshire Council, and three from Moray Council. It meets six times per year, at various locations throughout the region and the convener is a councillor from Aberdeen City Council. Two main subcommittees support the board. The Stewardship¹ Committee considers continuous improvement initiatives such as audit, thematic inspections and best value, and a Complaints Committee², which meet four times per year. There are also subcommittees for urgent business and personnel, which meet as and when required.
13. The board's two main subcommittees on stewardship and complaints operate effectively by scrutinising force performance, but the convener of the board currently also chairs both subcommittees. This is not good practice as part of the remit of the subcommittees is to scrutinise the performance of the force and the board. There is also a risk that the public perception of independent scrutiny, which is particularly important for the chairing of the complaints subcommittee, may be undermined. Other police boards typically share these responsibilities amongst various councillors. This helps to spread the workload, but it also helps to demonstrate the presence of independent checks and balances.
14. Grampian Joint Police Board is currently failing in its statutory duty to have an operational Independent Custody Visiting Scheme (ICVS) in place. Section 51(1) of the Police Reform Act 2002 requires police boards to organise and oversee the delivery of independent custody visiting in

¹ The Stewardship sub-committee deals with internal and external audit reports (including approval of audit plan), oversees adequacy of the force and board's financial systems, policies, practices, and compliance with relevant statutes, standards and guidance, best value, risk management and the implementation of HMICS and Accounts Commission recommendations.

² The Complaints sub-committee provides oversight of how complaints are handled by the force and considers complaints against Chief Officers.

consultation with chief officers. Police boards must therefore ensure that they have effective procedures in place to establish and maintain independent custody visiting schemes, including the allocation of appropriate resources to this function. Independent custody visitors check on the standards in which people are held in custody, enhancing the accountability and transparency of police among the communities they serve. Visitors play a vital role in raising standards in custody and the fair treatment of detainees.

15. The absence of an ICVS represents a significant risk to the board and force. In the event of a custody issue arising, they may be unable to provide an adequate level of independent public assurance of the force's custody arrangements.
16. The board is the only police board in the UK not meeting this statutory requirement. There have been several attempts to establish an ICVS over the years since the duty was introduced, but these have all failed. The board set up an ICVS subcommittee in January 2010 with the aim of having an ICVS in place during 2010. In September 2010 the board agreed an action plan and has recently been taking action to attract, vet and train potential custody visitors.
17. Until June 2010, public access to board agendas, minutes and reports has been limited and this has compromised transparency and public accountability. The board has now launched a new web page in order to make these documents publicly available.
18. The board recognised that further improvements could be made to its governance arrangements and instigated a review in 2009. As a result, the board agreed to set up additional sub-committees early in 2010 to deal with urgent business and oversee the introduction of an Independent Custody Visiting Scheme. These new arrangements are designed to help board members focus on key issues by devolving some areas of business to the sub committees. The board plans to review the governance arrangements in the second quarter of 2011. The board has also started to identify individual board members to act as 'champions' for particular areas of interest. One board member, for example, takes a lead role on road safety matters. This is a potentially useful initiative, helping to encourage a degree of specialisation within the board and strengthen its capacity to provide independent scrutiny on specific issues. The intention is to complement and not replace the more formal governance arrangements of the board. However, some board members have expressed concerns that this could weaken corporate responsibilities or encourage individuals to become 'spokesperson' for particular departments and compromise their independent scrutiny role. The board will therefore need to review the effectiveness of these arrangements to assure itself they are having the desired impact.
19. The role and responsibilities for the convenor and vice convenors are clearly defined, but the board only recently agreed role descriptions for other board members in November 2010.
20. The force and clerk provide training for new board members and the force helps develop members' knowledge of policing matters through a series of presentations and site visits. The board has identified that it needs to have a more structured approach to training and development. In September 2010, the board agreed to introduce a series of training sessions following every second board

meeting, These are scheduled to commence in early 2011. In addition, the clerk's office is considering how best to engage members in identifying ongoing development needs. The clerk and her staff are also currently reviewing the training provided by member's constituent councils as part of a training needs analysis for members.

21. Aberdeen City Council provides administrative and legal support for the board. Approximately five per cent of the clerk's time, and up to ten per cent of the depute clerk's time, is devoted to supporting the police board, however this can vary depending on competing demands. The administrative arrangements are generally good, board agendas and reports are well structured and the board maintains a log of outstanding actions to ensure actions are progressed. There is, however, a lack of capacity to provide any research support to help members carry out their independent scrutiny role. A recent review by the internal auditor has identified a range of options for improving this capacity and managers in Aberdeen City Council are currently considering this report.
22. It is too early to assess the effectiveness of the new governance arrangements, but the changes being made indicate a commitment to continuous improvement. In September 2010, the board approved a new report template designed to highlight key information such as financial implications, service and community impact and equalities issues. A new Members' Handbook, containing key documentation, advice and guidance notes, is being developed to assist board members in fulfilling their roles. The board plans to review the effectiveness of the new approach in the second quarter of 2011.

Grampian Police

The force has an effective governance structure and strategic delivery is managed through monthly Force Executive Board meetings, supported by a range of other mechanisms.

23. The force is divided into three geographical policing divisions which are coterminous with the local council areas of; Aberdeen, Aberdeenshire and Moray (*Exhibit 3*). The three divisions are responsible for the delivery of frontline policing services and are supported by corporate headquarters departments. Each division is led by a police commander of either superintendent or chief superintendent rank.

Exhibit 3

The force area



Source: *Audit Scotland*

24. Aberdeen's position as the UK hub of the North Sea Oil industry provides a degree of economic stability to the region, but also brings specific challenges for Grampian Police. The force has policing responsibility for incidents occurring within the North Sea oil and gas fields and events such as the two helicopter crashes demonstrate the extra demand on resources that incidents of this nature bring. Some shore based installations associated with the petro-chemical industry carry further responsibilities for the force due to the threat to the UK energy infrastructure should they be subject to terrorist attack. Additionally, the location of the royal residence within the force area requires the force to allocate resources to assist the protection of the royal household at Balmoral.
25. At a strategic level the force is led by the Force Executive, which manages strategic delivery, operational priorities and performance using a well-established programme of business meetings. The force executive comprises the chief constable, deputy chief constable, two assistant chief constables, a director and deputy director of corporate services. All members of this group, together with divisional commanders and department heads, sit on the Force Executive Board (FEB), which considers broader strategic issues and monitors force performance. A range of other corporate mechanisms supports the monthly FEB meetings, including a Programme Board; a Tactical Tasking and Coordination Group and Performance Management meetings.
26. The force also has a Development and Governance Department. This department underpins the governance arrangements and is responsible for production of internal policies, guidance and procedures on a range of issues including risk management and corporate planning.
27. Senior officers are given strategic and tactical responsibility for priority areas, and this strengthens the understanding of the priorities throughout the force. Divisional Commanders and Department Heads develop business plan objectives on a yearly basis, which support the overall force objectives. Each Business Area Plan owner is required to complete task records throughout the year to document their progress towards achieving these objectives. This helps to ensure ownership and provides a visible force lead or champion for each priority area.
28. The force has a well-developed approach to risk management and compiles a comprehensive risk register annually. The register describes all risks identified within Business Areas Plans and includes;

force priorities, local challenges, project risks and emerging issues. The use of Business Area Plans to assess risks, together with the full force risk register, ensures that risk is properly assessed at all levels within the force. All risks identified as 'significant' are reported to each meeting of the joint police board and the force provides updates to board members, which describe the measures taken to mitigate the risks.

29. Force performance data is available to members of the public on the force's website <http://www.grampian.police.uk> where force wide and divisional quarterly performance monitoring reports appear in their entirety. Performance reporting is covered in more detail in paragraphs 45 to 56 below.

Community engagement

Grampian Joint Police Board

Board members have a good understanding of the policing needs of their communities, and receive regular feedback on user satisfaction and complaints.

30. Board members have a good understanding of the needs of their local communities in terms of policing services. At a strategic level, they have reflected the community's long-standing desire for a more visible policing service through their input to shape the 'Local Policing - Closer to You' strategy. There is also evidence that they help, on a day-to-day basis, to ensure that community views shape local policing services, for example through regular member surgeries and by attending community meetings and feeding these back to the force.
31. Board members also have good working relationships with divisional commanders and engage regularly with local policing team inspectors to communicate and challenge on neighbourhood issues. For example, in Aberdeenshire, board members influenced the local approach to road safety measures.
32. The board also receives other forms of feedback from the community on policing services. Each month, the force carries out a telephone survey of around 200 individuals who have contacted them and the results are included in each quarterly performance report. Board members also receive summarised information on complaints³ in the quarterly performance reports and consider more detailed reports in addition to considering individual cases at the Complaints subcommittee.

Grampian Police

The force engages effectively with the community and has a strong commitment to community policing. It captures the views of communities in a structured manner and uses them to inform the

³ Quarterly performance reports record the number of complaints about police officers and police staff and service complaints received each quarter and the outcome of the complaints. The Complaints sub-committee provides oversight of how complaints are handled by the force and consideration of complaints against Chief Officers.

force's strategic planning process. The force's community charter clearly sets out its commitments, but does not contain measures to help it assess whether these commitments are being met.

33. The force consults regularly and effectively with members of the public using community groups and key contacts. Feedback had indicated that people wanted increased police visibility in their local communities. This dialogue was a significant driver in the development of 'Local Policing - Closer to You', which was introduced in April 2010.
34. Officers from local policing teams are required to attend all community meetings and record the matters arising from these meetings on a community engagement database. This ensures that issues are logged, tracked and actioned in a systematic way and inform the strategic planning process.
35. The force has incorporated a Communities Charter into the latest version of 'Platform for Success'. The charter sets out the forces' commitment to the community and contains eight pledges, which members of the public are able to access on-line. (Exhibit 4).

Exhibit 4

Communities charter commitments

We will

- Make sure you know who your local officers are
- Make it easy for you to contact us
- Be visible and provide reassurance
- Attend local meetings and involve communities
- Help communities tackle their local problems
- Keep you up to date with local policing services
- Tell you how we are dealing with community concerns
- Work with others to solve local problems

Source: Grampian Police - Platform for Success

36. The charter clearly articulates the force's commitments to the community and has the potential to strengthen further the relationship between the force and the communities it serves. The force recognises that it needs to continue with existing work to develop a set of performance objectives and measures so that it can assess whether it is meeting its commitments and report these to the board and the public.
37. The force has made significant efforts to engage with some traditionally 'hard to reach' groups within the community. It has increased its engagement with the black and minority ethnic (BME) owned business community in Aberdeen City and has actively encouraged the reporting of racially motivated

crime, for example with a marketing campaign focussing on local BME owned businesses. Similar engagement efforts have also been taking place in Moray where divisional officers have forged links with the Gypsy/Travellers community. In Aberdeenshire, the force works closely with the council while the Diversity Liaison Officer works closely with Lesbian Gay Bisexual Transgender (LGBT) Scotland to progress joint training on homophobic hate crime in schools.

Partnership working

Grampian Joint Police Board

Board members are actively involved in community safety partnerships and help to provide community leadership on policing issues. They also work with local Divisional Commanders and senior officers to identify and develop solutions to local issues. The board's role in providing strategic direction on shared services is limited.

38. Board members are members of the three community safety partnerships covered by the Grampian Police force area. These partnerships help to determine the key strategic objectives for local policing services and inform the relevant priorities contained within the Single Outcome Agreements, which cover partnership work in Aberdeen City, Aberdeenshire and Moray. Board members monitor performance throughout the year using quarterly performance reports.
39. The force and board's constituent councils work in partnership to share services at a local level, for example by sharing research and analysis support in the form of a partnership analyst post.
40. The role of board members in actively driving the force's strategic approach on shared services is less limited. Although the Board receives regular update reports on major projects, there is limited evidence of board members providing strategic direction on shared services. Board members have been involved in continuing discussions on the force's future co-location plans with Grampian Fire and Rescue. However, to date, these discussions have not resulted in shared accommodation.

Grampian Police

The force maintains effective working relationships with partners and is achieving positive local outcomes through partnership working at both a strategic and local level.

41. Improving outcomes indicate that the force works effectively with its partners and our survey of partner agencies highlighted that the force has strong working relationships in place. Partnership objectives feature in the force's quarterly performance reports, which contain a core set of outcome measures common to the three single outcome agreements covering the Grampian area.
42. At a strategic level the force's partnership activity is led by the chief constable, who is a member of the North East of Scotland Chief Executive Forum. This is a multi-agency group, which seeks to provide the leadership and direction required to drive partnership activity across the region. Three core strands, service improvement, integration of services and greater efficiencies, underpin the group's work.

43. The force is actively involved in all of the community safety partnerships in Grampian. The partnerships produce their own strategic and tactical assessments and partner agencies share analytical support. All divisions have effective information sharing protocols in place to support the exchange of necessary information between partners.
44. There are also positive examples of partnership activity at the local level. The force has supported local partnerships by investing resources in community projects. For example, in addition to seconding officers to each of the three local authorities, the force has seconded officers to the Grampian Regional Equality Council and Aberdeen Foyer, a charity that alleviates homelessness.

Performance management and improvement

Grampian Joint Police Board

Board members actively scrutinise force performance using quarterly performance reports. The board's public performance reporting and prioritisation and monitoring of continuous improvement activity is limited.

45. The board receives Quarterly Performance Reports (QPRs) from the force, which provide an overview of performance and reflect national policing priorities, local Single Outcome Agreement objectives and the priorities set out in 'Platform for Success'.
46. The reports provide members with much of the information they need to monitor the force's performance. Board members actively question and challenge senior police officers at board meetings on both strategic and operational issues. This scrutiny and challenge is constructive and focussed on supporting improvement.
47. The QPRs provide a clear summary on many areas of force performance for board members, but some aspects of the performance management framework could be improved. These are covered in more detail in paragraphs 53 to 58 below.
48. Scrutiny by the Stewardship subcommittee is less focussed. The subcommittee uses audit and inspection reports to scrutinise performance and actively questions the force on matters in these reports. However, on other matters, there is a tendency for members to focus on matters of detail rather than challenging on more strategic or significant issues. For example, there are normally very few questions on the regular updates on the strategic risk register, but much comment on any proposals to write-off debts, even for relatively small amounts.
49. The board does not produce an annual performance report and does not feature in the force annual performance report. This means that it is falling short of its public performance reporting responsibilities. Although board members review the force's annual report, they do not provide direct input to the publication. Other police boards typically have a section in force annual reports and this represents an endorsement for the content of the report and/or summarise the board's activity and

impact over the year. The absence of the board in the annual report means that their contribution to the governance and accountability of the force is not visible to the public.

50. The board does not have a clear role in directing or monitoring the force's continuous improvement activity. The board receives update reports on individual projects and initiatives and the Stewardship subcommittee considers the force's review programme. There is little evidence to suggest that the board plays an active role in identifying continuous improvement priorities or in monitoring progress on HMICS inspection actions.

Grampian Police

The force's performance reporting arrangements are well structured. Performance reports would support scrutiny and public performance reporting more effectively if they included more comparative information and were more balanced in reporting negative performance.

The force is committed to service improvement and carries out targeted internal reviews and inspections, which are focused around force priorities.

51. The force's performance management arrangements demonstrate a clear integration of strategic priorities, performance monitoring, and public performance reporting. Performance reports cover measures at both divisional and force-wide level and are published on the force website.
52. Quarterly performance reports contain a good mix of national, regional and local performance measures. The reports are well structured and use a helpful 'traffic light' colour-coding system for a number of measures to help highlight areas of strong or poor performance. The performance report for the fourth quarter for each year forms the force's annual report. Both the force and the board use the reports to monitor performance and this aids the transparency of performance reporting.
53. The reports could be improved as they do not routinely contain 'benchmarks' to help the reader gain a more informed assessment of performance. Board members and the public would be in better a position to assess overall performance if the measures were reported alongside national figures or trends and against specific local objectives, where appropriate.
54. Performance reporting could also be more balanced in the way key issues are presented. Information about both good and poor performance is contained within the report, but the presentation of this information can be quite different. Annual reports clearly highlight areas of strong performance, but areas of poor performance are not highlighted in the same way. For example, the 2009/10 annual report highlights the reduction in all road traffic collision fatalities since 2008/09, but does not give the same prominence to the increase in the number of racist incidents and racist crimes over the same period.
55. Our review of performance reports to the board and the force executive also showed that areas of negative performance are routinely accompanied by explanations of potential causes. This is entirely appropriate, but the explanations in reports we reviewed invariably contained a positive interpretation or explanation of the data being presented. Where performance problems are identified, a fuller

explanation of the factors including the challenges facing the force might prompt constructive challenge by board members and help facilitate management intervention..

56. The force has a Development and Governance Department that supports continuous improvement activity. The department uses a systematic approach to both challenge and support the force and acts as an in-house improvement service. Areas of force business linked to force priorities and suitable for improvement activity are identified from divisional and departmental business plans and reviews are then approved by the force executive. This process ensures that improvement activity is linked to force priorities.

Use of resources

Grampian Joint Police Board

The board is meeting its responsibilities by approving annual budgets and in monitoring expenditure and efficiency savings throughout the year. However, with the prospect of significant reductions in the resources available to the force, the board needs to become more proactive in long-term financial planning, and seeking assurance that the force is using its resources efficiently.

57. Board members are fully involved in approving the annual budget for the force and in monitoring expenditure throughout the year. A Budget Working Group, which consists of members and officers, helps set the annual budget, and the board approves its proposals. The board considers revenue and capital budget monitoring reports at each board meeting and these are actively scrutinised by members. The quarterly performance reports also provide monitoring information on staffing resources, including sickness absence and turnover. Board members also receive information on efficiency savings, through the Budget Working Group and reports submitted to board meetings.
58. The board has supported shared services, such as the new Child Protection Unit within Moray, the location of community officers within new schools in Aberdeen and through involvement in continuing discussions on the force's future co-location plans with Grampian Fire and Rescue. However, members recognise that there remains significant scope for further shared services in areas such as procurement and fleet management.
59. In the context of major reductions in public expenditure, board members need to become more proactively involved in long-term financial planning. It is widely recognised among members and officers that the current levels of expenditure are not sustainable. In response, the board extended the remit of the budget working group to include medium-term financial planning in January 2010. The scale of the current financial pressures means that efficiency savings alone are unlikely to be sufficient to balance the budget. The board will therefore have a crucial role in providing challenge and seeking assurance that the force is making optimal use of resources, to improve productivity and sustain key services while making efficiencies and reducing expenditure.

Grampian Police

The force has a track record of strong financial management, has sound financial controls in place and has reported efficiency savings in excess of targets in recent years.

Like all public sector organisations, the force is now facing severe financial pressures. The force recognises that it needs a better understanding of what specific activities cost to inform difficult decisions about where resources will need to be directed, in order to sustain performance in priority areas. The force is currently developing a long-term strategy, setting out how it intends to deal with these pressures.

Managing finance

60. Grampian Police had a net revenue budget for 2009/10 of £109.8 million, representing a net increase of around £4.5 million on the previous year. The force's gross expenditure per capita is the lowest in Scotland (Exhibit 5).

Exhibit 5

Gross expenditure per capita population on Scottish policing

Gross expenditure per capita population	2008/09 £'s	2009/10 £s
Central	221	225
Dumfries & Galloway	277	279
Fife	235	235
Grampian	236	218
Lothian & Borders	292	311
Northern	223	237
Strathclyde	265	268
Tayside	241	241
Scotland	258	262

Source: Annual accounts of police boards

61. The force has strong financial controls in place and sound processes for setting and monitoring budgets. The force executive considers monthly monitoring reports. In addition, the deputy director of corporate services and the assistant chief constable also hold quarterly meetings with Business Area Heads to review progress against their business plans.

62. The force has a good record in terms of savings, and has exceeded its savings targets in recent years. In 2009/10, for example, the force reported total savings of £4.4 million, against target of £3.3 million. Savings in 2009/10 have come from a range of initiatives including by reducing overtime.

63. This strong financial performance has been achieved in a period of growth and increasing resources, for example, the number of police officers has increased from around 1200 to just over 1600. The force recognises that the current financial challenges mean that this level will not now be sustainable. The force has put a number of short-term measures in place to achieve savings. For example, tight

controls have been introduced to actively manage vacancies, where a panel must approve any proposals to fill any vacant posts. All divisions have had their devolved budgets cut by 10 per cent. There are also tight controls on overtime and the force has reported savings covering both police officers and support staff.

64. The force has strong budgetary control, but, in common with forces across Scotland, has a less developed understanding of the costs of specific policing activities, for example the cost of targeting drug dealing. This makes it difficult to evaluate the relationship between the resources invested and the outcomes achieved by that investment. Prior to the introduction of 'Local Policing – Closer to You', the force conducted work to identify the potential benefits of the new policing model. This work would have been enhanced by a fuller analysis of the potential costs of the new model and any associated efficiency savings. The force has recognised that improvement is needed in this area and a good understanding of costs will be essential to inform decision making in the current financial climate.

Managing people

65. The force actively manages its workforce and responds to issues raised by staff. To get feedback from staff, the force carried out staff surveys in 2005 and 2008. The response rate for the 2008 survey was relatively poor with 40 percent of staff responding compared to 61 percent in 2005. However, the results from the surveys show that morale within the force is good and staff are generally satisfied with their place within the organisation. The survey highlighted a number of areas for improvement, including the need to better allocate resources. The force responded by forming working groups to progress highlighted improvement areas, each with staff representation and a senior manager as a strategic lead.
66. The force performs well in terms of sickness absence rates. In 2009/10, the proportion of working days lost due to absence in Grampian was lower than the Scottish average for both police officers and police staff. In 2009/10, the absence rate for police officers was 3.5 percent compared to a Scottish average of 4.1 per cent, and the absence rate for police staff was 4.5 per cent compared to a Scottish average of 5.0 per cent.
67. In 2009 the force conducted a training review, which highlighted a potential mismatch between the force priorities and the training being offered to staff. In response, the FEB approved a number of recommendations early in 2010, including the introduction of a group tasked with reviewing training requests to ensure that they align with force priorities.
68. When setting up 'Local Policing - Closer to You' the local policing teams were all allocated broadly the same level of resources and this has caused some difficulties in terms of resilience with a few areas experiencing significantly higher levels of demand than others. This has resulted in some resource pressures as officers are called away from their own local policing team area to assist with high priority calls in busier neighbouring areas. A review of the new policing model was carried during the summer of 2010 and senior officers have identified that some reallocation of resources across policing teams is necessary.

Managing assets and other resources

69. The force maintains an asset register but does not have a long-term asset strategy linked to its strategic priorities and objectives. The force has made some progress on sharing buildings with public sector agencies. For example, several of the new neighbourhood policing teams are located in school buildings around the area.
70. For some years, the force has sought to re-locate to a new headquarters building and has invited various partner agencies to collaborate in the project. The force has clearly been driven in their desire to collaborate in the proposed headquarters development by a clear sense of best value and the need to demonstrate value for money and provide a saving to the public purse. On a number of occasions however, prospective partners have withdrawn support for the project and the situation remains unresolved. This remains a matter of some frustration for the force.
71. Beyond shared accommodation; the force has made limited progress in sharing other 'back office' functions such as procurement, payroll services and fleet management.

Planning for the future

72. Like all public sector organisations, the force faces significant financial challenges and, at the time of our audit and inspection, the force did not have a long-term strategy setting out how it planned to deal with these challenges.
73. In summer 2010, the force formed a Service Reconfiguration Programme team to ensure that all possible cost and efficiency saving options are being fully explored. The team is examining all aspects of force business and reports to the force executive. The force has also put arrangements in place to brief staff on the financial future of the organisation and the steps it is taking to address the challenges it faces.
74. The force is now developing a longer-term strategy for change, setting out how it intends to respond to the anticipated reductions in public sector budgets. Given the likely scale of the reduction in budgets, the force, the board and its partners will need to consider the strategic vision for policing priorities in Grampian and critically assess how it will deploy the more limited resources if it is to sustain performance in priority areas.

Equalities

Grampian Joint Police Board

The board's role in providing strategic direction or oversight on the equalities agenda is under-developed.

75. The board has had statutory equality schemes in place for gender, race and disability and received monitoring reports for 2009 and 2010, though there is little evidence to suggest it has been actively monitoring these. On 2nd July 2010, the board approved a Single Equality Scheme which covers all equalities groups and replaced the individual schemes.
76. The board receives half-yearly equality performance reports on the force's single equalities scheme and regular reports on workforce statistics and trends, but there is little evidence of active scrutiny or challenge of this information.
77. The board has taken limited steps to mainstream equalities. In March 2010 it approved new terms and conditions covering the force to ensure compliance with equal pay legislation and to deliver an appropriate job evaluation scheme. A number of board members involved in the appointment of chief officers have undertaken specific training on equalities issues.
78. In September 2010, the board agreed to introduce a new format for reports by the end of 2010. The new format will require all reports to highlight any equality issues related to the subject of the report.
79. The board needs to provide clearer leadership on equalities issues. It also needs to consider whether it has appropriate measures in place in order to assure itself that any equalities related activity is having the desired impact.

Grampian Police

The force is making good progress in supporting the mainstreaming of equalities. It has invested in developing strategies, systems, processes and standard operating procedures. The force now needs to develop indicators to assess the impact of the investment it has made.

80. The force's Single Equality Scheme 2008-2011 extends previous measures, which covered race, gender and disability, to include age, religion, faith and sexual orientation. The force developed the scheme after extensive consultation with staff, community groups and service users. A diversity group reviews progress on a quarterly basis and the force carries out an annual review of the scheme. The force's aim is to have one 'living document' and action plan to embed equalities considerations into everyday work.
81. The force engages constructively with a range of community groups, including; community partnership groups, lay groups, inter faith groups and other voluntary sector support groups and has Diversity and Gypsy/Traveller liaison officers in the three divisional areas. The force also provides a seconded

liaison officer to the Grampian Race equality Council (GREC) and in June 2009, the force was awarded the LGBT (Lesbian, Gay, Bisexual and Transgender) charter mark.

82. The force has a range of systems and process in place to support the mainstreaming of equalities. It carries out Equality Impact assessments (EqIAs) for all policies and procedures and it is currently reviewing and updating its EqIA process. In common with other forces 'respect for diversity' is a core competency within the performance and development review system for staff and it has trained staff. In March 2010 the force delivered Equality Impact Assessment (EIA) training, and is also involved in the national steering group on diversity training.
83. The composition of the workforce is changing and is in line with the other forces in Scotland. There has been a rise in female officers since 2004/05, 26.4 per cent the force were women in 2009/10 which is exactly the same as the Scottish national average. The number of officers with declared ethnicity has increased to 1.6 per cent, again this is exactly the same as the Scottish national average in 2009/10.

Sustainability

Grampian Joint Police Board

The board does not have a clearly articulated approach to sustainability.

84. There is limited evidence to suggest that the board has considered its statutory responsibilities to support sustainability in a strategic or structured way. It has shown interest in a number of force initiatives, but these have been considered on a case by case basis and there is limited evidence to suggest that the board has set a strategic direction on how it might support sustainability.
85. The board can highlight some individual measures which aim to have a positive environmental impact, for example by reducing energy consumption through car sharing and video conferencing. However, these are largely initiatives taken by the force, rather than being driven by any overarching strategic approach agreed by the board. To date there is no evidence that the board has monitored the impact of the measures or the overall trends in the force's energy consumption.
86. There is little evidence that the board has considered what actions it might take to consider the economic or social elements of sustainability. The vision underpinning Local Policing - Closer to You which represents a shift from responsive to preventative policing, supports some of the broader requirements of sustainability, particularly in terms of social sustainability. However, it is not clear that the board has made these links or considered the impact of the policing model from the sustainability perspective.
87. The majority of board members who responded to a survey carried out to inform the audit considered that appropriate sustainability strategies are in place, but the board has not formally considered or approved a clear force vision on sustainability. The absence of a strategic approach to sustainability limits the board's capacity to provide effective strategic direction and scrutiny in this area.

Grampian Police

The force does not have a coherent strategic approach to sustainability. It is making some progress in terms of environmental sustainability and there are also examples of activity which might be considered to support social and economic sustainability, but these do not take place within a structured framework.

88. Like equalities, sustainability is one of the 'cross cutting' responsibilities under Best Value. In common with other forces, Grampian force does not have a strategic approach for how it intends to fulfil this duty. There are several examples of force activity, which contribute to sustainability, but there is no evidence to suggest these are part of a wider strategic approach. 'Platform for Success' contains some reference to environmental sustainability but does not include any detail beyond a commitment to reduce energy consumption and increase waste recycling. There are limited performance measures in place to help the force assess its performance in this area.
89. The absence of a strategic framework means that the force has not set a clear direction for how it intends to support sustainability. This means there is a risk that the force is not planning its activity in a co-ordinated way and not prioritising or monitoring the work effectively. It also means that the force is not able to assure itself that its actions are having the desired impact and becoming embedded into the culture of the organisation.
90. In terms of **environmental sustainability**, the force established an environmental action group in 2009. This meets every other month and is involved in promoting a range of 'green' activities such as car sharing, turning off lights, energy awareness and video conferencing to reduce unnecessary travel. The force, along with all other Scottish police forces, is involved with the Carbon Trust to develop its carbon management plan.
91. The introduction of the 'Local Policing Closer to You' is an example of the force's commitment to local communities which supports **social sustainability**, though it is not clear that the force has considered it from this perspective. Senior officers within the force are confident that 'Local Policing - Closer to You', delivered in partnership with other agencies, will provide a degree of community resilience which will turn result in enhanced outcomes for those communities. There are other examples of activities which support social sustainability at the local level through crime prevention measures and diversionary activities. These include the work of the police architectural liaison officer who works with partners to promote crime prevention through environmental design.
92. In terms of **economic sustainability**, the force intends to enhance the use of the Special Constabulary and better integrate the Third Sector into force business. The aim of this is to help ensure that community involvement in the delivery of services becomes mainstreamed, while providing clear economic benefits. The next phase of the force vision is to approach the private sector to attempt to secure funding for neighbourhood projects through the various corporate community responsibility programmes. This approach has the potential to produce favourable results in the future given the number of multi-national companies linked to the oil industry with a presence in the area.

93. The force and the board should review their approach to sustainability in order to set a clear strategic direction and put systems and processes in place to help them review progress and monitor impact. There are examples of activity that support the three elements of sustainable development. However, in the absence of a strategic approach, there is a risk that these activities are not prioritised, coordinated and monitored effectively. The force and the board need to do more to articulate their commitment to sustainability and to develop systems and process that demonstrate the impact of the full range of sustainability activities taking place within the force.

Part 2: Grampian Police performance assessment

Delivering policing plan outcomes

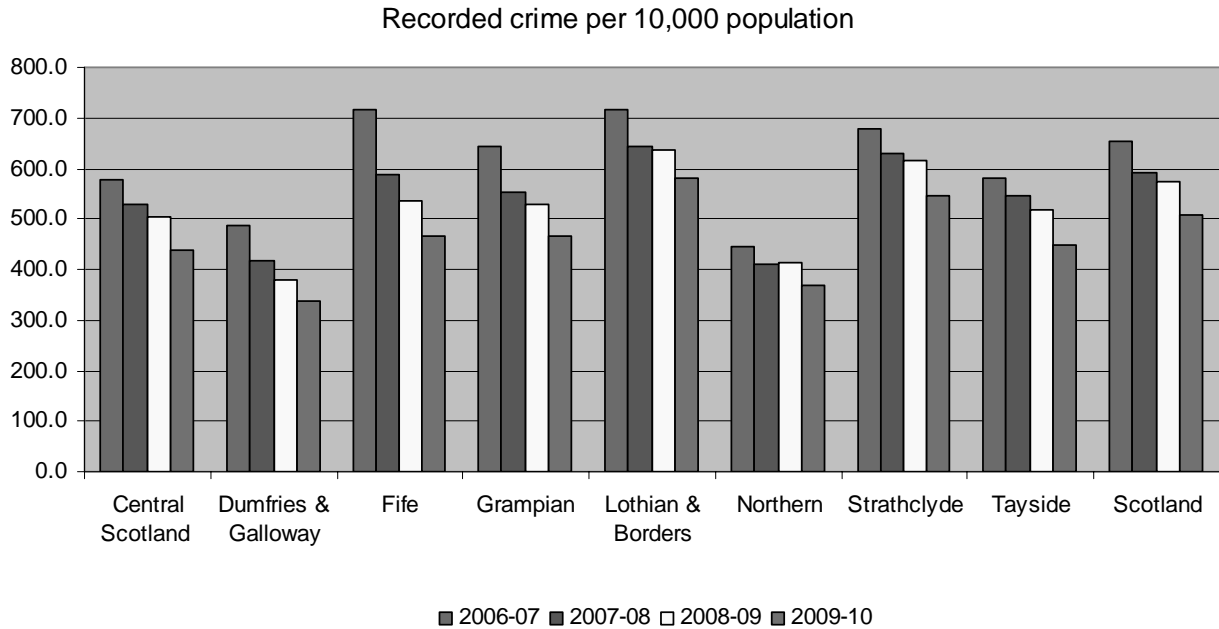
The force and its partners are making good progress on most of the area wide priorities in the single outcome agreements covering Aberdeen City, Aberdeenshire and Moray.

There has been an overall reduction in recorded crime since 2006/07, and crimes of violence, indecency, dishonesty, and reckless behaviour are their lowest level for seven years. Detection rates have been sustained and are around the national average. Drug enforcement performance deteriorated between 2008/09 and 2009/10 and there have been increases in racially motivated crime and complaints against the police.

94. The force's strategic plan 'Platform for Success' defines the force vision and strategic direction. The plan has evolved over the last five years and it is updated on an annual basis to reflect force values, objectives and community priorities. The force's priorities are reducing violent crime and anti-social behaviour, national security, public protection, controlled drugs (which from 2010/11 also includes serious and organised crime), road casualty reduction, community focus and force reputation.
95. Force performance is reported through quarterly performance reports and an annual report which share a common structure and are based around the four areas of policing identified within the Scottish Policing Performance Framework (SPPF). The performance reports also contain a core set of ten performance measures, which are common to the three SOAs and cover the force area and reflect the force's strategic objectives.
96. The force and its partners can demonstrate progress on these ten measures, the majority of which show a positive direction of travel between 2008/09 and 2009/10. This improvement includes positive progress on reducing anti social behaviour, youth crime and crimes of violence. Further work is needed however to sustain the recent improvements to road safety.

Recorded crime

97. Overall, performance in terms of recorded crime is good. In 2009/10 the number of recorded crimes per 10,000 head of population in Grampian was lower than the Scottish average (Exhibit 6).

Exhibit 6**Recorded crimes per 10,000 population 2006/07 - 2009/10**

Source: HMICS

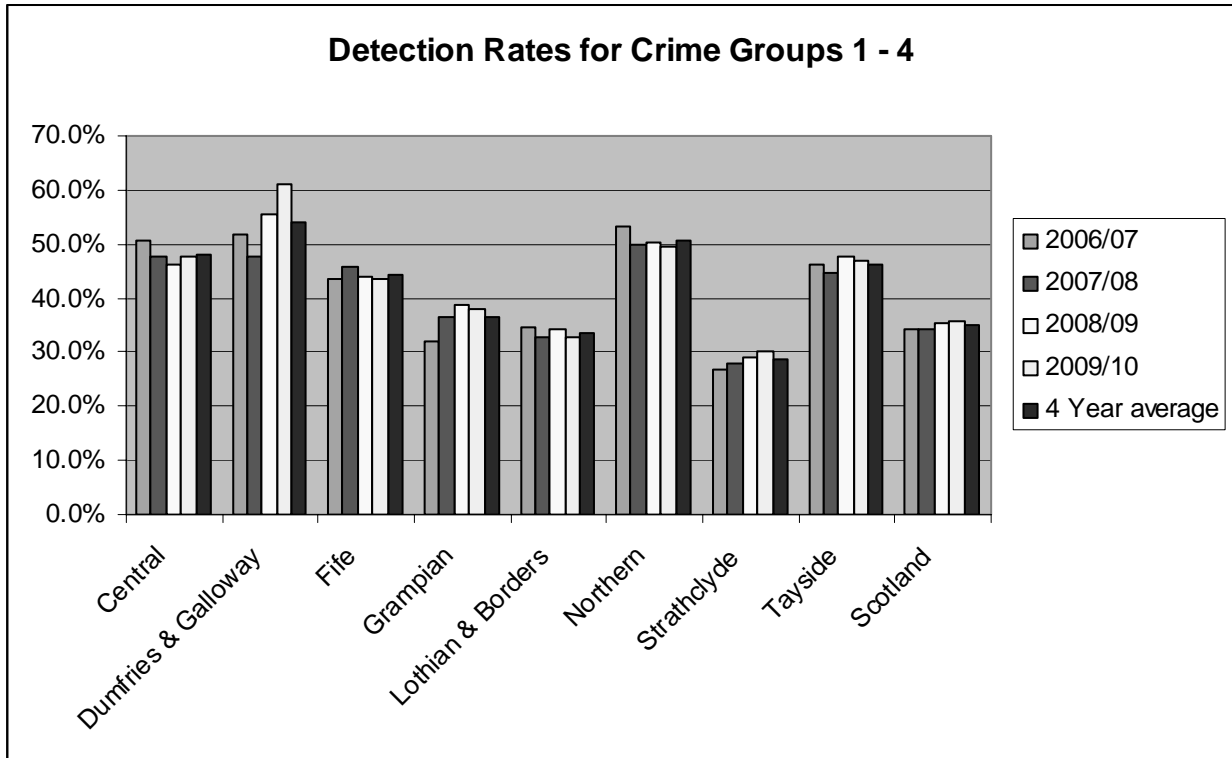
98. The level of recorded crime in Grampian is falling and there has been a 25.8 per cent reduction in recorded crimes of violence, indecency, dishonesty, and reckless behaviour between 2006/07 and 2009/10.
99. Between 2006/07 and 2009/10, the total level of recorded crime across Scotland fell by 19 per cent. The reduction in Grampian was greater than the Scottish average for crimes of indecency and for fire raising, malicious and reckless conduct but less than the average for crimes of violence and dishonesty.

Detection rates

100. The overall crime detection rate in Grampian in 2009/10 was 48 per cent, one per cent lower than the Scottish average.
101. The force has improved the detection rates for crimes of violence, indecency, dishonesty and fire raising, vandalism and reckless behaviour (Crime Groups 1 – 4) since 2006/07 (Exhibit 7).

Exhibit 7

Detection rates 2006/07 – 2009/10



Source: HMICS

102. The force detection rates between 2006/07 and 2008/09 were better than the Scottish average for crimes of violence and fire-raising, malicious and reckless conduct, but below average for crimes of indecency and dishonesty. However, in 2009/10 the force's detection rates for these crimes were above, or equal to the Scottish average.

103. The sections that follow consider the force's performance on its strategic priorities of; reducing violent crime and anti-social behaviour, national security, public protection, controlled drugs, road casualty reduction and community focus and force reputation. Where possible the assessment draws on performance measures over a four-year period and makes comparisons with the Scottish average where appropriate. The force's other strategic priority, efficiency, has been covered in part one of this report.

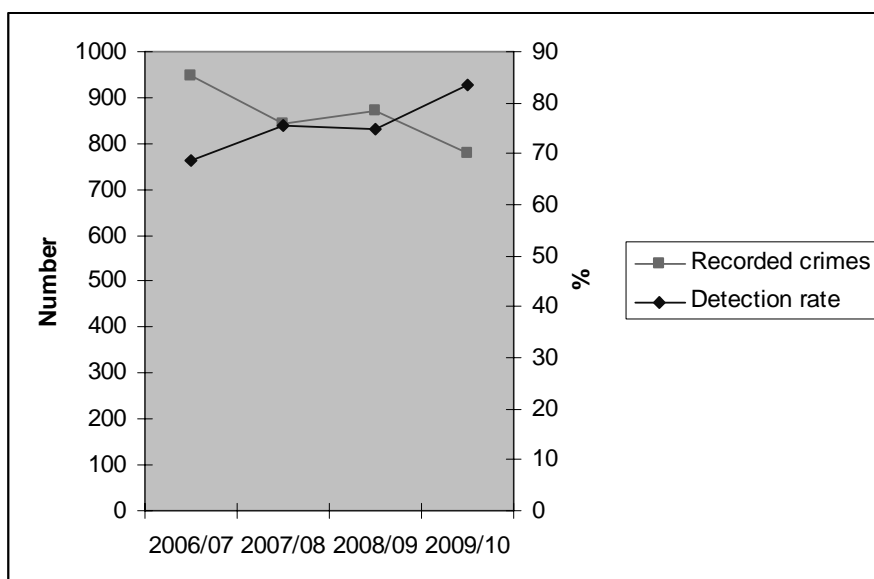
Violence

The force is performing consistently well in reducing crimes of violence. These are at their lowest level for seven years and detection rates are improving.

104. The force has performed well in its efforts to reduce violent crime and offences have fallen consistently over recent years. In 2009/10 crimes of violence in Grampian were at their lowest recorded level and detection rates were at their highest for seven years.
105. The number of recorded crimes of violence fell by 17.6 per cent between 2006/07 and 2009/10. The average detection rate in Grampian between 2006/07 and 2008/09 was 70.4 per cent, significantly better than the Scottish average (Exhibit 8).

Exhibit 8

Crimes of violence 2006/07 – 2009/10



Source: Scottish Policing Performance Framework Annual Report 2008/09 & Grampian Police Annual Reports

106. In 2009/10 there was 14 violent crimes per 10,000 head of population in Grampian, this is significantly lower than the Scottish average of 22. The detection rate in 2009/10 was 84 per cent, which is significantly better than the Scottish average of 67 per cent.
107. During 2009/10 the number of serious assaults fell by 17.8 per cent and the detection rate improved significantly, rising by 14.5 per cent to 90.3 per cent. The force attributes this to pro-active policing of new licensing legislation, improved arrangements around door stewarding supported by the Security Industry Authority and by targeting policing around the city and town centres and the weekend night time economy.

Antisocial behaviour

Antisocial behaviour in Grampian is reducing although detection rates are generally below the national average. The force has been successful in addressing its priority of reducing vandalism. The force works well with its partners in reducing youth-related antisocial behaviour but needs to evaluate the on-going impact of its diversionary activities for young people more effectively.

108. In 2009/10 antisocial behaviour community crimes⁴ in Grampian fell to their lowest level since 2004/05. This downward trend is encouraging and reflects a concerted effort by the force and its partners to link to the four pillars of the Government antisocial behaviour strategy; prevention, integration, engagement and communication.
109. During the 2009/10 there was a significant reduction in the number of recorded antisocial behaviour offences, which fell by 12.5 per cent, Detection rates remained relatively constant over the same period at around 52 per cent. These were below the national average of 67 per cent and the lowest level in Scotland for 2009/10.
110. Vandalism is currently at its lowest level for the past three years. The force has prioritised the reduction of vandalism and has supported this in a number of ways, including a specific vandalism review team. This has been successful and the number of recorded vandalism crimes reduced by 1,850 during 2009/10 to 6,824. Over the same period detection rates also dipped from 31.5 to 28.3 per cent and this is an issue the force needs to address if it is to sustain positive outcomes.
111. Detected youth crimes in Grampian decreased by 16 per cent during 2009/10 and the number of children and young people responsible for these crimes also fell by more than 200 during this period. The force's Youth Justice Management Unit has made an effective contribution to this positive trend and is continuing to further strengthen its approach and engagement with partner agencies.
112. The force has worked particularly well with some of its community safety partners to make an impact on antisocial behaviour. Through the Aberdeenshire community safety partnership, the force helped support over 60 'street sports' sessions across Aberdeenshire. These acted as diversionary activities to reduce youth disorder over the summer period and also provided opportunities for partners to give advice on lifestyle issues. As would be expected, these diversionary activities have an immediate positive impact on antisocial behaviour, but the force and its partners need to have more effective arrangements in place to evaluate whether these actions are supporting a more sustained, longer-term improvement in antisocial behaviour.

⁴ Consistent with ACPOS performance monitoring data. anti-social behaviour crimes are defined as actions that demonstrate a 'disregard for community/personal wellbeing, acts directed at people, environmental damage and misuse of public space.'

National security

The force is working with partners to continue to review and develop contingency plans and support national security strategies.

113. The force is committed to the UK Government strategy 'Contest 2' (Exhibit 9) and has carried out work in the four strands, Prevent, Pursue, Protect and Prepare. In 2009/10 the main emphasis has been in relation to 'Prevent' where substantial progress has been made on the formation of multi-agency structures to develop responses to potential vulnerabilities and 'Delphinus'⁵ groups are now in place in each of the three Local Authority areas.

Exhibit 9

'CONTEST 2' strands

- Prevent – terrorism by tackling its causes and the radicalisation of individuals
- Pursue – terrorists and those who sponsor them
- Protect – potential targets of terrorism
- Prepare – to respond to the consequences of a terrorist incident, in order that any disruption is minimised

Source: UK Government – CONTEST 2 Counter Terrorism Strategy

114. The force and its partners continue to develop a range of contingency plans, both locally in terms of potentially vulnerable sites and nationally relative to joint Scottish or UK policing responses. This is particularly relevant to the unique position Grampian Police has in relation to the North Sea Oil Industry and the additional demand this brings to the force.

Public protection

The force is working with partners to protect vulnerable people, but needs to develop performance measures so that it can better assess its performance in this area. The number of reported racist incidents and racially motivated crimes has increased significantly, though detection rates have improved.

115. The force is committed to working with partners to improve the protection of children and adults and the monitoring of offenders, to reduce domestic abuse and in supporting the Getting It Right For Every Child agenda. The force and its partners have implemented the recommendations arising from previous HMle Inspections into the provision of services for the protection of children within the three local authorities as well as the review of the North East of Scotland Child Protection Committee. We found evidence of good joint working with partners to develop the different strands of public protection to meet the significant challenges around child protection.

⁵ Delphinus Groups are multi-agency groups based on community safety partnership structures. They are briefed on local threats and vulnerabilities with a view to developing appropriate responses tailored to the local context.

116. Force performance reports do not include specific and measurable objectives or performance measures in relation to child protection matters, although the management of dangerous offenders is reported as part of the SPPF data.
117. The number of racist incidents in Grampian increased from 440 in 2006/07 to 564 in 2009/10. The number of reported racially motivated crimes has almost doubled from 449 in 2006/07 to 879 in 2009/10. The detection rate for these crimes has improved significantly from 59.9 per cent in 2006/07 to 69.3 per cent in 2009/10 and was better than the Scottish average of 66.5 per cent.
118. The force considers that part of the increase in incidents and crimes is a result of their efforts to improve reporting mechanisms, raise awareness and improve public confidence in this area. It has also cited changing demographics in the population mix in Aberdeen as an influencing factor. The force needs to further analyse the reasons for the increases so that it can understand what lies behind them and respond appropriately.
119. The force's annual performance report contains limited measures on public protection beyond the statistics relating to racially motivated incidents and crimes. It should consider making better use of measures to help manage performance and support effective scrutiny in this area, for example domestic abuse and Child protection issues.

Controlled drugs

Overall performance declined in all aspects of drug enforcement during 2009/10. This downturn in performance is set against a backdrop of above average drug dependency rates within parts of the force area. This trend was also observed in a number of other Scottish police forces.

120. The force has made controlled drugs a priority for a number of years. Between 2008/09 and 2009/10 the total number of drugs possession charges fell from 2,235 to 1,836. The reduction was most marked in relation to the supply and possession of Class A drugs where the number of offences for supply and possession has fallen from 586 in 2006/07 to 435 in 2009/10. The amount of drugs seized also fell between 2006/07 and 2009/10.
121. A force wide initiative carried out during the fourth quarter of 2009/10 to generate more activity, resulted in an increase in supply and possession charges during that period. Despite this, the force fell short of the previous performance in this area of business over the full year.
122. Aberdeenshire suffered the second highest rate of cocaine related deaths in Scotland in 2007. In Aberdeen City the proportion of the population hospitalised for drug related conditions is higher than the Scottish average, yet drug related deaths within the force area fell from 46 in 2008/09 to 39 in 2009/10. This may be indicative of partnership activity aimed at combating drugs misuse, beginning to have an impact.
123. The national process for identifying and mapping serious and organised crime groups (OCGs) has been embraced by the force and is reflected in the change to this priority in Platform for Success 2010/11. The force has restructured its Crime Management Operations to manage this transition and

deliver on the Scottish Government strategy 'Letting Our Communities Flourish'. New 'Major Investigation Teams' will support efforts to tackle serious criminality and aim to make Grampian a hostile environment for criminals. It is important that the force maintain focus on drugs whilst also addressing wider criminality of the OCGs and develops appropriate performance measures to track and report on progress.

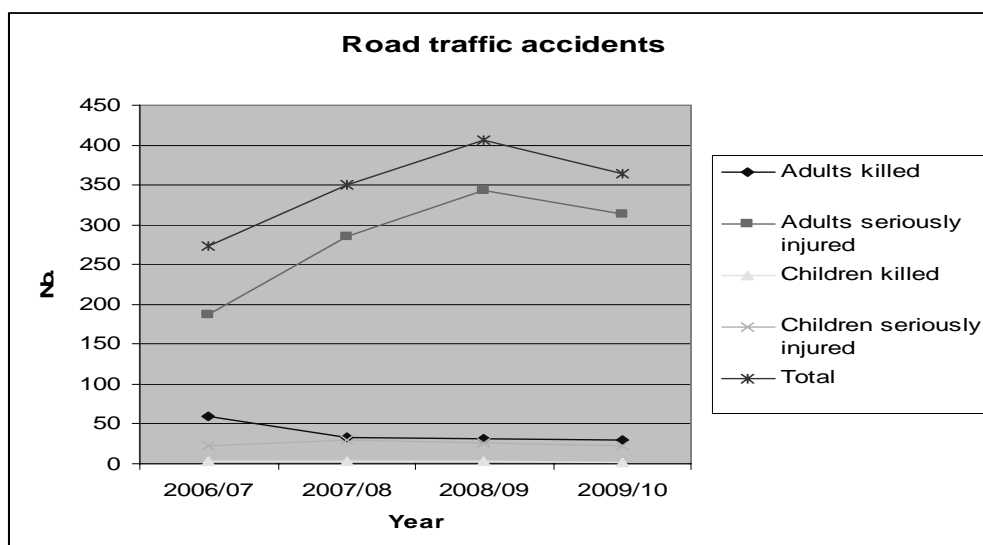
Road Casualty Reduction

The force has achieved small year on year reductions in road fatalities. The number of accidents resulting in death or serious injury increased significantly between 2006/07 and 2008/09, though it fell slightly in 2009/10. Although the force works with partners to target drivers who present the greatest risk and reduce collisions, overall roads policing activity has reduced, resulting in falls in detected and drink driving offences between 2008/09 and 2009/10.

124. The total number of road traffic accidents resulting in death or serious injury rose sharply between 2006/07 and 2008/09, though this fell between 2008/09 and 2009/10 (Exhibit 10). Most of the increase was a result of the increase in adults seriously injured which rose from 188 to 343 over a three-year period.

Exhibit 10

Road traffic accidents in Grampian



Source: Grampian Police Annual Reports

125. Between 2006/07 and 2009/10, the total number of people killed fell by 32 from 62 to 30, and the number of children who were killed or seriously injured fell from 23 to 22. In 2009/10 the number of people killed or seriously injured per mVkm⁶ was higher in Grampian than anywhere else in Scotland. The force has been concerned at the high level of young drivers who have been involved

⁶ Million vehicle kilometres travelled.

in traffic collisions and has been focussing its attention in this area. Work with the COPFS on a Young Driver Diversion Scheme is being trialled during 2010/11.

126. The number of detected offences which are known to contribute towards road casualties⁷, all fell between 2008/09 to 2009/10 and detected road traffic offences overall fell from 21,449 to 15,612. There has also been a reduction in the number of drink drivers brought to justice, which fell from 1,071 in 2008/09 to 881 in 2009/10.
127. The number of proactive enforcement operations, high visibility patrols and the numbers of people receiving education activity also fell between 2008/09 and 2009/10.
128. It is important that the force considers whether it is committing sufficient resources to continue the recent improvement in performance on road casualties. Although 2009/10 offered an improvement on the previous year, it was still higher than 2006/07 and 2007/08.

Force reputation, standards and community focus

Force performance on answering and dealing with emergency and non-emergency calls is improving and the force is responding to emergency incidents more quickly. Public confidence in the force is slightly below the national average but satisfaction rates are high and improving. Complaints against the police are increasing year on year.

129. The force is improving its responsiveness to emergency calls. In 2006/07 it answered 89.9 per cent of 999 calls within ten seconds and this has risen to 96.2 per cent in 2009/10. This exceeded the national target of 90 per cent, and was better than the Scottish average of 94.7 per cent.
130. The force responded to 92.4 per cent of emergency incidents within its target response times in 2009/10. The force also exceeded its ten-minute response target and average emergency response times have improved year on year.
131. The force answered 97.6 per cent of non-emergency calls in 2009/10 and 90.9 per cent of these were answered in under 40 seconds. This is an improvement in performance compared to 2008/09, in this critical initial contact.
132. The Scottish Policing Framework data for 2008/09 reported on public confidence on a number of aspects of forces nationally (Exhibit 11). This indicated that public confidence in the Grampian force was slightly below other forces across Scotland.

⁷ This includes dangerous driving, careless driving, the use of mobile phones, speeding and seatbelt offences.

Exhibit 11

Public confidence

Public confidence in the force's ability to.....	Grampian (%)	Scotland (%)
Prevent crime	48	48
Respond quickly to appropriate calls and information from the public	56	58
Deal with incidents as they occur	59	61
Investigate incidents after they occur	66	68
Solve crimes	61	60
Catch criminals	57	57

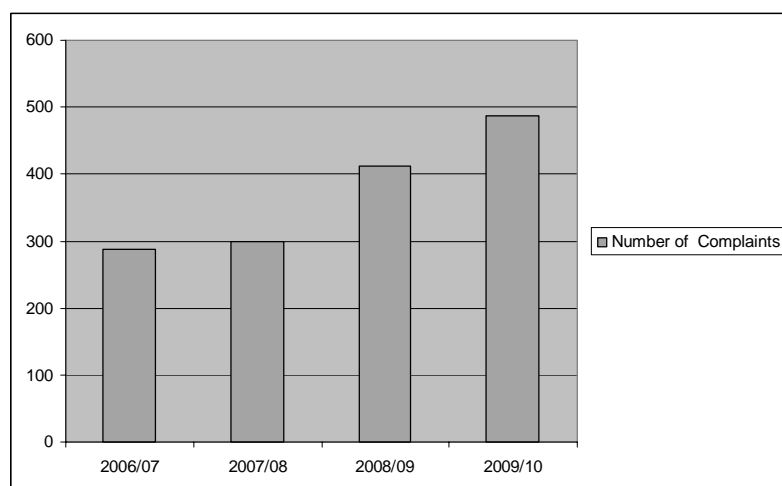
Source: Scottish Crime and Justice Survey 2009/10

133. The people of Grampian are generally positive about the force. In 2009/10 the satisfaction rates in Grampian covering initial contact, the actions taken by officers to resolve enquiries, the way in which people were treated and overall satisfaction with the way in which the force dealt with the matter were the highest in Scotland. The force had adopted a phone survey methodology, which attracted a higher response rate compared to other forces who typically use a postal survey. In 2009/10 satisfaction rates improved for all of these indicators apart from one. Public satisfaction with the way the force dealt with matters overall improved from 84.3 per cent in 2008/09 to 86.0 per cent in 2009/10, but the proportion of people who felt they had been kept adequately informed fell slightly.

134. The number of complaints against police officers has increased year on year (Exhibit 12) and has risen by 69 per cent between 2006/07 and 2009/10.

Exhibit 12

Complaints



Source: Grampian Police Annual Performance Reports

135. In 2009/10 there were 31 complaints per 10,000 incidents, this was significantly higher than the Scottish average of 17.5 and was the second highest in Scotland. The force considers that members of the public have confidence in the force's willingness to deal with complaints and are therefore more prepared to make complaints. Evidence suggests that the force is meticulous in recording complaints

and this, coupled with changes in recording processes, may account for some of the increase.

However, other forces are also implementing changes to recording systems but have not experienced the same level of increase. The Police Complaints Commissioner will examine this issue in depth in his annual report and provide a comparison with other Scottish forces.

136. Between 2006/07 and 2009/10, the proportion of reports the force submitted to the procurator fiscal within the 28 day deadline rose from 80.7 per cent to 94.5 per cent. This was significantly better than the Scottish average of 88.6 per cent.
137. Performance in terms of reports submitted to the Children's Reporter has also improved but was slightly below the national average in 2009/10. The force submitted 79.5 per cent of reports within 14 days in 2006/07 and this has risen to 82.5 per cent in 2009/10.

Part 3: Improvement recommendations

The improvement programme

138. Continuous improvement in public services and local governance are central to the best value and community planning policy framework. In striving to achieve the highest possible standards of service, members of the joint board must focus on key policy objectives and the needs of service users and communities. This requires a culture where areas in need of improvement are identified and openly discussed and in which service performance is constructively challenged.

139. Grampian Police and the Joint Board are aware of the key areas where improvements are needed and are addressing them.

140. Grampian Joint Police Board and Grampian Police must work together and take shared responsibility in order to deliver best value to the communities of Aberdeen, Aberdeenshire, and Moray. The table below sets out the key areas where the force and the board need to improve.

Improvement Agenda

Grampian Joint Police Board

- The board must ensure that it delivers an effective Independent Custody Visiting Scheme .
- The Board needs to become more proactive in long-term resource planning to help ensure priority areas are resourced appropriately.
- The Board should complete the review of its current governance and implement any improvement actions, including the current arrangements for chairing the complaints and stewardship subcommittees.
- The board should consider recommendations of the review of the administrative support and training and development arrangements to ensure these are being resourced appropriately.
- The board should engage more proactively with the force on the prioritisation, scope and monitoring of improvement work.
- The board should strengthen its leadership and scrutiny of equalities issues.

Grampian Police

- The force needs to get a clearer understanding of the costs of areas of activity in order to demonstrate the link between resources and results, and help to inform decisions about how resources are prioritised.
- The force should use more comparative information to improve the quality and balance of performance reporting.
- The force needs to develop outcome focussed equalities measures in order to assess the impact of its work in this area.
- The force needs to further analyse the reasons for the increase in complaints and racially motivated crime and respond accordingly and assess whether it is deploying resources appropriately on tackling controlled drugs and road traffic accidents.

Joint improvements

- The board and the force should review the content of the annual public performance report to ensure that it provides a summary of the board's activities and its impact.
- Develop a strategic approach to sustainability to ensure that the economic, social and environmental aspects are considered.

Appendix 1: Expectations of police authorities

The Scottish government has issued two main sources of guidance on the role of elected members and police authorities:

- Circular 11/2003, *Implementing Best Value in the Scottish Police Service*, issued in December 2003.
- *Guidance to Members*, issued in June 2007.

Taken together, these two documents set out six main areas of activity for police authorities and their members:

- Police authorities need to pursue best value in tandem with chief constables who are responsible for police operations in their force. Members of the police authorities should take joint responsibility for the overarching plan to achieve best value and other duties in the force, and work with the chief constable to ensure that it is carried out effectively.
- Best value requires elected members and senior managers to develop a vision of how best value will contribute to the corporate goals of the authorities, inform the direction of services and be communicated to staff.
- Police authorities are expected to demonstrate responsiveness to the needs of the public and other stakeholders. Plans, priorities and actions should be informed by an understanding of those needs. Police authorities may make clear publicly how they engage and work with chief constables delivering and reporting on, best value. They have a particular role to play in ensuring effective public consultation on aspects of policing.
- It is a matter for each authority to determine how it fulfils these roles. However, one option might be for the police authorities to contribute to and endorse the chief constable's annual plan.
- Members of the police authorities should be able to demonstrate that they are making the best use of public resources and demonstrate an approach to review that is rigorous, robust and covers all aspects of their work.
- Police authorities need to make sure that the force collects and reports good quality performance data to them. Police authorities should analyse the data and any accompanying commentary. They may then want to investigate further by asking questions of the chief constable as part of a continuous discussion and review of force performance.

ACCOUNTS COMMISSION

MEETING 20 JANUARY 2011

NOTE BY SECRETARY & BUSINESS MANAGER

SHETLAND ISLANDS COUNCIL – ANNUAL AUDIT 2009/10

Purpose

1. The purpose of this report is to introduce the Controller of Audit's report on the 2009/10 annual audit of Shetland Islands Council.
2. The Commission is invited to consider the report and decide how it wishes to proceed.

The report

3. The report is made under section 102(1)(a) of the Local Government (Scotland) Act 1973 (as amended by various subsequent pieces of legislation including the Local Government in Scotland Act 2003). The report is also being sent to the Council, which is obliged to supply a copy of the report to each member of the Council and make additional copies available for public inspection.
4. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - a. the accounts of local authorities audited under the Act;
 - b. any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public.

Procedure

5. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them –
 - (a) Direct the Controller of Audit to carry out further investigations;
 - (b) Hold a hearing;
 - (c) State its findings.
6. The Controller of Audit and members of the audit team will be present at the Commission meeting and will be available to answer questions.
7. In considering what action to take, the Commission may wish to bear in mind that, in its findings following the hearing on Shetland Islands Council in June 2010, it required the Controller of Audit to submit a follow-up report after approximately one year. That will be submitted later this year, and the work being undertaken as the basis for that report is described in the report before the Commission today.

Conclusion

8. The Commission is invited to:

- consider the report by the Controller of Audit on the 2009/10 annual audit of Shetland Islands Council, and
- decide it wishes to proceed.

Mark Brough
Secretary and Business Manager
12 January 2011

ACCOUNTS COMMISSION

MEETING 20 JANUARY 2011

REPORT BY THE CONTROLLER OF AUDIT

SHETLAND ISLANDS COUNCIL – ANNUAL AUDIT 2009/10

**A REPORT BY THE CONTROLLER OF AUDIT TO THE ACCOUNTS
COMMISSION UNDER SECTION 102(1) OF THE LOCAL GOVERNMENT
(SCOTLAND) ACT 1973**

Introduction

1. The auditors have completed their 2009/10 audit of Shetland Islands Council and I have received the audited accounts for the year ended 31 March 2010 and their report on the year's audit.

Qualified opinion on the financial statements

2. The auditors have given a qualified opinion on the financial statements of Shetland Islands Council for the fifth consecutive year. The qualification relates to the fact that the council has not included the results of the Shetland Charitable Trust (SCT) in its group accounts for 2009/10.
3. In its findings following the public hearing in June 2010 the Commission stated that it had heard no reason which would lead it to disagree with the appointed auditor on this matter.
4. The *Code of Practice on Local Authority Accounting in the United Kingdom- a Statement of Recommended Practice (the SORP)* requires group accounts to be prepared by local authorities where they have interests in subsidiaries, associates and joint ventures. Group financial statements are required to present a true and fair view of the authority's activity and financial position. The council has not included the results of the Shetland Charitable Trust (SCT) in its group financial statements for 2009/10. In the auditor's opinion, the substance of the council's relationship with this body represents a significant interest and this omission results in a material mis-statement of the group accounts. Based on prior year financial statements, the auditors estimate that the Shetland Charitable Trust and its subsidiaries would add £2 million to the group surplus and £176 million to the group balance sheet.
5. The Report to Members and the Controller of Audit on the 2009/10 Audit can be found at http://www.audit-scotland.gov.uk/docs/local/2010/fa_0910_shetland.pdf. The report states that the 2009/10 audit also identified a significant number of late adjustments to the financial statements and areas of non-compliance with accounting requirements. The auditor also expressed concerns over the council's preparedness for the introduction of International Financial Reporting Standards in 2010/11 and noted that the council did not submit Whole of Government (WGA) draft accounts for audit to comply with government deadlines. In addition, it was reported that the council has not yet resolved ongoing financial governance

issues including those relating to the transfer of Shetland Towage pensions. These issues lead the auditors to conclude that there remain concerns over financial stewardship and reporting within the council.

6. The council has agreed a series of improvement actions in response to the findings which are detailed in the report. These actions include the Head of Finance being given responsibility for liaising with the Shetland Charitable Trust to identify options to resolve the qualification for the 2010/11 accounts. The Head of Finance is also receiving experienced support to compile a set of improved procedures for the preparation of the 2010/11 accounts. Progress against these actions is to be monitored by the council and the auditors.

Recent developments

7. Following the public hearing in June the Commission published its findings on 16 August 2010. In the findings, the Commission stated:

'The Commission will continue to monitor the circumstances of the council through the council's external auditors, and notes that the recently-agreed Assurance and Improvement Plan also sets out planned strategic scrutiny activity for Shetland Islands Council over the period to March 2013. The next version of the Assurance and Improvement Plan will reflect the Commission's findings and recommendations.'

We require a further report by the Controller of Audit in around 12 months' time on progress made by the council. We will give consideration at that point to any further measures that need to be taken.'

8. On 10 November the council accepted the Commission's recommendations and approved an improvement plan.
9. The improvement plan sets out a range of workstreams and associated milestones which include the introduction of new political management arrangements, the development of a medium to long term financial strategy and the creation of a new chief officer structure during 2011.
10. The council has been working with the Improvement Service and has engaged external consultants to support its improvement work.

Future audit work

11. The auditors are monitoring the council's progress on delivering its improvement plan through regular ongoing discussions with the Chief Executive and other senior officers. This monitoring is taking place as part of the annual audit process, and will be supplemented by specific audit work in during 2011. The timing of the audit work will be informed by the milestones set out in the council's improvement plan and I propose to report back to the Commission in December 2011.

Conclusion

12. The purpose of my report is:
 - to bring the Accounts Commission's attention to the fact that the auditors have qualified the accounts of Shetland Islands Council for the fifth

consecutive year, because of a disagreement about the accounting treatment of Shetland Charitable Trust in the Council's group accounts.

- to update the Commission on my proposals for monitoring progress in the council during 2011.

FRASER McKINLAY
CONTROLLER OF AUDIT
07 January 2011

Accounts Commission Digest – 20 January 2010

This note is intended to supplement the formal agenda papers by providing Commission members with background information that may be of interest.

This month the note includes:

- Further details on parliamentary activity of interest to local government
- An outline of recent media coverage of relevance to the Commission
- Recent publications of interest

Parliamentary activity

The Controller of Audit's update report includes information on the activity of most relevance to the Commission. Members may also be interested in the following:

Scrutiny of the Scottish Government's budget for 2011/12 continues. The Finance Committee will publish its report on the draft budget shortly. The Government will introduce the Budget Bill by 20 January to seek formal parliamentary approval for the budget. The stage 1 debate on the Bill and the Finance Committee's report is expected to take place on 26 January.

In association with the publication of its draft budget for 2011/12, the Scottish Government announced the establishment of a Commission on the Future Delivery of Public Services to examine how Scotland's public services can be delivered in future to secure improved outcomes for communities across the country. The Commission is to be chaired by Campbell Christie, with the other members being:

- Dr Alison Elliot, Convener, SCVO;
- Dr Roger Gibbins, formerly chief executive of NHS Highland;
- Alex Linkston, formerly chief executive, West Lothian Council;
- Kaliani Lyle, Scotland Commissioner of the Equality and Human Rights Commission;
- Jim McColl, chairman and chief executive of Clyde Blowers;
- Professor James Mitchell, University of Strathclyde;
- Pat Watters, president of COSLA;
- Ruth Wishart, Journalist and broadcaster;
- Eddie Reilly (formerly Scottish convener of the PCS union).

The Commission has issued a call for evidence, and is expected to produce a report by the end of June 2011.

On 11 January the Finance Committee published the report on its inquiry into preventative spending. The report makes a number of conclusions and recommendations on issues of interest to local government – particularly issues relating to early years intervention, social care and youth justice services.

<http://www.scottish.parliament.uk/s3/committees/finance/reports-11/fir11-01.htm>

On 11 January the Scottish Parliament Transport, Infrastructure and Climate Change Committee took evidence from the Sustainable Development Commission Scotland on 'Sustainable development: progress by the Scottish Government'.

The House of Commons Environmental Audit Select Committee has published a report entitled '*Embedding sustainable development across Government, after the Secretary of State's announcement on the future of the Sustainable Development Commission*'.

<http://www.publications.parliament.uk/pa/cm201011/cmselect/cmenvaud/504/50402.htm>

On 12 January, the Scottish Government was scheduled to make a statement in the Parliament on reform of the police and fire and rescue services. The *Official Report* of this statement will be available on 13 January at:

<http://www.scottish.parliament.uk/business/officialReports/index.htm>

On 13 December, the UK Government introduced a Localism Bill. The Bill is intended to devolve greater powers to councils and neighbourhoods and give local communities more control over housing and planning decisions. The provisions in the Bill relating to councils (in England only) include:

- giving councils a general power of competence
- allowing councils to choose to return to the committee system of governance and allowing for referendums for elected mayors in certain authorities
- abolishing the Standards Board regime and the model code of conduct, and introducing local accountability and a criminal offence of deliberate failure to declare a personal interest in a matter
- giving residents the power to instigate local referendums on any local issue and the power to veto excessive council tax increases
- allowing councils more discretion over business rate relief
- providing new powers to help save local facilities and services threatened with closure, and giving voluntary and community groups the right to challenge local authorities over their services.

Parliamentary scrutiny of the Bill has now begun. The Communities and Local Government select committee is also currently in the middle of a series of evidence sessions for an inquiry it is undertaking into the UK Government's plans for localism and decentralisation.

The House of Commons Public Administration Select Committee has published a report on the coalition government's plans to scrap 192 public bodies, including the *Audit Commission*. It says the process has been "poorly managed" and will not save much money or improve accountability.

<http://www.publications.parliament.uk/pa/cm201011/cmselect/cmpubadm/537/53702.htm>

News summary 10 Dec – 11 Jan

Accounts Commission/ Auditor General Energy Efficiency report. This received national and local coverage. Comment on publication:

- Labour Environment Spokesperson Sarah Boyack called for greater urgency in dealing with the issue and criticised the Government's decision to close the Sustainable Development Commission, saying "*proper scrutiny of the public sector's energy use is...under threat*".
- *Liberal Democrat Energy Spokesperson Liam McArthur* said the report also criticised the Government's progress, highlighting that over 70% of buildings had received "*the worst energy efficiency ratings*", and noting the recent publication of the Energy Efficiency Action Plan, which he said was "*promised in 2007.*"

Council budgets/ grant settlements

All of Scotland's councils have now agreed in principle to meet the conditions attached to the Scottish Government's draft budget for next year.

- Local news articles about apparent errors by the Scottish Government in calculating grant settlements: "The Scottish Government included £3m of money intended for North Lanarkshire in South Lanarkshire's allocation, until the error was spotted. East Kilbride Mail 22 Dec
- Aberdeenshire Council has been informed that its Scottish Government grant settlement for 2011/12 is to be reduced by a further £511,000 due to an error in the complex calculation formula. Buchan Observer 4 Jan

- Some councils, such as Glasgow, North Ayrshire and Inverclyde, gave quotes indicating discontent with the settlement and conditions, despite acceptance.
- Other councils, such as Perth & Kinross and Dumfries & Galloway, said they got more than expected.
- Argyll & Bute media led with the story that the settlement was less than the amount the council was expecting to receive. P&J reported that a councillor asked why the council seemingly did not realise it was in for a £11.429million cut in its funding allocation and questioned what happened at the COSLA meeting when the distribution formula was discussed and agreed. P&J 7 Jan
- Forres Gazette reported that Moray Council officials have expressed "shock and disappointment" at their funding allocation from the Scottish Government, and warned that they will have to save even more money than previously thought.
- North Ayrshire Council has got its budget sums wrong by tens of millions of pounds, according to local MSP Kenneth Gibson.

Councils continue to take decisions about budget cuts and strategies.

- Aberdeen City Council asked every member of its staff who earns more than £21,000 to take a 5% pay cut to avoid compulsory redundancies. Threat of strike action. A special meeting did not resolve the issues. The plans have been criticised by John Swinney in Parliament.
- Some councils have publicised raised charges for services – such as car parking (Edinburgh, North Lanarkshire) and school meals (South Lanarkshire).
- Service reviews and closures continue to hit the headlines, particularly schools, libraries and care provision. Campaigns to save services continue.
- Lottery, EU, charity grants and private donations are paying for some capital projects, such as park refurbishment and town regeneration.

Police

Scotland on Sunday and other media reported that both SNP and Labour will support a move to a single police force in the 2011 Holyrood elections. Scotland's senior police officers have warned the Scottish Government they will "robustly challenge" any merger plan that fails to "deliver effective policing to our local communities".

- Grampian's chief constable warned against "rushing" into plans to create a single force for the whole country - and accused the Scottish Policing Board of "undue haste". P&J 16 Dec
- Chief Constable of Fife Constabulary, Norma Graham, has warned that the Scottish Government's spending policy will see "*a reduction to policing services across Fife*" and that police stations may close and services reduced in other areas.
- Fife Police could be forced to cut jobs and close police stations as they battle to meet a £15 million funding shortfall over the next four years. Courier 22 Dec. Fife could lose up to 80 firefighters over the next four years, leading to fears for both public and firefighter safety. Courier 22 Dec
- Strathclyde: Overtime has been slashed at Scotland's biggest police force as chiefs try to plug a huge funding gap, Daily mail 31 Dec. A police sergeant clocked up nearly £21,000 in overtime in a single year as the Lothian and Borders force paid out more than £7.5 million to officers for doing extra hours. Evening News 27 Dec
- Savage spending cuts planned for the Scottish police service will expose forces to a "high risk" of legal challenges from disgruntled staff, senior officers have warned . Sunday Times 2 Jan

"Scotland's independent Police Complaints Commissioner was last night facing the axe within just three months as the nation gets its first "super-tsar". " Herald 21 Dec. "The

SNP government face an embarrassing split over plans to axe Scotland's independent police watchdog " Record 22 Dec

Winter weather problems/ response and road conditions dominated headlines.

North Lanarkshire asked for military assistance at one point. In late December / early Jan stories turned to roads budgets and the need for repairs.

- 21 Dec - Commenting on the Scottish Transport Statistics, Conservative Transport spokesperson Jackson Carlaw highlighted that 36% of local authority network roads in Scotland require some sort of maintenance, suggesting that "government should be prepared to consider whether those roads maintained by local authorities are up to standard and whether as with the motorway and trunk road network, alternatives should be considered". Pat Watters and Edinburgh City Council's transport and infrastructure committee convener were interviewed on BBC Radio Scotland's Good Morning Scotland programme on 10 and 11 Jan, talking about urgent need for road repairs and cash for this.
- "Scots motorists are expected to lodge claims running into millions of pounds to pay for pothole damage to their vehicles caused by weather-ravaged roads" Data from the AA. Figures for individual councils given.
- Ministers have been accused of putting public safety at risk by cutting spending on maintaining Scotland's roads, despite one of the worst winters in a century. Sunday Times

Councils are taking record numbers of **children into care** as the recession takes a cruel toll on family life, according to the director of social work at Renfrewshire Council. Herald 11 Dec. Institute for Fiscal Studies has carried out an analysis which predicts not only rises in relative child poverty by 2014 but the first absolute rise in the problem for 15 years. Campaigners are calling on Scottish Government and local authorities to protect children in their budget decisions. Herald 18 Dec

Councils that have successfully boosted their recycling face multi-million pound bills for failing to dump enough waste on **landfill sites**. Long-term contracts could force local authorities to make fresh air payments to private companies for landfill space they don't use. Sunday Herald 19 Dec, Daily Mail

Shared services/ other service delivery methods

- Clackmannanshire and Stirling agreed to share education and social services. Falkirk Herald reported that officials at Falkirk Council were surprised when two neighbouring local authorities agreed to team up to deliver some services - and they were left out in the cold. But talks are ongoing with other authorities. Falkirk Council leader said his council only found out a shared services deal had been done when it was announced.
- Orkney/ Shetland/ Western Isles: Scotland's three island local authorities are investigating ways to combine public services in order to stave off cuts and job losses. Shetland Islands Council had a visit from the CPPR who are advocating ways in which local authorities can work together.
- Cultural and leisure facilities will be run in future by a charitable trust rather than Falkirk Council directly, in a bid to save money and protect jobs.
- Plans to privatise a raft of Edinburgh council services have been given the green light, despite attempts by trade unions and opposition councillors to halt the process. A sum of £1.8m is to be spent on a bidder for three different areas of the council.
- Highland Council is saving £741,841 by moving its service points into libraries, police stations and registration offices.

- Banff & MacDuff Community Trust is keen to work with Aberdeenshire Council over the coming year to identify services at risk and explore how they could be community run. P&J 16 Dec

Plans to remove primary and secondary schools in Scotland from local authority control and create **special education boards** to run them have been proposed by the leader of Scotland's largest teaching union.

Deputy First Minister, Nicola Sturgeon addressed the Scottish Council for Voluntary Organisations policy forum and discussed SNP proposals to give communities a **“right-to-buy” under-used public sector assets** to bring them back into use.“ John Downie, Director of Public Affairs at the Scottish Council for Voluntary Organisations welcomed Nicola Sturgeon’s remarks.

Labour will go into next year's elections for the Scottish Parliament pledging to create a **national care service** that merges health and social care into a single organisation. Announcing the details of the proposed National Care Service on Friday, Scottish Labour leader Iain Gray confirmed the membership and remit of the Expert Group on Future Options for Social Care which will advise on the creation of the new service. The Expert Panel will publish a report by April 2011 which aims to set out the principles of the National Care Service.

Care Commission/ inspection of nurseries/SCSWIS/ reduction in scrutiny & move to self evaluation : "Revealed: The nurseries failing Scotland's children. Thousands of Scottish children are being put at risk by nurseries and childminders that are allowed to remain in business despite repeatedly failing to meet basic standards of childcare." Herald 6 Jan.

Following pressure from MSPs, **Education Secretary Michael Russell** is to be questioned over claims he abused his position to interfere in school closures in **Argyll & Bute**. Labour has lodged a motion, due to be debated on 13 January. He has also been reported to the Parliamentary Standards Commissioner.

Local issues

The new Chief Executive of **City of Edinburgh Council**, Sue Bruce, has taken up her post. Interview with Sue Bruce in the Evening News, which mentioned Audit Scotland and also the trams project. The Scotsman quoted Audit Scotland assistant director Gillian Woolman at a meeting of the council's policy and strategy committee as saying "Borrowing is now at £1.2bn. While (the council] has business cases to cover that, it is still a significant level of borrowing." The Evening News also reported that the results of Audit Scotland's probe are set to be published later this month.

An inquiry has been launched by internal audit after senior officials at **Glasgow City Council** breached their own code of conduct when they were entertained by a private firm before it secured almost £2 million worth of contracts from their department. Lawyers warned that this behaviour could fall foul of the Bribery Act 2010. Times, Evening Times 27 Dec

Aberdeenshire, 17 Dec – In an article about planned savings not being realised, the Aberdeen Evening Express reported that **Aberdeenshire Council** had overpaid contractors or suppliers. This was incorrect, and was followed up with the newspaper directly. The article also said Audit Scotland Assistant Director Mark Taylor had said potential savings had “slipped through Aberdeenshire Council’s accountants’ fingers”. Aberdeenshire Council wrote to the editor to complain about these and other points. The

editor acknowledged that the point about overpayments was inaccurate, but stood by the rest of the content.

Shetland Islands council's head of economic development tabled a last-minute paper recommending going ahead with the Viking windfarm development. The planning department advised against it. Council Convener Sandy Cluness says he would welcome a public inquiry. Sustainable Shetland chairman Billy Fox said he found the council's handling of the lead-up to the meeting to be "absolutely astonishing" and he anticipated that proceedings will be "shambolic". "They're shifting the goalposts as they go along," he said. The vote gave the windfarm the go-ahead. Extensive interest and comment locally.

Three **Shetland** councillors are calling for an investigation to be launched into the conduct and findings of the Accounts Commission's recent enquiry into the running of the SIC. They have written to Audit Scotland and the Finance Secretary expressing their concerns. They describe the Commission's involvement as careless, inefficient, unfair and unacceptable. Shetland Times, Shetland News, BBC Radio Shetland 23 Dec.

A London-based firm is set to take over Caithness Heat and Power (**CHaP**) - Wick's troubled community heat and power scheme. The Accounts Commission is investigating after it emerged £13million of public money has been sunk into venture. Also mention of in-house council investigation. P&J Dec 23

Strathclyde Partnership for Transport

- Renfrewshire council considers opting out of its deal with Strathclyde Partnership for Transport. Paisley & Renfrew Extra 16 Dec
- SPT is facing abolition after Labour and SNP said to back the move. Likely to be included in SNP's manifesto. Sunday herald reported. "SPT became a byword for scandal". SNP leader of Renfrewshire Council said "I would fully expect abolition to be part of the manifesto". Scottish Labour spokesperson said their position was to bring "bring to an end SPT". Chair of SPT said there would be need to be a serious alternative. Sunday herald
- "SPT has refused to pay the cost of a controversial junket to Manchester on the day Rangers played in the 2008 Uefa Cup final" Daily express 31 Dec/ "SPT has suspended three members of staff amid allegations of gross misconduct; only a month after the Accounts Commission decided some of the transport quango's foreign trip expenses had to be repaid." The suspension is over claims that an inspection report on bus services was 'embellished' by officials. Graeme Hendry said this latest incident raised questions over the organisation's future. Sunday Times
- Ron Culley, the former boss of Strathclyde Passenger Transport, has published an autobiography in which he admits he felt frustrated when an Audit Scotland probe which did not find anything against him was downplayed despite all the publicity that the expenses row generated. Evening Times 17 Dec

Proposals to close schools on the **Western Isles** called in by the Scottish Government.

"An "erroneous spread sheet entry" has been blamed for the bungled savings calculation that threw **South Lanarkshire** Council into turmoil." Report noted without comment by councillors. Hamilton Advertiser

South Ayrshire : two planned Primary School closures have been delayed after councillors questioned the proposals approved by SAC's Leadership Panel.

Renfrewshire Council will decide in January whether to replace primary teachers with sessional culture, leisure and sport staff, allowing it to cut 60 teaching posts and save over half a million pounds . Times Educational Supplement

East Renfrewshire: "Scotland's top education authority has announced plans to slash its £115 million schools budget by nearly £10m over the next three years as part of wider public funding cuts " Herald 20 Dec

Feature articles

Funding for the **Sustainable Development Commission** (SDS) in Scotland is to be discontinued and the organisation wound up in the March next year. This article says that Audit Scotland is one of the organisations taking on its responsibilities. Holyrood

Interview with Bob Jack, chief executive of **Stirling** Council. Mention of the need for efficiencies. Holyrood magazine.

Feature article by Kerry Iorimer: " **Pat Watters** has been defending councils for almost a decade - and has the scars to prove it. But can he come through the latest turmoil unscathed?' Holyrood magazine

Feature on the **South of Scotland Alliance** of councils working together. Holyrood magazine 13 Dec

Recent publications of interest

Audit Commission reports

(reports can be found at: <http://www.audit-commission.gov.uk/Pages/default.aspx>)

2011/12 Proposed work programme and scale of fees

10 December 2010

The Audit Commission is consulting on its proposed work programme and scales of fees for 2011/12. The announcement made on 13 August 2010 proposing the Commission's abolition implies (although it has still to be confirmed) that 2011/12 may be the Commission's final year in its current form. If so, this will be the last time it will publish a work programme and set scales of audit fees. The Commission proposes to carry through its existing, pre-August, plans for fees that were part of a three-year programme to deliver cost cuts of about £70 million. These involve fee rebates for 2010/11 and lower fees for 2011/12.

Auditing the accounts 2009/10:

Quality and timeliness of local public bodies' financial reporting

17 December 2010

The Commission has published a summary of the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and local government bodies.

The report covers:

- auditors' work on the 2009/10 financial statements;
- the results of auditors' 2009/10 local value for money work;
- the public interest reports and statutory recommendations issued by auditors since December 2009; and
- the key financial management and financial reporting challenges for 2010/11.

Wales Audit Office

(reports can be found at:

<http://www.wao.gov.uk/reportsandpublications/reportsandpublications.asp>)

Councils' response to the financial challenges

Key messages from the Wales Audit Office preliminary corporate assessments

25 November 2010

The WAO has considered councils' preparedness for the impending financial challenges as part of its preliminary corporate assessment of each of the 22 councils in Wales. As well as describing the current situation, the briefing identifies good or promising practice in some of the key areas related to the financial challenge.

Wales Audit Office Work Programme Update

Briefing paper for the Public Accounts Committee

15 November 2010

The WAO has published this programme following a public consultation. The list of potential topics identified by the consultation had been developed from a combination of the WAO's ongoing monitoring of public service developments in Wales, consideration of the work undertaken or planned by other UK audit bodies, and discussions with key stakeholders. The work programme includes prioritisation of future work on value for money examinations local government studies.