

420th meeting of the Accounts Commission for Scotland
Thursday 8 October 2015, 10.15am
in the offices of Audit Scotland, 18 George Street, Edinburgh

Agenda

1. **Apologies for absence.**
2. **Declarations of interest.**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 13 to 16 in private (* see note).
4. **Minutes of meeting of 10 September 2015.**
5. **Minutes of meeting of Financial Audit and Assurance Committee of 24 September 2015.**
6. **Minutes of meeting of Performance Audit Committee of 24 September 2015.**
7. **Minutes of meeting of Audit Scotland Board of 19 August 2015.**
8. **Update report by the Secretary to the Accounts Commission:** The Commission will consider a report by the Secretary to the Commission on significant recent activity in relation to local government.
9. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.
10. **New Financial Powers Update:** The Commission will consider a report by the Assistant Director of Audit Services.
11. **Appointment of auditors to Integration Joint Boards:** The Commission will consider a report by the Assistant Auditor General.
12. **Audit of Best Value: Moray Council:** The Commission will consider a report by the Controller of Audit.

The following items are proposed to be considered in private:

13. **Audit of Best Value: Moray Council:** The Commission will consider the action it wishes to take.
14. **Performance audit – draft report: Health and social care integration:** The Commission will consider a report by the Director of Performance Audit and Best Value
15. **Consultation: Delivering Good Governance in Local Government Framework – draft response:** The Commission will consider a report by the Secretary to the Commission.
16. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 13 to 16 be considered in private because:

- Item 13 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 14 proposes a draft performance audit report, which the Commission is to consider and consult appropriately with stakeholders before publishing.
- Item 15 proposes a draft response to a consultation, which the Commission is to consider before publishing.
- Item 16 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of meeting of the Commission of 10 September 2015	AC.2015.9.1
Agenda Item 5: Minutes of meeting of the Financial Audit and Assurance Committee of 24 September 2015	AC.2015.9.2
Agenda Item 6: Minutes of meeting of the Performance Audit Committee of 24 September 2015	AC.2015.9.3
Agenda Item 7: Minutes of meeting of the Audit Scotland Board of 19 August 2015	AC.2015.9.4
Agenda Item 8: Report by Secretary to the Commission	AC.2015.9.5
Agenda Item 10: Report by Director of Audit Services	AC.2015.9.6
Agenda Item 11: Report by Assistant Auditor General	AC.2015.9.7
Agenda Item 12: Report by Controller of Audit	AC.2015.9.8
Agenda Item 14: Report by Director of Performance Audit and Best Value	AC.2015.9.9
Agenda Item 15: Report by Secretary to the Commission	AC.2015.9.10

MEETING: 8 OCTOBER 2015**MINUTES OF PREVIOUS MEETING**

Minutes of the 419th meeting of the Accounts Commission held in the offices of Audit Scotland at 18 George Street, Edinburgh, on Thursday, 10 September 2015, at 10.15am

PRESENT: Douglas Sinclair (Chair)
Ronnie Hinds (Deputy Chair)
Alan Campbell
Sandy Cumming
Colin Duncan
Tim McKay
Christine May
Stephen Moore
Colin Peebles
Linda Pollock
Graham Sharp
Pauline Weetman

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Russell Frith, Assistant Auditor General [Item 9]
Owen Smith, Senior Manager, Procurement and NFI [Item 9]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 13 August 2015
5.	Minutes of meeting of Audit Scotland Board, 4 June 2015
6.	Update report by the Secretary to the Commission
7.	Update report by the Controller of Audit
8.	Briefing: Community Empowerment Act
9.	Code of Audit Practice [<i>in private</i>]
10.	Draft Commission engagement plan [<i>in private</i>]
11.	Briefing: Greater Manchester Combined Authority [<i>in private</i>]
12.	Commission business matters

1. Apologies for absence

It was noted that that there were no apologies for absence.

2. Declarations of interest

The following declarations of interest were made:

- Christine May, in item 8, as Vice-Chair of Fife Cultural Trust.
- Linda Pollock, in item 6, as a member of the board of the Care Inspectorate.

3. Decisions on taking business in private

It was agreed that items 9 to 12 should be taken in private for the following reasons:

- Item 9 proposes a draft Code of Audit Practice, which the Commission is to consider before publishing.
- Item 10 proposes a draft Commission engagement strategy, which the Commission is to consider before publishing.
- Item 11 involves a briefing which may include discussion on audit issues which have yet to be reported or published in the public domain.
- Item 12 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

4. Minutes of meeting of 13 August 2015

The minutes of the meeting of 13 August 2015 were submitted and approved.

Arising therefrom, in relation to item 7, final bullet point (Consultation: extending coverage of Freedom of Information (Scotland) Act 2002), the Commission noted advice from the Secretary that a joint response from the Commission, the Auditor General and Audit Scotland had been submitted to the Scottish Government, a copy of which was available on the members' extranet site.

5. Minutes of meeting of Audit Scotland Board, 4 June 2015

The minutes of the meeting of Audit Scotland Board of 4 June 2015 were noted.

6. Update report by the Secretary to the Accounts Commission

The Commission considered a report by the Secretary to the Commission providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

During discussion, the Commission:

- In relation to paragraph 7, noted advice from the Chair that the note of the last meeting of the Strategic Scrutiny Group was available on the members' extranet.
- In relation to paragraph 27, agreed that more information be provided on the progress of the Continuous Professional Development Framework for Elected Members in Scottish Local Government.

Action: Secretary

- In relation to paragraph 34, noted advice from the Secretary that there was no case for the Commission submitting a response to the consultation, but he would retain contact with SOLACE to gauge progress in this regard.

Thereafter, the Commission agreed to note the report.

7. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity including meetings and discussions with stakeholders.

8. Briefing: Community Empowerment Act

The Commission considered a report by the Secretary to the Commission on the Community Empowerment Act.

During discussion, the Commission:

- Noted the report.
- Agreed that more information be provided on Part 11 of the Act, in relation to localised business rates schemes.

Action: Secretary

- Noted that Audit Scotland is considering what guidance is required for auditors in relation to the Act.
- Noted that further reports on the Act will be submitted to the Commission as appropriate.

9. Code of Audit Practice [*in private*]

The Commission considered a report from the Assistant Auditor General advising of the purpose of the Code of Audit Practice and key proposed changes to the draft Code, and seeking approval from the Commission to issue this draft of the Code for formal consultation.

During discussion, the Commission agreed:

- To approve the draft Code in conjunction with the Auditor General subject to a number of revisions arising in discussion.
- That the draft Code be the subject of consultation with stakeholders.

Actions: Assistant Auditor General

10. Draft Commission engagement plan [*in private*]

The Commission considered a report by the Secretary proposing an engagement plan to accompany the Commission's strategy.

Following discussion, it was agreed:

- To approve the engagement plan for publication.
- That progress against the plan be reported and published annually.
- That in future the publication of the plan coincide with the publication of the Strategy earlier in the year.

Actions: Secretary

11. Briefing: Greater Manchester Combined Authority [in private]

The Commission heard a briefing from Mike Owen, Interim Chief Executive, Bury Metropolitan Borough Council, and Mike Thomas, Director, Grant Thornton, on developments with the Greater Manchester Combined Authority.

Following discussion, the Chair thanked Mike Owen and Mike Thomas for presenting the briefing and for attending the meeting.

12. Commission business matters

The Chair advised that this was the last meeting of the Commission for Colin Duncan, Colin Peebles and Linda Pollock. He thanked them for their commitment and hard work for the Commission during their terms, and conveyed, on behalf of the Commission, best wishes for the future.

The Chair then briefed the Commission on other matters of interest.

There being no further business, the meeting was closed.

MEETING 8 OCTOBER 2015**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF
24 SEPTEMBER 2015**

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of Audit Scotland, 18 George Street, Edinburgh on Thursday, 24 September 2015, at 2pm.

PRESENT: Graham Sharp (Chair)
 Colin Duncan
 Ronnie Hinds
 Tim McKay
 Linda Pollock
 Douglas Sinclair
 Pauline Weetman

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fraser McKinlay, Controller of Audit and Director of Performance Audit
 and Best Value (PABV)
 Russell Frith, Assistant Auditor General
 Fiona Kordiak, Director of Audit Services
 Angela Canning, Assistant Director, PABV [Item 6]
 Mark McCabe, Senior Manager, PABV [Item 6]
 Cathy MacGregor, Audit Manager, PABV [Item 6]
 Tim Bridle, Technical Adviser, Audit Strategy [Item 7]
 Paul O'Brien, Senior Manager, Audit Strategy [Item 9]

1. Apologies for absence
2. Declarations of interest
3. Draft minutes of meeting of 18 June 2015
4. Current audit issues and risks in councils
5. Intelligence Report: Scottish Public Services Ombudsman
6. Local government overview: project brief
7. Local government pension funds: analysis 2014/15
8. Briefing: social care payments
9. Accounting and auditing update
10. Any other business

1. Apologies

It was noted that no apologies for absence had been received.

2. Declarations of interest

The following declarations of interest were made:

- Ronnie Hinds, in item 4, as a former Chief Executive of Fife Council.
- Tim McKay, in item 7, as former Chair of Lothian Pension Fund Trustees.
- Linda Pollock, in item 8, as a member of the board of the Care Inspectorate and as a trustee of Enable.

3. Minutes of meeting of 18 June 2015

The minutes of the meeting of 18 June 2015 were noted and approved.

4. Current audit issues and risks in councils

The Committee considered a report by the Controller of Audit outlining emerging issues, recurring themes and individual issues of interest in Scottish councils.

During discussion, the Committee agreed:

- That future such reports set out more clearly the audit implications of matters being reported.
- To recommend to the Commission that workforce issues remain as an area of interest and possible future audit work.

Action: Secretary

- That the local government overview report covers issues around City Region Deals.

Action: Director of Performance Audit and Best Value

- In relation to Dunfermline Flood Prevention Scheme, to note advice from the Controller of Audit that:
 - he anticipated that that this issue would feature in the annual audit report to Fife Council and the Controller of Audit.
 - he would liaise with the *Major capital investment in councils* audit team to discuss the desirability of including issues around flood prevention schemes in the report.
- In relation to issues around compliance in a subsidiary of Glasgow City Council in relation to European Structural Funds, to note advice from the Controller of Audit that he would provide further information on the financial sums involved in the matter.

Action: Controller of Audit

5. Intelligence Report: Scottish Public Services Ombudsman etc.

The Committee considered a report by the Secretary to the Accounts Commission providing an update of intelligence emerging from the work of the Scottish Public Sector Ombudsman (SPSO), Commissioner for Ethical Standards in Public Life in

Scotland; Standards Commission for Scotland and Scottish Information Commissioner.

During discussion the Committee agreed:

- To note the report.
- That the Controller of Audit and Director of Audit Services consider how to ensure familiarity of the report among local audit teams.

Action: Controller of Audit and Director of Audit Services

- That the Controller of Audit provide the information arising from local authorities' assessments of performance on complaints handling, as required by the SPSO model complaints handling procedure.

Action: Controller of Audit

- Agreed to recommend to the Commission that complaints handling feature in any revised scope of Best Value, as part of the Commission's review of auditing of Best Value.

Action: Secretary

6. Local government overview: project brief

The Committee considered a report by the Director of Performance Audit and Best Value proposing the approach to the 2016 local government overview report.

Following discussion, the Committee approved the approach proposed in the Director's report, subject to the report team addressing the issues raised in discussion, in conjunction with the audit sponsors, Tim McKay and Pauline Weetman.

Action: Director of Performance Audit and Best Value

7. Local government pension funds: analysis 2014/15

The Committee considered a report by the Secretary to the Commission introducing a presentation by the Assistant Auditor General on an analysis of the unaudited local government pension funds annual reports and accounts 2014-15. The presentation was undertaken by Tim Bridle, Technical Adviser, Audit Strategy Group.

During discussion, the Committee:

- Noted the presentation.
- Agreed that the Commission's interest in local government pension funds was as follows:
 - Being assured about councils' input into, and the governance of, pension funds.
 - Considering any issues arising from the performance of the funds.
 - Considering developments elsewhere in this regard, such as in England.
- Agreed that issues around local government pension funds be included in the local government overview report.

Action: Director of Performance Audit and Best Value

8. Briefings: Social Care payments

The Committee considered a report by the Director of Audit Services providing a summary of exceptions reported in the area of social care payments as part of the 2014/15 audits.

During discussion, the Committee:

- Noted control weaknesses in social care payments
- Agreed that issues arising be included in the local government overview report, with particular reference to the imminent integration of health and social care services and the establishment of integrated joint boards.

Action: Director of Performance Audit and Best Value

- Agreed that the potential be explored of featuring arising issues in the National Fraud Initiative exercise.

Action: Assistant Auditor General

- Agreed that issues arising be considered in the context of discussions around the work programme, particularly in relation to self-directed support.

*Action: Secretary and
Director of Performance Audit and Best Value*

Thereafter, the Committee noted the report.

9. Accounting and Auditing Update

The Committee considered a report by the Assistant Auditor General informing members of recent accounting and auditing developments affecting the public sector, particularly local government in Scotland.

Following discussion, the Committee noted the report.

10. Any other business

The Chair advised that this was the last meeting of the Commission for Colin Duncan and Linda Pollock. He thanked them for their input to and support of the Committee during their terms, and conveyed, on behalf of the Committee, best wishes for the future.

There being no further business, the meeting was closed.

MEETING 8 OCTOBER 2015**MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF
24 SEPTEMBER 2015**

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of Audit Scotland, 18 George Street, Edinburgh on Thursday, 24 September 2015, at 2pm.

PRESENT: Ronnie Hinds (Chair)
Alan Campbell
Sandy Cumming
Christine May
Stephen Moore
Colin Peebles
Douglas Sinclair

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Director of PABV
Antony Clark, Assistant Director, PABV [Item 7]
Angela Cullen, Assistant Director, PABV [Item 4, 8 and 9]
Graeme Greenhill, Senior Manager, PABV [Items 8, 9 and 11]
Tricia Meldrum, Senior Manager, PABV [Item 5, 6 and 7]
Andra Laird, Audit Manager, PABV [item 10]
John Lincoln, Audit Manager, PABV [Item 7]
Ursula Lodge, Audit Manager, PABV [Item 9]
Gordon Neill, Senior Manager, PABV [Item 10]
Sarah Pollock, Audit Manager, PABV [Item 11]
Shelagh Stewart, Audit Manager, PABV [Item 8]
Claire Sweeney, Assistant Director, PABV [Items 4, 5, 6 and 10]
Kirsty Whyte, Senior Auditor, PABV [Item 11]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 18 June 2015
4.	Performance audit programme and scrutiny work update
5.	Programme development: making the best use of data
6.	Programme development: monitoring the policy environment
7.	Performance audit: scope – Social work services
8.	Performance audit: scope – Roads maintenance – follow-up report
9.	Performance audit: emerging messages – Major capital investment in councils
10.	Performance audit: emerging messages – Health and social care integration
11.	Performance audit: review – School education
12.	Any other business

1. Apologies for absence

It was noted that no apologies for absence had been received.

2. Declarations of interest

The following declarations of interest were made:

- Ronnie Hinds, in item 10, as a non-Executive director of the Scottish Government.
- Christine May, in item 4, as Vice-Chair of Fife Cultural Trust.

3. Minutes of meeting of 18 June 2015

The minutes of the meeting of 18 June 2015 were approved, subject to including Colin Peebles in the list of those present.

In relation to item 3, advice from Ronnie Hinds was noted that he and the Commission Chair had met with the board of the Local Government Benchmarking Framework on 19 June and that a meeting with SOLACE was scheduled for 27 November 2015.

4. Performance audit programme and scrutiny work update

The Committee considered a report by the Director of PABV (PABV) providing an update on progress with the range of work carried out by the PABV Group on behalf of the Accounts Commission and Auditor General.

During discussion, the Committee agreed :

- That the following be considered in discussions around the work programme and specific proposed pieces of work:
 - In relation to the 'communities' stream:
 - the impact of local authority and housing association housing disposals in England on the Scottish housing market.
 - the impact of ongoing equal pay negotiations and disputes, including issues around trade-offs with service provision.
 - thought be given to ensuring the timing of any such work around the implementation of the Community Empowerment Act.
 - In relation to the 'social care' stream, that issues around children with additional support needs be featured in future work and also be considered in ongoing performance audit work in relation to health and social care.
- That future such reports provide more clarity in relation to work outputs and implications for the work programme.

Actions: Director of PABV

- To note advice from the Director and the Secretary that they would consider further the format of future such reports, given the ongoing development of the Commission's approach to its work programme.

Thereafter, the Committee noted the report.

5. Programme development: making the best use of data

The Committee considered a report by the Director of PABV summarising the initiatives currently underway to improve how Audit Scotland uses data to support and inform the development of the work programme.

During discussion, the Committee agreed:

- To note the Commission's continuing interest in working with the Local Government Benchmarking Board to explore ways of measuring citizen and service user opinion of council performance.
- That the Director continue to develop an approach to the intelligent use of data in managing the work programme and carrying out specific audits.

Action: Director of PABV

Thereafter, the Committee noted the report.

6. Programme development: monitoring the policy environment

The Committee considered a report by the Director of PABV proposing an approach to briefing the Committee on the policy environment., and providing a briefing on early years and school education.

Following discussion, the Committee agreed:

- To endorse the proposed approach to policy briefings, including the schedule of subject areas as set out in the report.
- A number of observations to be applied to the next such policy briefing in this subject area.
- To endorse the proposed areas of work for addressing in the work programme, as set out in the report, namely:
 - Education workforce planning
 - Children with additional support needs
 - Future financial sustainability of education delivery.
 - The role of other bodies in improving education.
- That, in addition to those areas set out in the report , the following issues be considered for addressing in the work programme:
 - Pre-school education, including pre-school costs
 - Early years issues
 - Declining performance in attainment
 - Wider attainment and outcomes
 - School estate planning.

Action: Director of PABV

7. Performance audit: scope – Social work services

The Committee considered a report by the Director of PABV seeking approval on the approach to the performance audit *Social work services*.

Following discussion, the Committee approved the approach proposed in the Director's report, subject to the audit team addressing the issues raised in discussion, in conjunction with the audit sponsors, Sandy Cumming and Stephen Moore.

Action: Director of PABV

8. Performance audit: scope – Roads maintenance – follow up report

The Committee considered a report by the Director of PABV seeking approval on the approach to the joint performance audit, in conjunction with the Auditor General, *Roads maintenance – follow-up report*.

Following discussion, the Committee approved the approach proposed in the Director's report, subject to the audit team addressing the issues raised in discussion, in conjunction with the audit sponsors, Alan Campbell and Christine May.

Action: Director of PABV

9. Performance audit: emerging messages – Major capital investment in councils

The Committee considered a report by the Director of PABV advising of emerging messages from the performance audit *Major capital investment in councils*.

Following discussion, the Committee agreed to endorse the emerging messages, subject to a number of specific points to be addressed by the audit team in drafting the report of the audit, in conjunction with the audit sponsors, Sandy Cumming and Graham Sharp.

Action: Director of PABV

10. Performance audit: emerging messages – Health and social care integration

The Committee considered a report by the Director of PABV advising of emerging messages from the performance audit, in conjunction with the Auditor General, *Health and social care integration*.

Following discussion, the Committee agreed to endorse the emerging messages, subject to a number of specific points to be addressed by the audit team in drafting the report of the audit, in conjunction with the audit sponsors, Stephen Moore and Pauline Weetman.

11. Performance audit: review – School education

The Committee considered a report by the Director of Performance Audit and Best Value on the impact of the report of the audit *School education*.

Following discussion, the Committee agreed:

- To recommend to the Commission that any further follow-up work in this regard be considered as part of the wider work programme.
- That such follow-up activity include direct correspondence with councils to gauge their progress.
- To note advice from the Director that work on the effectiveness of scrutiny was ongoing, upon which he would report to the Commission in due course.
- To note that the Director would give further consideration as to how to resource such follow-up work, such as that in the *School education* report.

12. Any other business

The Chair advised that this was the last meeting of the Committee for Colin Peebles. He thanked Colin for his input to and support of the Committee during his term, and conveyed, on behalf of the Commission, best wishes for the future.

There being no further business, the meeting was closed.

Minutes of Meeting of **Audit Scotland** held on 19 August 2015 in the offices of Audit Scotland at 8 Nelson Mandela Place, Glasgow

PRESENT: I Leitch (Chair)
C Gardner
D Sinclair
H Logan

APOLOGIES: John Maclean

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
M Walker, Assistant Director, Corporate Performance and Risk
I Metcalfe, Corporate Projects Officer
D Hanlon, Corporate Finance
A Devlin, Corporate Governance Manager
M Taylor, Assistant Director, Audit Services

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Accountable Officer's Report
5.	Accounts Commission Chair's Report
6.	Minutes
7.	Review of Action Tracker
8.	Q1 Corporate Performance 2015/16
9.	Q1 Becoming World Class Improvement Programme Update
10.	Q1 Financial Performance 2015/16
11.	Budget Proposal 2016/17 – Assumptions and Cost Outcomes
12.	Property Update – 102 West Port, Edinburgh
13.	Government Banking Service
14.	New Financial Powers Update
15.	Corporate Governance Policies and Codes of Conduct Review
16.	Complaints Procedure
17.	Becoming World Class – Securing World Class Audit
	(a) Audit Procurement Strategy Discussion
	(b) Draft Revised Code of Audit
	(c) Application of Ethical Standards for Auditors to the Role of the Board
18.	Audit Committee Effectiveness and Board Member Induction
19.	Proposed Board Meeting Dates 2016
20.	AOB
21.	Date of next meeting

1. Apologies

The Chief Operating Officer, Diane McGiffen, advised that the Chair, John Maclean had given his apologies for the meeting. Under Standing Order 12, the Board nominated one of the SCPA appointed board members, Ian Leitch, to chair the meeting.

2. Declarations of Interest

Ian Leitch declared his membership of the Scottish Legal Complaints Commission. Heather Logan and Douglas Sinclair declared their membership of the Audit and Advisory Committee of the Scottish Public Services Ombudsman (SPSO).

3. Chair's Report

In John Maclean's absence, there was no report from the Chair.

4. Accountable Officer's Report

Caroline Gardner provided an update on her activity since the previous board meeting. She advised that work was underway preparing for the start of the new parliamentary session. She reported that Audit Scotland was currently in the peak period for the delivery of audit work and that all of the NHS final accounts work had been completed and reported by the end of June, and colleagues were working to conclude the local government work by the end of September. She advised that the clarity of audit conclusions and quality of audit reporting was very good but that issues of financial sustainability in some public bodies were being highlighted. She advised that she would attend her penultimate meeting of the International Ethics Board for Accountants meeting in New York on 12 to 14 September 2015.

Finally, Caroline highlighted to the Board the continued volume of work underway in addition to core audit activity across a number of projects including the review of correspondence handling, and the relocation to 102 West Port.

Following discussion, the Board thanked Caroline for the update.

5. Accounts Commission Chair's Report

Douglas Sinclair drew the Board's attention to the Accounts Commission's Strategy for 2015/16 which had been recently published and reported on the conclusion of recent best value audits in East Dunbartonshire and Falkirk councils. He provided an update on recruitment to the Accounts Commission and advised that there had been a strong response following a new approach to raising awareness of the role of the Commission for new applicants.

The Board thanked Douglas for the update.

6. Minutes of the meeting dated 4 June 2015

The minutes of the meeting dated 4 June 2015, which had been previously circulated, were agreed as an accurate record.

7. Review of Action Tracker

The board noted the update provided by the Action Tracker, which had been previously circulated.

8. Q1 Corporate Performance 2015/16

Martin Walker, Assistant Director, Corporate Performance and Risk, and Ian Metcalfe, Corporate Performance Officer, joined the meeting.

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Q1 Corporate Performance report which had been previously circulated. Martin explained the new ratings for some indicators in the report which had moved from green to amber as part of raising the bar on performance. The Board discussed the report and the work to develop the performance reporting system and requested that the report be simplified and shortened where possible. It was agreed that Martin would provide a timetable for the implementation of the new performance management and reporting system once further work had been undertaken with the business on an implementation timetable.

The Board noted the Q1 Corporate Performance report.

Action(s):

- **Martin Walker to provide a timetable for implementing the new performance management and reporting system following further consultation with the business on implementation. (October 2015)**

9. Q1 Becoming World Class Improvement Programme Update

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Q1 Becoming World Class Performance report, which had been previously circulated, and highlighted the overall positive progress made in the previous quarter.

There was discussion of the report and the Board welcomed the update that it provided.

Martin Walker, Assistant Director, Corporate Performance and Risk, and Ian Metcalfe, Corporate Performance Officer, left the meeting.

10. Q1 Financial Performance 2015/16

David Hanlon, Corporate Finance Manager, joined the meeting.

David Hanlon, Corporate Finance Manager, introduced the Q1 Financial Performance 2015/16 report, which had been previously circulated and had been considered in detail at the earlier meeting of the Audit Committee.

The Board noted the report.

11. Budget Proposal 2016/17 – Assumptions and Cost Outcome

David Hanlon, introduced the Budget Proposal 2016/17 report, which had been previously circulated. David invited the Board to discuss the initial proposals and the options available in setting the budget.

The Board sought clarification on a number of assumptions, including the provision made for additional work to support the new fiscal framework for Scotland, the actions taken to address areas of underspending in previous years, the impact of increased costs and the assumptions made about interest calculations. The Board referred to discussion at the earlier Audit Committee and the need to develop a clear narrative for the 2016/17 budget proposal in the context of managing budgetary pressures, the possibility of longer-term adjustments to funding and the implications for fees.

The Board noted that the budgetary assumptions under consideration would give a more favourable fee position for audited bodies than set out last year and despite the cost pressures being faced.

Following detailed discussion, the Board agreed the broad assumptions outlined in the report as the basis for preparing a detailed budget paper for consideration at the September Board meeting.

12. Property Update – 102 West Port, Edinburgh

David Hanlon, introduced the Property Update, 102 West Port, Edinburgh report, which had been previously circulated. David invited the Board to note the work underway for the forthcoming move to our new office at 102 West Port, Edinburgh, including details on the appointment of our fit-out contractor.

Following discussion, the Board noted the update.

13. Government Banking Service

David Hanlon, Corporate Finance Manager, introduced the report on the Government Banking Service, which had been previously circulated and invited the Board to approve the opening of a new bank account with National Westminster to allow access to the Government Banking Service.

Following discussion, the Board approved the opening of the new bank account.

Action(s):

- **The Corporate Finance Manager to arrange for the opening of the new National Westminster bank account. (August 2015)**

David Hanlon, Corporate Finance Manager, left the meeting.

14. New Financial Powers Update

Mark Taylor, Assistant Director, Audit Services, joined the meeting.

Mark Taylor, Assistant Director, Audit Services, introduced the New Financial Powers Update report, which had been previously circulated. Mark invited the Board to note some of the key developments surrounding further financial devolution and the strengthening of organisational arrangements in this area.

Following discussion about the opportunities and risks for public bodies and Audit Scotland, the Board noted the report and thanked Mark for his update.

Mark Taylor, Assistant Director, Audit Services, left the meeting.

15. Corporate Governance Policies and Codes of Conduct Review

The Board approved the Corporate Governance Policies and Codes of Conduct report, which had been previously circulated and discussed in detail at the earlier meeting of the Audit Committee.

16. Complaints Procedure

The Complaints Procedure report, which had been previously circulated invited the Board to approve the changes to the complaints handling arrangements for Audit Scotland.

Following discussion, the Board approved the changes to the complaints handling arrangements for Audit Scotland.

17. Securing World Class Audit

There were submitted three reports by the Assistant Auditor General, which had been previously circulated, and the Board considered each report.

a) Audit Procurement Strategy Discussion

Russell Frith, Assistant Auditor General, introduced his discussion paper on Audit Procurement Strategy which provided an update from discussions at the June 2015 board meeting. He reported that he had met with Ian Leitch and Heather Logan between board meetings for a more detailed discussion of their concerns.

Ian Leitch stated that he was disappointed with the report and did not feel that it reflected the conclusion of the discussions that had been held, in particular in relation to the expectations on the Audit Services Group to demonstrate value for money alongside the procurement process. He reported that he was also concerned that the interpretation of statutes may be overly narrow or erroneous.

Russell apologised to the Board that the wrong version of the procurement report had been circulated, and that a later version existed which made reference to some of the discussion held between board meetings, but which still wouldn't fully meet Ian Leitch's expectations on some points. He agreed that the procurement process and other activities should support the demonstration of value for money by all providers, and in his view that analysis previously provided to the Board went some way towards that.

Heather Logan shared her concerns about the report. She felt that it was useful to restate the positions of the various parties to the public audit model, but that the role of the non executives on the Board was to secure value for money. She had welcomed the meeting with Ian and Russell and thanked Russell and his team for the work that had gone into it. She stated that it was the Accounts Commission and the Auditor General's role to set the strategy for audit and the Board's role to ensure value for money in the delivery of that strategy. She advised that she was not yet persuaded that the percentage of work recommended for in-house and external providers, or the factors used in constructing the portfolios of work could be demonstrated to deliver best value. She commented on the difference in costs across sectors and asked for clarification on how the portfolios are allocated and appointments made.

Heather commented that there was still work to be done to demonstrate the arguments for one model against another, and that therefore serious consideration should be given to the option of a dual tender process where bidding was done as in previous exercises and

also invited for packages of work. She stated that although the status quo might be the best choice, the evidence to support that conclusion was not reflected in the report, and nor was the discussion about the option to run a dual tender process in which firms bid for unspecified packages of audits.

There was discussion of the potential for a range of procurement options to deliver different levels of cost savings, and there was discussion of the pros and cons of each model.

The Chair of the Accounts Commission, Douglas Sinclair, and the Auditor General, Caroline Gardner, then discussed the benefits to them of having a strong in-house team to deliver and demonstrate value for money. Douglas advised that the Accounts Commission had considered Russell's report on procurement at its August meeting and had supported the recommendations subject to adding an independent external panel member to the selection process.

Following further detailed discussion, the Board agreed that work on the procurement strategy should continue, with:

- Russell Frith preparing a report to explore options to run a procurement exercise based on unspecified and designated packages of audits.
- Fiona Kordiak developing proposals on which to assess the value for money and added value provided by the in-house team.

Action(s):

- **The Assistant Auditor General to explore options to run a procurement exercise based on unspecified and designated packages of audits.**
(September 2015)
- **The Director of Audit Services Group to develop proposals on which to assess the value for money and added value provided by the in-house team.**
(September 2015)

b) Draft Revised Code of Audit

Russell introduced the Draft Revised Code of Audit report, which had been previously circulated. He provided an update on the consultation that had taken place with external and internal stakeholders and drew the Board's attention to the key changes and developments of the Code, in particular:

- Providing more description of the requirements of the wider scope audit.
- Extending requirements under ISAs to better reflect the public sector context.
- The Accounts Commission's description of the expectations of auditors in assessing best value.

Russell explained that the next steps would involve wider stakeholder consultation for two months, including audited bodies, firms, Parliament, COSLA/SOLACE, professional institutes and national audit agencies.

Following discussion, the Board noted the Code of Audit Practice and the next steps in finalising it.

c) **Application of Ethical Standards for Auditors to the Role of the Board**

The Board discussed the report on the Application of Ethical Standards for Auditors to the Role of the Board which invited members to consider the principle of adoption of the principles of the Ethical Standards for Auditors to its role.

Ian Leitch expressed his disagreement with the report's interpretation and proposed application of Ethical Standards for Auditors to the board, in particular he did not accept that the Board was "akin" to the partners in an audit firm. He felt the proposed application of the standards outweighed the benefits, by overly restricting the involvement that board members could have in the wider public sector. Heather Logan echoed that view and advised that in her view the restrictions were unnecessary as none of the independent board members were involved directly in audit. There was also consideration of the role of the Scottish Commission for Public Audit in appointing board members and the discussion that had been held at interview and on appointment with board members about their interests and roles in other organisations.

The Chair of the Accounts Commission, Douglas Sinclair advised that he had more sympathy with the position set out in the report, given the importance of perception in matters of ethics and conduct and that in his view, where reputational risk is concerned it would be better to be over-cautious.

The Auditor General, Caroline Gardner, expressed her sympathy with the paper's attempts to find a way of applying the ethical standards that apply to auditors and audit firms to the key governance body for Audit Scotland, the Board. She recognised that the issues involve fine judgement, and that there are restrictions in place for the boards of the other UK audit bodies. She advised that if the independent Board members do not feel that the proposals are the way ahead, it would be best to take a step back and consider what safeguards could be put in place to support the general principles of the ethical standards and to enhance the current position.

Following discussion, it was agreed that Russell would undertake further discussion with the SCPA to look at the current requirements for board members and that further options would be developed to take into account the perspectives of all board members, and to clarify the actions that should be taken by board members when a conflict or perception of a conflict arises.

Action(s):

- **The Assistant Auditor General to develop further options including practical guidance on handling conflicts. (October/November 2015)**

18. Audit Committee Effectiveness and Board Member Induction

The Board noted the report and actions on Audit Committee Effectives and Board member induction, which had been previously circulated and discussed at the earlier meeting of the Audit Committee.

19. Proposed Board Meeting Dates 2016

Diane McGiffen, Chief Operating Officer, introduced the Proposed Board Meeting Dates 2016 report, which had been previously circulated and discussed at the earlier meeting of the Audit Committee.

Following discussion, the Board invited Diane to revisit the scheduling and location of the board and committee meetings and to prepare revised proposals for the September meeting.

Action(s):

- **The Chief Operating Officer to prepare a revised scheduled for Board meetings in 2016. (September 2015)**

20. AOB

Ian Leitch requested that an alternative date be sought for the September board meeting to allow him to attend. The Chief Operating Officer explained the rationale for the schedule and that she would discuss with the Secretary to the SCPA whether the timetable for this year's budget submission would be altered given the UK spending review.

Action(s):

- **The Chief Operating Officer to discuss the parliamentary timetable for budget submissions with the Secretary to the SCPA and advise on options for the budget submission and the September meeting date. (August/September 2015)**

21. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday 17 September 2015** in the offices of Audit Scotland, 110 George Street, Edinburgh.

MEETING: 8 OCTOBER 2015**REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION****UPDATE REPORT**

Introduction

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.
2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report also complements the weekly briefing provided by Audit Scotland's Communication Team made available on the extranet site, which provides more detailed news coverage in certain areas.
3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

Commission business***Publications:***

4. The Commission's Strategy Update 2015 was published on its [website](#) on 22 September. This is to be accompanied by a letter to all councils advising of the themes of the Strategy.

Auditor General for Scotland:

5. On 24 September, the Auditor General published a report on [Efficiency of prosecuting criminal cases through the sheriff courts](#). The report found that sheriff courts are coming under heightening pressure due to budgetary constraints and the increasing complexity of criminal cases. The report received good coverage across Scottish national broadcast and print media. The report has been downloaded 428 times and the podcast has been downloaded 29 times within the first four days of publication.

Issues affecting local government***Scottish Government:***

6. The Scottish Government has announced that it is carrying out a [review of the Scottish planning system](#). The review will be undertaken by an independent panel who will report in Spring 2016. The intention is to "review the planning system to increase delivery of high quality housing developments, by delivering a quicker more accessible and efficient process."
7. The Joint Exchequer Committee met on 23 September in London, in a meeting chaired by Chief Secretary to the Treasury, Greg Hands MP, and attended by Deputy First Minister, John Swinney MSP. It was the third such meeting since the Smith

Commission Report was published, with Ministers discussing resource borrowing and the requirement of the Scottish Government to have the flexibility to ensure public spending can be smoothed should economic shocks occur. Adjustment to the block grant, the no detriment principle in the Smith Agreement and the devolution of the Crown Estate was also discussed. Ministers also outlined future governance options for the fiscal framework. A further meeting will be held in October in Edinburgh, which Mr Swinney will chair, with the hope of a final agreement being reached in the autumn.

8. The Scottish Government has published [Council tax reduction in Scotland, April to June 2015](#) giving statistics on the number of recipients and weekly income foregone by local authorities for the Council Tax reduction scheme.

Scottish Parliament

9. The Scottish Parliament Information Centre (SPICe) has published the report [Local Government Finance: facts and figures, 1999-2016](#), which shows that local Government's share of the overall Scottish budget has decreased from 36.2% to 32.2% since 1999, though when including police and fire budgets the decrease was only 0.2%. It has also found the Council Tax freeze has cost the Scottish Government £2,520m since its inception.
10. In response to a parliamentary question on what financial impact the delayed timetable for the announcement of its draft budget will have on local authorities, John Swinney replied '*The current devolution settlement sees around 80% of the Scottish budget being directly determined by decisions taken in Westminster meaning that we have no alternative but to await the outcome of the UK spending review before publishing the draft budget. While this will be inconvenient for Scotland's local authorities and other public sector partners in trying to set their 2016 to 2017 budgets, the delay is unavoidable. The Government will work with Parliament to consider the most effective timetable for considering the Local Government Finance Order.*'

Parliamentary Committee News

Local Government and Regeneration Committee:

11. On 2 September the Committee considered its approach to the Stage 1 of the [Footpath Parking and Double Parking \(Scotland\) Bill](#).
12. At the meeting on 2 September the Committee considered its approach to the inquiry into arms-length external organisations. The Committee agreed on the witnesses to invite for oral evidence and to gather evidence via an online survey.
13. At the meeting on 23 September the Committee took evidence on the complaints process for joint health and social care from Paul McFadden, Head of Complaints Standards, Scottish Public Services Ombudsman; Alison Taylor, Team Leader Integration and Reshaping Care, and Professor Craig White, Divisional Clinical Lead, Planning and Quality Division, Scottish Government; Soumen Sengupta, Head of Strategy, Planning and Health Improvement, West Dunbartonshire Health and Social Care Partnership.

Public Audit Committee:

14. At its meeting on 9 September the Committee considered a considered a Section 22

report¹ [the 2013/14 audit of Coatbridge College: Governance of severance arrangements](#). The Committee took evidence from the Auditor General for Scotland and Fraser McKinlay, Director of Performance Audit and Best Value. In advance of seeking oral evidence, including from former post-holders at Coatbridge College, the Committee agreed to seek written evidence from the Scottish Funding Council, Audit Scotland and New College Lanarkshire. The Committee also agreed to issue an open call for relevant evidence from anyone who wishes to contribute to the Committee's consideration of this report by the Auditor General for Scotland.

15. At this meeting the Committee also considered responses from the Scottish Government, NHS Highland and Audit Scotland to the Committee's report entitled '[Report on NHS Highland 2013-14: Financial management](#)'. The Committee agreed to note the responses.
16. The Commission considered and noted a written submission from the Scottish Government on the Auditor General report [The Scottish Fire and Rescue Service](#).
17. Finally, at the meeting on 9 September the Committee considered and noted written submissions from the Scottish Government, Scottish Funding Council and Audit Scotland on the Auditor General report [Scotland's colleges 2015](#). The Committee also considered a draft report on the Auditor General's report in private and agreed on changes. This [report](#) was published on 28 September and raises a number of concerns about the impact of college mergers.
18. At its meeting on 23 September the Committee took evidence on the Auditor General report [Managing ICT contracts in central government: An update](#) from Sarah Davidson, Director General Communities and Mike Neilson, Director of Digital, Scottish Government. The Committee also took evidence from the Auditor General and agreed to write to the Scottish Government on issues raised in discussion and consider an options paper from the Clerk at a future meeting.
19. The Committee considered written submissions from the Scottish Government and European Commission and took evidence on the Auditor General report [The 2013/14 audit of the Scottish Government Consolidated Accounts: Common Agricultural Policy Futures Programme](#). Evidence was given by the Auditor General and Mark Taylor, Assistant Director at Audit Scotland.
20. The Committee considered a written submission from the Deputy First Minister on the Auditor General report [Superfast broadband for Scotland: A progress report](#). The Committee agreed to note the submission and to refer the report and evidence to the Infrastructure and Capital Investment Committee.
21. The Committee considered its draft report on the Auditor General report [the 2012/13 audit of North Glasgow College](#). Various changes were proposed and the Committee agreed to consider a revised draft report, in private, at a future meeting.

Infrastructure and Capital Investment Committee

22. At its meeting on 9 September the Committee took evidence John Swinney, Deputy First Minister and Cabinet Secretary for Finance, Constitution and the Economy, Trudy

¹ The Auditor General for Scotland (AGS) reports to the Public Audit Committee under Section 22 of the Public Finance and Accountability Act on the accounts of Scotland's public bodies (excluding local government).

Nicolson, Head of Broadband Policy, and Duncan Nisbet, Senior Stakeholder Manager, Scottish Government on Digital infrastructure and participation.

23. At the meeting on 9 September, the Committee also considered and agreed its work programme.
24. On 16 September the Committee took evidence at Stage 2 of the [Harbours Bill](#) from Derek Mackay, Minister for Transport and Islands and Chris Wilcock, Head of Ports and Harbours at the Scottish Government.
25. On 16 September the Committee also received a project team update on the Forth Replacement Crossing.

Finance Committee

26. At its meeting on 2 September the Finance Committee took evidence on Scotland's Fiscal Framework from John Swinney, Cabinet Secretary for Finance, Constitution and Economy, Sean Neil, Acting Deputy Director of Finance and Gerald Byrne, Head of Elections and Constitution Division, Scottish Government.

Bills – Progress Updates:

27. The Local Government and Regeneration Committee has launched its Stage 1 consideration of the [Footpath Parking and Double Parking \(Scotland\) Bill](#).
28. The Infrastructure and Capital Investment Committee have completed Stage 2 consideration of the [Harbours Bill](#).
29. The following Bills have not progressed further since my last report:
 - Consideration of the [Criminal Justice \(Scotland\) Bill](#) at Stage 2 is continuing.
 - The [Community Justice \(Scotland\) Bill](#) is being considered at Stage 1 by the Justice and Finance Committees.
 - The [Education \(Scotland\) Bill](#) is being considered at Stage 1.

Smith Commission - Updates:

30. At present, the Smith Commission's proposals are currently being considered within the Scottish and UK Parliaments, principally through the [Devolution \(Further Powers\) Committee](#) and [Scottish Affairs Committee](#) respectively. An update in this regard is part of Audit Scotland's briefing to the Commission on new financial powers.

COSLA, Improvement Service etc:

31. COSLA Chief Executive Rory Mair announced his retirement on 25 September. His notice period formally started on this date, as did his the search for his replacement.

Current activity and news in Scottish local government:

General:

32. On 17 September local authorities held a summit on considering the collective local government response to how the Syrian refugee crisis is best handled. Council Leaders, Chief Executives and frontline workers were joined by representatives of the UK Government, Scottish Government and the Scottish Refugee Council to discuss

how Syrian refugees will be resettled in Scotland's communities and to hear about good practice from councils that have already taken part in humanitarian protection schemes.

Individual councils:

33. There have been five by-elections since the last meeting of the Commission, as follows:

- On 13 August, a by-election was held for the Denny and Banknock ward of Falkirk Council on 13 August 2015 following the resignation of SNP councillor John McNally, elected MP for Falkirk. Paul Garner held the seat for the SNP with 69.1% of first preference votes.
- Also on 13 August, a by-election was held for the Wishaw ward of North Lanarkshire Council on 13 August 2015 following the resignation of SNP councillor Marion Fellows, now MP for Motherwell and Wishaw. Rosa Zambonini held the seat for the SNP with 51.1% of first preference votes.
- On 18 August, a by-election was held for the West Mainland ward of Orkney Islands Council on 18 August 2015 following the death of Orkney Manifesto Group councillor Alistair Gordon. Gordon, originally elected as an Independent, was the founder and leader of the Group. Rachael King held the seat for the Orkney Manifesto Group with 51.4% of first preference votes.
- On 10 September, a by-election was held for two seats in the Leith Walk ward of the City of Edinburgh Council following the resignation of SNP councillor Deirdre Brock, elected as MP for Edinburgh North and Leith, and of Green councillor Maggie Chapman, who is moving away. John Ritchie held one seat for the SNP (36.2% of first preference votes) and Marion Donaldson gained the other seat for Labour (25.7% of first preference votes).

This by-election was notable for being the first multi-seat by-election in Scotland since the introduction of the Single Transferable Vote (STV) method for local elections, and thus the first by-election contested using STV.

- On 10 September, a by-election was held for Midlothian West ward of Midlothian Council on 10 September 2015 following the resignation of SNP councillor Owen Thompson, elected as MP for Midlothian. Kelly Parry held the seat for the SNP with 43.2% of first preference votes.
 - On 17 September, a by-election for the Ayr East ward of South Ayrshire Council on 17 September 2015 following the resignation of SNP councillor Corri Wilson, the new MP for Ayr, Carrick and Cumnock. John Wallace held the seat for the SNP with 38.5% of first preference votes.
34. Edinburgh City Council is looking to cut 2000 jobs in the next four years in order to save £141 million. All 20,000 employees, with the exception of teachers, have been offered redundancy with some compulsory redundancies possible. The Edinburgh Best Value report will be considered by the Accounts Commission in early 2016.
35. Former Scottish Minister Frank McAveety has been appointed as the new leader of Glasgow City Council. He previously served as council leader from 1997 until 1999 when he was elected to the newly-formed Scottish Parliament. He represented Glasgow Shettleston until the SNP won the seat in 2011. Mr McAveety has served as

deputy minister for Local Government, deputy minister for Health and Community Care and Minister for Tourism, Culture and Sport.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO):

36. The September newsletter for SPSO has not yet been published. More information on the SPSO's work, including detailed Investigations and decision reports, is available on the [Our findings](#) webpage. More detailed intelligence from the SPSO is considered on a six-monthly basis by the Financial Audit and Assurance Committee with the last detailed report going to the FAA Committee on 24 September.

Commissioner for Ethical Standards in Public Life in Scotland:

37. Since the previous meeting of the Commission, nine decisions on complaints relating to councillors was published by the [Commissioner](#). The Commissioner decided [Councillor Willie Young](#) at Aberdeen City Council, [Councillor Ian Clarkson and Councillor Tom Marshall](#) at North Ayrshire Council, [Councillor Gordon Matheson and Councillor Archie Graham](#) at Glasgow City Council, [Councillor Dominic Heslop](#) at City of Edinburgh Council, [Councillor Susan Aitken and Councillor Graeme Hendry](#) at Glasgow City Council and [Councillor Alex Davidson](#) at West Lothian Council did not contravene the Councillors' Code of Conduct.
38. The Commissioner found that [Councillor Paul McLennan](#) at East Lothian Council and [Councillor Archie Drummond](#) at Clackmannanshire Council had breached various sections of the Code. These cases were forwarded to the Standards Commission who have decided to hold hearings on both cases. More detailed intelligence from the Commissioner is considered routinely by the Financial Audit and Assurance Committee.

Standards Commission for Scotland:

39. The Standards Commission for Scotland has produced its latest [Professional Briefing](#) including an invitation to comment on the revised guidance on the Councillor's Code of Conduct. I will report further to the Commission in this regard.
40. Professor Kevin Dunion OBE commenced his appointment as a member of the Standards Commission on 1 September 2015. Professor Dunion is Honorary Professor in the Dundee Law School, University of Dundee, where he is also Director of the Centre for Freedom of Information.

Other UK Audit Bodies

National Audit Office:

41. The National Audit Office has published its [report on the financial institutions landscape](#). It concludes that following a significant growth in the number of financial institutions controlled by the UK Government in the past decade, it is still unclear whether any single area of Government is taking a "portfolio view" of the institutions in question. In response to Government plans to reduce its exposure to some sectors, the NAO suggests this could be offset by the increase in policy-related activities, for example Help to Buy or student loans.

Public Accounts Committee

42. The Committee has agreed to hold inquiries into the following subjects between October and December 2015:

- GP Extraction Service Investigation
- Services for people with neurological conditions: progress review
- Care Quality Commission
- Network Rail: 2014-2019 rail investment programme
- Cancer Drugs Fund
- The economic regulation of the water sector
- Diabetes follow-up
- Sale of Eurostar
- Pensions auto-enrolment
- Fire and rescue services
- Access to general practice in England
- Commercial approaches to long-term programmes: rail franchising
- Private providers' management of public services
- E-Borders and Border Systems
- Companies in Government

Other general

43. Andrew Flanagan has been appointed as Chair of the Scottish Police Authority. Andrew Flanagan is a Civil Service Commissioner and is Chair of the audit and Risk Committee of the NHS Business Services Authority. The appointment was announced by the Cabinet Secretary for Justice on 3 September.

Conclusion

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

Paul Reilly
Secretary to the Accounts Commission
30 September 2015

MEETING: 8 OCTOBER 2015**REPORT BY: ASSISTANT DIRECTOR OF AUDIT****NEW FINANCIAL POWERS UPDATE**

Purpose

1. The purpose of this report is to provide an update on key developments surrounding further financial devolution and the strengthening of Audit Scotland's organisational arrangements in this area.

Background

2. The environment for Scotland's public finances is undergoing fundamental change, with significant implications for Scotland's public finances and for public audit. From April 2015, new taxes on land and buildings transactions and disposing of waste to landfill came into force. The Scottish Government also has new borrowing powers. From April 2016, the Scottish Parliament must set a new Scottish rate of income tax. In addition, the Smith Commission's proposals are extensive and include further changes to the welfare system and more financial responsibilities. The Commission's 2015 Local Government Overview report recognised possible implications for councils' finances.
3. In February 2015 the Commission considered a report on the potential implications of the Smith Commission proposals on audit work. The Commission noted the report and that it would be kept apprised of further developments, including resource implications for Audit Scotland.
4. The Scotland Bill 2015 was published by the UK Government on 28 May 2015, aiming to delivering the Smith Commission Agreement to increase the responsibilities and financial accountability of the Scottish Parliament.
5. A new fiscal framework will be agreed for Scotland to accompany the further powers included in this Bill, in order to set and coordinate sustainable fiscal policy for the UK as a whole. Both the UK and Scottish Government intend that the framework will be negotiated in parallel to the passage of the Bill.

Current proposals

6. The Smith Commission's proposals covered both increasing the tax raising powers of the Scottish Parliament and further devolution of expenditure mainly around some welfare benefits and the work programme. Table 1 shows the estimated financial effect of the proposals using 2012/13 as the example year. The Smith proposals would take the proportion of revenue raised by the Scottish Parliament from under 10% currently to around 37%.
7. For some benefits disaggregated figures for Scotland are not readily available, and for some expenditure is potentially very volatile. For example total UK Cold weather payments have varied in recent years from £27,000 in 2013/14 all of which was incurred in Scotland to £429 million in 2010/11 where perhaps £100m or more was incurred in Scotland.
8. The main change made to the financial proposals in the Bill was to extend the amount of assigned VAT to include the first 2.5% of the 5% reduced rate. The UK Government

proposals also include a number of clauses requiring consultation between the Scottish and UK Governments designed to ensure that proposals for tax/benefit changes in one country do not have unintended consequences for the other.

Table 1: Spending and revenues in Scotland, £m

	2012/13
Existing spending and revenues in Scotland	
Existing spending by Scottish Government	£33,758
Existing revenues of Scottish Government	£3,397
Total taxes raised in Scotland (UK and SG)	£53,147
Total public spending for and on behalf of Scotland	£65,397
Additional spending - Smith proposals	
Attendance Allowance	£489
Disability Living Allowance (Pensioners)	£515
DLA/Personal Independence Payment (PIP)	£935
Carer's Allowance	£169
Industrial Injuries Disablement Allowance	£92
Severe Disablement Allowance	£97
Cold Weather Payment	n/a
Funeral Payment	n/a
Sure Start Maternity Grant	n/a
Winter Fuel Payment	£187
Work programme	£38
Total additional spending	£2,485
Additional revenues - Scotland Act	
Scottish Rate of Income Tax	£4,231
Land and Buildings Transactions Tax	£283
Landfill Tax	£100
Total additional revenues under Scotland Act	£4,614
Additional revenues - Smith proposals	
Income tax	£10,865
VAT	£4,674
Land and Buildings Transactions Tax	£283
APD	£234
Landfill Tax	£100
Aggregates levy	£45
Total additional revenues under Smith proposals	£16,201

Notes: Figures from DWP, Scottish Government (GERS) and HM Treasury (PESA). Data for some smaller benefits is not available. Estimate of Work Programme cost is a population share of the UK cost in 2012/13, but the cost is likely to rise in real terms over time.

Source – David Bell and David Eisner – *Scottish Fiscal and Economic Studies*

9. The Bill is currently at Committee stage in the House of Commons. It is expected to continue its passage to the House of Lords in due course. The Bill is planned to be concluded during the current financial year. Discussions between the UK and Scottish Governments on the revised fiscal framework that will accompany the Bill are continuing.
10. Lord Smith's final personal recommendation was for further devolution from the Scottish Parliament. The UK Government command paper reflects that recommendation by

saying that “The Scottish Government will explore how they can transfer powers from the Scottish Parliament to empower local communities across Scotland”.

Welfare benefits

11. Powers over a number of welfare benefits outside of Universal credit will be devolved including those for carers, disabled people and those who are ill. Also benefits in the Regulated Social Fund such as Winter Fuel payments and Funeral payments will be devolved along with Discretionary Housing Payments. The Scottish Parliament will have the power to vary the housing cost elements of universal credit including the under occupancy charge (bedroom tax).
12. The Smith Commission report states that it is for the Scottish Parliament to decide whether to agree a delivery partnership with DWP or to set up separate Scottish arrangements. The Scottish Government has established arrangements to explore how it should implement anticipated new powers as part of its overall approach to employability and social security. One option is devolution to local government, alongside existing responsibilities for benefits. Such an approach would mean that the Commission would have a direct interest in the audit of this area. Some aspects of Social Security also continue to be debated during the passage of the Scotland Bill.
13. The Scottish Parliament’s Welfare Reform Committee is considering the practical implementation of the social security schemes outlined in the Smith Agreement. It launched an inquiry in June 2015 on how the proposed devolved powers can be used to better deliver benefits in Scotland, issuing a call for written evidence and an planning to take oral evidence in the autumn. Around half of Scottish councils have provided a written submission, as has COSLA.

Public Audit Committee’s response

14. Between February and June this year the Public Audit Committee (PAC) of the Scottish Parliament considered evidence on the audit and accountability arrangements that should accompany the further devolution of powers. More specifically it considered evidence on the draft clauses set out in the UK Command Paper *Scotland in the United Kingdom: An enduring Settlement*, many of which are now in the Scotland Bill 2015.
15. On 24 June the PAC published a paper on *Audit, accountability and the further devolution of powers*. This is described as an issues paper that sets out where issues remain to be resolved and identifying some areas where the Scotland Bill may require further amendment.
16. An extract from the paper dealing with Welfare is provided at appendix A to this report. The PAC recognised that audit arrangements in this area will depend on decisions made by the Scottish Government about the administration of devolved benefits. Should it seek to have benefits administered through local authorities (such as those arrangements in place for housing benefit and council tax benefit) it is expected that audit responsibility will fall to the Commission. The PAC recognised that it will be some time yet before any decisions on who will administer any devolved benefits will be made.
17. The remainder of the PAC issues paper:
 - sets out the key principles it thinks should underpin audit reporting to the Scottish Parliament – that this is proportionate, transparent and robust.
 - provides its view that a tipping point has been reached such that consideration should be given to enabling Audit Scotland and the National Audit Office to undertake joint performance audit work especially in relation to complex areas such as tax and welfare.

- sets out the Committee's initial observations on the audit and accountability arrangements which accompany the further devolution of powers set out in the Scotland Bill 2015.

18. The chair of the PAC wrote to the AGS to request her views on the issues raised in the issues paper. An extract of her response dealing with questions posed on welfare is included at appendix B. This highlighted the importance of information from the citizen's perspective on welfare arrangements under the devolved arrangements. It also clarified the Commission's direct interest should councils have a role.

19. The PAC is likely to take further evidence on this area in due course.

Organisational arrangements

20. Work has been continuing within Audit Scotland to consider the implications of further financial devolution – for both the organisation and audit work. Following the publication of the 2015 Bill, a New Financial Powers Steering Group has been established to provide strategic direction in four broad areas:

- **Policy:** considering the implications of further financial devolution on Audit Scotland's work and, in consultation with the AGS and the Commission, determining Audit Scotland's response.
- **Coordination:** ensuring a joined-up approach across Audit Scotland which supports the interests of the AGS and the Commission. This will include work to develop audit approaches and oversight of our work with other audit agencies.
- **Communication:** maintaining awareness of developments, communicating relevant information internally and coordinating our engagement with stakeholders.
- **Resourcing/capacity building:** ensuring that our work is properly resourced, that we build capacity in this area and capitalise on opportunities for cross-organisation working.

21. The steering group comprises three members of Audit Scotland's management team and two assistant directors. It met for the first time on 30 July. Arrangements are being made to support the work of the group, and ensure it is appropriately resourced.

22. Initial work has been undertaken within existing resources. The financial implications of developing approaches are being considered in the course of preparing Audit Scotland's 2016/17 budget proposal and the continuing work of the steering group.

23. This is a fast moving area. Audit Scotland will ensure that the Commission is kept up to date generally and in particular when there is anything that may be of direct interest. Where necessary significant developments between meetings will be brought directly to the attention of the Chair and Secretary.

Conclusion

24. The Commission is asked to note this update report.

Mark Taylor
Assitant Director of Audit Services
29 September 2015

APPENDIX 1

EXTRACT FROM PUBLIC AUDIT COMMITTEE ISSUES PAPER

Welfare

36. The Scotland Bill 2015 provides for the devolution of some aspects of welfare and benefits such as elements within Universal credit, Discretionary Housing benefits and Attendance allowance. The AGS set out the three options for their administration:
- a. The Scottish Government could set up its own body to administer the benefits;
 - b. The Scottish Government could seek to have benefits administered through other arrangements such as through local authorities (such as those arrangements in place for housing benefit and council tax benefit);
 - c. The Department of Work and Pensions (DWP) could continue administering them on behalf of (and funded by) the Scottish Government.
37. Under the first two options we recognise that Audit Scotland would undertake the audit and performance reporting on the administration of those benefits either reporting to the Parliament (likely under the first option) or through the Accounts Commission (likely under the second option should local authorities administer any benefits). **Given the complexity and potential for interplay between UK and devolved benefits we seek clarification from the C&AG and the AGS as to how they will work together to ensure that any areas of overlap are adequately audited and reported upon to the Scottish Parliament.**
38. In relation the third option, Audit Scotland suggested that the HMRC arrangements being developed for the SRIT would provide a good model for audit reporting and accountability to the Scottish Parliament. COSLA and others also suggested that DWP should report on UK and Scottish specific activities and provide Scottish specific financial and performance data. **We agree with these views and should DWP administer welfare and benefit payments on behalf of the Scottish Government then we consider that DWP should report to the Scottish Parliament on a range of Scottish specific financial, performance and service information.** We also note the comments of COSLA that there should be a refocusing of the performance measures for welfare to include a more rounded outcome focus (such as sustainable employment or participation in community).
39. We recognise that it will be some time yet before any decisions on who will administer any devolved benefits will be made, during which time we will continue to explore these issues with the DWP, C&AG and the AGS as appropriate. That said, the Scotland Bill 2015 as drafted does not provide for DWP and the C&AG to report to the Scottish Parliament on the administration of Scottish benefits should DWP continue to administer them on behalf of the Scottish Government. **If this option is pursued then we consider that there should be specific legislation requiring the DWP and the C&AG to report to the Scottish Parliament on the administration of Scottish benefits.** We also reiterate our concerns about the challenges of auditing any interplay between UK and Scottish welfare policy and benefits for example: CAS highlighted the possible future links between Scottish Government employment programmes and the UK benefit sanction regime.

APPENDIX B

EXTRACT FROM AGS RESPONSE TO PAC ISSUES PAPER

Welfare

20. Welfare powers are a significant area for consideration, given the scale of the social security activity to be devolved and its complexity. Alongside scrutiny of financial and service performance, the Committee and the Scottish Parliament is likely to require information from the citizen's perspective under the devolved arrangements. In particular the Committee might expect to have an interest in the citizen's experience of a welfare system and how straightforward or complicated it is to navigate, given the potential for interaction between reserved and proposed devolved functions in tax and social security.
21. The nature of audit arrangements in this area will depend on the Scottish Government's policy decisions about the administration of the social security payments devolved to Scotland. Potential options for this are set out in the Committee's paper. I will continue to work closely with the C&AG to develop cost-effective audit arrangements as the arrangements become clearer.
22. As the Committee notes the Accounts Commission for Scotland, as the organisation responsible for the audit of local government in Scotland, will have a direct interest in the audit and reporting arrangements should councils be involved. The Accounts Commission, Audit Scotland and I work together to deliver public audit in Scotland, as reflected in our *Public audit in Scotland* paper.

MEETING: 8 OCTOBER 2015

REPORT BY: ASSISTANT AUDITOR GENERAL

APPOINTMENT OF AUDITORS TO INTEGRATION JOINT BOARDS

Purpose

1. The purpose of this report is request that the Commission confirm the appointment of external auditors to the Integration Joint Boards that have been created under the Public Bodies (Joint working) (Scotland) Act 2014.

Background

2. Under the Local Government (Scotland) Act 1973 the Accounts Commission is responsible for appointing the external auditors of local government bodies including councils, joint boards and bodies falling within section 106 of the Act such as charities.
3. The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards (IJBs) created under the Act to secure joint provision of health and social care services between councils and health boards should be treated as if they were bodies falling within section 106 of the 1973 Act.
4. The 2014 Act allowed councils and health boards to choose between three models for integration. A single council and a health board can agree that there should be an IJB for the council area, two or more councils can agree with a health board that there should be an IJB covering the combined area of the councils or a council and a health board can agree to operate under a lead agency model which does not involve the creation of an IJB as a separate entity and instead will be governed by a monitoring committee.
5. 29 of Scotland's Local Authorities have adopted the first of these models with each council establishing an IJB with the local health board; Stirling and Clackmannanshire councils have adopted the second option to create a single IJB with Forth Valley health board and Highland Council has adopted the lead agency model with no IJB created. There are therefore 30 IJBs which require the appointment of an external auditor as per the attached appendix.
6. In June 2014 the Accounts Commission approved the provisional appointment of the auditors of each relevant council as the auditor of the respective IJB (in line with the table in the appendix). Following this meeting Audit Strategy contacted the councils' auditors to ascertain whether there were any reasons why they could not accept appointment to the associated IJB; no issues were raised from this exercise.

The establishment of IJBs

7. The 2014 Act provided for integration arrangements to be in place by 1st April 2016. Scottish Ministers have laid four Scottish Statutory Instruments establishing 24 of the IJBs. One or more further SSIs are expected to be published shortly to establish the remaining six IJBs by 1 April 2016. Once established, IJBs require Ministerial approval to begin carrying out their full functions. Only five of the IJBs are expected to have taken on their functions during 2015/16 (all three Ayrshire IJBs since April 2015 and East and West Dunbartonshire IJBs for part of the year).

8. An audit is required for most IJBs for the 2015/16 financial year although a significant number of them will have only incurred administrative expenditure during this period due to the delay in taking on their functions. 2015/16 is the final year in the current round of audit appointments which means that new 5-year appointments will be made from 2016/17. IJB auditor appointments from 2016/17 will follow the arrangements established in 2015/16 i.e. council-appointed auditors will become the external auditors for the respective IJB.

Conclusion

9. The Commission is asked to approve the appointment of the auditors of each relevant council as the auditor of the IJB for that council area for 2015/16, and in the case of Stirling and Clackmannanshire councils' IJB, the auditor of Stirling Council. In the case of those IJBs yet to be formed the appointment will take effect from the date of formation.

Russell Frith
Assistant Auditor General
18 September 2015

PROPOSED AUDIT APPOINTMENTS TO INTEGRATED JOINT BOARDS

Integrated Joint Board	Area	Est. date	Proposed auditor	SSI
Aberdeen City Integration Joint Board	Aberdeen City Council & Grampian HB		Fiona Kordiak (Audit Services Group, Audit Scotland)	
Aberdeenshire Integration Joint Board	Aberdeenshire Council & Grampian HB		Deloitte	
Angus Integration Joint Board	Angus Council & Tayside HB	03/10/2015	Fiona Kordiak	2015 No 321
Argyll and Bute Integration Joint Board	Argyll and Bute Council & Highland HB	27/06/2015	Fiona Kordiak	2015 No 222
Clackmannanshire and Stirling Integration Joint Board	Clackmannanshire and Stirling Councils & Forth Valley HB	03/10/2015	Grant Thornton	2015 No 321
Dumfries and Galloway Integration Joint Board	Dumfries and Galloway Council & HB	03/10/2015	PwC	2015 No 321
Dundee City Integration Joint Board	Dundee City Council & Tayside HB	03/10/2015	KPMG	2015 No 321
East Ayrshire Integration Joint Board	East Ayrshire Council & Ayrshire & Arran HB	01/04/2015	Fiona Kordiak	2015 No 88
East Dunbartonshire Integration Joint Board	East Dunbartonshire Council & G Glasgow & Clyde HB	27/06/2015	Fiona Kordiak	2015 No 222
East Lothian Integration Joint Board	East Lothian Council & Lothian HB	27/06/2015	KPMG	2015 No 222
East Renfrewshire Integration Joint Board	East Renfrewshire Council & G Glasgow & Clyde HB	27/06/2015	Fiona Kordiak	2015 No 222
Edinburgh City Integration Joint Board	Edinburgh City Council & Lothian HB	27/06/2015	Fiona Kordiak	2015 No 222
Falkirk Integration Joint Board	Falkirk Council & Forth Valley HB	03/10/2015	Fiona Kordiak	2015 No 321
Fife Integration Joint Board	Fife Council & HB	03/10/2015	Fiona Kordiak	2015 No 321

Integrated Joint Board	Area	Est. date	Proposed auditor	SSI
Glasgow Integrated Joint Board	Glasgow City Council & G Glasgow & Clyde HB		Fiona Kordiak	
Inverclyde Integration Joint Board	Inverclyde Council & G Glasgow & Clyde HB	27/06/2015	Grant Thornton	2015 No 222
Midlothian Integration Joint Board	Midlothian Council & Lothian HB	27/06/2015	Grant Thornton	2015 No 222
Moray Integration Joint Board	Moray Council & Grampian HB		PwC	
North Ayrshire Integration Joint Board	North Ayrshire Council & Ayrshire & Arran HB	01/04/2015	Fiona Kordiak	2015 No 88
North Lanarkshire Integration Joint Board	North Lanarkshire Council & Lanarkshire HB	27/06/2015	Scott-Moncrieff	2015 No 222
Orkney Integration Joint Board	Orkney Islands Council & Orkney HB		Fiona Kordiak	
Perth and Kinross Integration Joint Board	Perth and Kinross Council & Tayside HB	03/10/2015	Fiona Kordiak	2015 No 321
Renfrewshire Integration Joint Board	Renfrewshire Council & G Glasgow & Clyde HB	27/06/2015	Fiona Kordiak	2015 No 222
Scottish Borders Integration Joint Board	Scottish Borders Council & Borders HB			
Shetland Islands Integration Joint Board	Shetland Islands Council & Shetland HB	27/06/2015	Fiona Kordiak	2015 No 222
South Ayrshire Integration Joint Board	South Ayrshire Council & Ayrshire & Arran HB	01/04/2015	Fiona Kordiak	2015 No 88
South Lanarkshire Integration Joint Board	South Lanarkshire Council & Lanarkshire HB	21/09/2015	PwC	2015 No 266
West Dunbartonshire Integration Joint Board	West Dunbartonshire Council & G Glasgow & Clyde HB	27/06/2015	Fiona Kordiak	2015 No 222
West Lothian Integration Joint Board	West Lothian Council & Lothian HB	21/09/2015	Fiona Kordiak	2015 No 266
Western Isles Integration Joint Board	Comhairle nan Eilean Siar & Western Isles HB	21/09/2015	Scott-Moncrieff	2015 No 266

MEETING: 8 OCTOBER 2015

COVER NOTE BY: SECRETARY TO THE COMMISSION

AUDIT OF BEST VALUE: THE MORAY COUNCIL

Purpose

1. The purpose of this paper is to introduce the Controller of Audit's report following audit work on Best Value at The Moray Council. The Commission is invited to consider the report and decide how it wishes to proceed.

Background

2. The Commission last published a report on Best Value at The Moray Council on 27 September 2013, and requested the Controller of Audit to provide a report on progress after 18 months.
3. The Commission's findings are contained in the Appendix. In its findings, the Commission welcomed the improvement plan put in place and being taken forward by the Council. The Commission was encouraged by strengthened leadership at the council and commented that the momentum could continue through the Council fulfilling its commitment to its development programmes for officers and members. The Commission believed there would be substantial benefit for the Council in integrating its various strategic plans and strands of improvement work, and urged progress on a more coordinated approach to seeking and making use of the views of customers.
4. The latest audit took place during May and June 2015 and was designed to check progress on the improvement areas identified in the 2013 report. These covered aspects of leadership and culture; strategic planning and continuous improvement; and developing a customer focus.

The Report

5. The attached report to the Commission is made by the Controller of Audit under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
6. 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.
 - c) the performance by a local authority of their statutory duties in relation to best value and community planning.
7. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

Procedure

8. 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.
9. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
10. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence presented in the report.

Conclusion

11. The Commission is invited to:
 - a) consider the report by the Controller of Audit on the audit of Best Value of The Moray Council; and
 - b) decide how it wishes to proceed.

Paul Reilly
Secretary to the Commission
29 September 2015

APPENDIX:

Targeted Best Value audit work 2012/13: The Moray Council

Commission findings

The Commission accepts the Controller of Audit's report on targeted Best Value work in The Moray Council.

The Commission welcomes the improvement plan put in place and being taken forward by the council in response to the Best Value targeted work.

The council has strengthened its leadership as it addresses improvements. We are encouraged by this and the momentum can continue if the council fulfils its commitment to its development programmes for officers and members.

We believe that there would be substantial benefit for the council in integrating its various strategic plans and strands of improvement work. We also see the potential of a more coordinated approach to seeking and making use of the views of customers. We urge progress to these ends.

The Commission recognises that the council's performance against its improvement plan will feature in the annual audit process. We ask the Controller of Audit to report back to us on progress in 18 months' time.

The Moray Council

Best Value Audit

Progress Report



Prepared for the Accounts Commission by the Controller of Audit
October 2015

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- **securing and acting upon the external audit of Scotland's councils and various joint boards and committees**
- **assessing the performance of councils in relation to Best Value and community planning**
- **carrying out national performance audits to help councils improve their services**
- **requiring councils to publish information to help the public assess their performance.**

You can find out more about the work of the Accounts Commission on our website:

www.audit-scotland.gov.uk/about/ac

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Commission findings

Insert subheading

1. Text starts here

Introduction

2. The Local Government in Scotland Act 2003 created a statutory duty of Best Value for all councils. The Accounts Commission for Scotland is responsible for reporting to the public on the extent to which individual local authorities meet this duty. Audit Scotland staff carry out the audit work on Best Value and the Controller of Audit provides audit reports to the Commission.
3. The first Best Value audit report on The Moray Council (the council) was published in February 2006. The audit found that the council lacked some of the fundamental elements of Best Value, including a clear vision and strategic direction, political and corporate leadership and effective performance monitoring arrangements. Subsequent progress reports in August 2007, February 2009 and November 2010 highlighted that the council had made some improvements, although the pace of change needed to increase.
4. In May 2012, the 2012-2015 Assurance and Improvement Plan (AIP) for the council highlighted that some areas of risk and uncertainty remained. It concluded that further targeted Best Value audit work was required, which resulted in the most recent Best Value audit report published in September 2013. In its Findings on the report, the Accounts Commission recognised that the council had strengthened its leadership to address the improvements required. It encouraged the council to maintain momentum by fulfilling its commitment to:
 - introduce development programmes for officers and members
 - integrate its various strategic plans and strands of improvement work
 - introduce a more coordinated approach to seeking and making use of customers' views.
5. This report details the progress made by the council against the improvement areas identified in the last Best Value audit report (Exhibit 1). Our audit work took place during May and June 2015 and involved reviewing council documents, interviewing elected members and senior council officers, and observing council meetings. We gratefully acknowledge the cooperation and assistance provided to the audit team by Council Leader Councillor Stewart Cree, Chief Executive Roddy Burns, Corporate Policy Unit Manager Bridget Mustard and all of the elected members and officers we spoke to during the audit.

Exhibit 1

Improvement agenda

The council needs to:

- Continue to build on the improvements on leadership and culture by:
 - Acting decisively in making the difficult decisions required to deliver £30 million of savings by 2016/17.
 - Continuing to embed the collaborative and positive workforce culture demonstrated at CMT more widely across the council

- Maintaining progress of leadership development and member development programmes, specifically by:
 - Providing leadership development opportunities for all senior managers
 - Ensuring all elected members undertake personal development meetings
 - Improving member take up of development and training opportunities
- Clarify its strategic planning arrangements to build a clear framework to support leadership and direction by:
 - Aligning the council's strategic plans
 - Developing an overarching improvement programme to help prioritise and focus improvement activity and improve reporting and governance arrangements
- Develop a customer focus strategy and action plan and improve reporting on customer feedback
- Maintain the momentum on improved leadership of equalities and improve member take up of equalities training and reporting against equalities outcomes
- Improve how it measures and reports on performance, including:
 - Customer feedback and satisfaction
 - Continuous improvement programmes
 - Equality outcomes

Source: The Moray Council Targeted Best Value audit work 2012/13, Audit Scotland, September 2013

Summary

6. Since our last audit report, The Moray Council has made progress on its improvement action plans. In particular, there is more cohesive strategic direction and planning in place, including a 10 year Community Plan, a more robust Corporate Plan and a linked system of service planning that includes arrangements for performance review and continuous improvement. There has been a shared commitment across the council in developing these important tools, and this offers a good opportunity for future progress.
7. However, there is still much to be done. Recent progress has to be seen in the context of a relatively low starting point. Basic building blocks for Best Value that are now well developed in many councils, such as an overall customer focus strategy, strategic planning and its approach to continuous improvement are still in their infancy or are only now being effectively applied in Moray. The council must increase the pace of change and improvement, to ensure it fully complies with its statutory duties, and gains the benefits that Best Value can bring.
8. The council's new Corporate Management Team (CMT) is committed to change. It has a good level of awareness of where major work is required, and has started to make the fundamental cultural and organisational shifts required. It has supported the elected members in establishing their strategic plans, and is building improved standards of management across the council through employee leadership development programmes and employee engagement activities. Elected members have contributed to their own personal development through involvement in a range of development programme activities.
9. However, the extent to which the council can come together and act decisively in addressing future challenges remains to be fully tested. Moray faces significant financial challenges over the next few years. It needs to reduce its spending by over £16 million by March 2018. At the same time, it needs to respond to increases in demand for many services. While a high level of financial reserves will help in the short term, the council's strategy to respond to these challenges is still in its early stages. This includes the development of services that will be sustainable in the future environment councils will find themselves in. Difficult decisions will need to be made and the delicate political balance in the council at present adds to this challenging environment.
10. A structured approach to achieving political consensus (the cross party Area Based Review Group or ABR) was successful in bringing members together to develop a new community plan, a council corporate plan and preparations for the 2014/15 budget. However, as a result of political differences surrounding a strategic review of education services, it was replaced in November 2014 with an Administration only Service Development Group (SDG). It will be important in the future for councillors to be able to work together on the challenges facing the council as a whole, to ensure that it can meet the needs of Moray and its communities.

11. The council continues to provide some good services and performs well compared to other local authorities. In 2013/14, the latest year for which figures are available, the council's performance improved against the majority of the indicators in the Local Government Benchmarking Framework. Overall, The Moray Council remained in the top half of performing councils in Scotland.
12. However, there are some areas that need further improvement if high quality services and Best Value are to be achieved. In particular, while the council has recently finalised a customer focus strategy, it remains to be seen whether this will effectively drive the cultural change required across the council. Similarly, while there has been considerable activity in employee engagement, it is vital that the council follows through on developing a more positive workforce culture.
13. The council is taking action across a broad range of fronts to address the areas for improvement identified in previous Best Value reports. In some areas it is too early to say what impact these actions have had on the council's overall effectiveness. While the current delicate political balance requires careful handling, the presence of a settled and committed corporate management team, which the council now has, provides an opportunity to make a real difference to the pace of change and prospects for improvement.

Audit Assessment

Progress in Leadership and Culture

Amongst other challenges, the council will need to reduce its spending by more than £16 million over the two financial years to March 2018. Greater pace around service transformation and more effective leadership will be required if this financial challenge is to be met. Corporate leadership by senior management continues to improve, and the council demonstrates a commitment to management development and embedding a positive workforce culture.

Delivering financial savings

15. All councils are facing increasingly difficult financial challenges. Councils should have robust plans for targeting resources at their priority areas, for providing services in new and better ways, and for making savings over the longer term. They should also have buy-in from elected members for the difficult decisions that need to be made.
16. The council's current financial planning strategy focuses on the need for:
 - Further reductions of £15 million in annual running costs by 2017/18.
 - Greater service efficiencies, including the development of a sustainable model for service delivery.
 - Effective communication and consultation with elected members and the public.
17. The last Best Value report said the council needed to make difficult decisions in order to deliver nearly £30 million of savings over the four years 2013/14 to 2016/17. In February 2015, as part of its 2015/16 budget considerations, the council reported it had made £11.5 million savings to date and had identified a further £2.4 million savings to be implemented over 2015/16 and 2016/17. The council continually updates its budget assumptions and reports any significant changes to members. Following revised assumptions around income sources and the cost of new demands, the council now estimates that it will need to agree savings amounting to £16.5 million for 2016/17 and 2017/18, of which £15.0 million has still to be identified (Exhibit 2).

Exhibit 2

Moray's budget overview to 2017/18

	2015/16 £k	2016/17 £k	2017/18 £k	Total savings to be identified £k
Expenditure	197,891	202,997	198,190	
Funding	196,367	193,420	191,230	

Funding gap	1,525	9,577	6,960	
Savings identified so far	1,297	1,140	380	
Balance to be funded from reserves	228			
Balance of savings still to be agreed		8,437	6,580	15,018

Source: Budget Overview 2014-2018 at 10 April 2015, The Moray Council

18. In the last two years, the council has largely delivered its financial savings by reducing levels of service, from efficiency gains and by not filling staff vacancies. For example, £1.2 million has been removed from the devolved schools management budget and other additional teacher funding, and £1.4 million has been removed from the roads maintenance budget. Similarly, the council's Designing Better Services (DBS) programme reported savings of £1.8 million in 2014/15 through a reduction in the number of offices, changing processes for handling customer enquiries and better procurement. The council expects to generate further efficiency savings in 2015/16 and 2016/17 but these areas are unlikely to contribute the same level of savings as before.
19. The council had usable reserves of £31.6 million as at 31 March 2015. Of this, £10.6 million has been ear-marked for specific purposes such as repairs and renewals, and other projects. While the council could use its reserves to absorb the current £15 million funding gap, this will not help with achieving its long-term financial sustainability. The council does not have a formal long-term reserves strategy and it also requires to invest £300 million over the next 10 years to maintain its property estate. Senior management recognises the need for significant service remodelling and organisational change, and it has briefed the elected members on the situation.
20. The council does not yet have well-developed plans for how it will transform services to make the savings it requires, and minimise the impact of reduced spending on services for local communities. As a first step, it has commissioned a number of strategic service reviews to inform its future financial plans. These include Waste Management, Leisure Services, Sustainable Education and Children's Services. The CMT also plans to develop the Project Management Office (PMO), that was established as part of the Designing Better Services Programme, to support organisational development and monitor change projects. While these are positive steps, many councils have had similar arrangements in place for some time. It is vital that the council develops a clear sense of pace around changing the way that it delivers services so that it can contribute fully to the savings which are required.
21. High quality and effective communication and engagement with elected members and the public will be essential if the council is to agree where it needs to make future savings. There is a delicate political balance on the council, which currently consists of an

Independent-Conservative coalition minority administration group. Overall, the council has 11 members of the administration (nine Independents and two Conservatives), 14 opposition members (11 SNP, two Labour and one Conservative), and one seat which is presently vacant¹. At the time of our last audit in September 2013 the council had a narrow Independent-Conservative coalition majority administration. This was made up of 14 members of the administration (11 Independents and three Conservatives) and 12 opposition members (nine SNP and three Labour).

22. In March 2013, the council set up a cross-party working group to oversee the development of its community plan for the area. The Area Based Review Group (ABR) comprised six elected members (three members from the administration and three from the opposition) and met weekly with the corporate management team. The ABR's remit was subsequently widened to oversee the development of the council's corporate plan, the 2014/15 budget, and the delivery of strategic projects such as the Sustainable Education Review (SER).
23. Following growing differences between the political parties, and the council's decision to introduce a five year moratorium on decisions relating to rural school closures, the administration disbanded the ABR and replaced it in November 2014 with the Service Development Group (SDG). This is an administration only group and is now responsible for taking forward the council's strategic business.
24. In April 2015, the Leader of the council proposed a series of working groups with responsibility for reviewing savings options for 2016/17 and 2017/18 relevant to each service committee and for making recommendations to the SDG. The leader proposed that each working group would comprise both administration and opposition members. However, the main opposition party chose not to participate in this approach, and officers are now working with it separately to discuss savings proposals.
25. At the time of our audit, officers had provided savings proposals to elected members amounting to £8.0 million of the £8.4 million shortfall in 2016/17, and £0.7 million of the £6.6 million shortfall in 2017/18. The vast majority of the proposed savings relate to service reductions, with consequential staff cuts. None of the savings proposals have been agreed at this stage, although the process is ongoing. Working groups for each service committee are currently considering further savings options to take forward in consultation with the public.
26. Given the scale of the financial challenge, the pace of identifying and agreeing savings proposals needs to increase. It is critical that the council is able to make clear and unambiguous decisions on where it may be able to make future savings, and that elected members consider carefully how these will impact on services and communities. It has been a difficult and tense period politically for the council, and it is not yet clear how working relationships between the administration and the opposition might develop in the future. There is a need for elected members to display a clearer sense of leadership and to work better together to carry forward the council's business transformation agenda.

¹ By-election is on 1st October 2015, shortly after Controller of Audit report is issued.

Exhibit 3: The Accounts Commission found that:

'the better performing councils are characterised by good working relations between councillors and officers. In successful councils, councillors and senior managers share a strong public sector ethos and work well together to put their plans for the council area into action. Common features include clearly understood political and managerial structures, professional and constructive relationships between councillors and between councillors and officers, a shared commitment to council priorities, and constructive debate at council and committee meetings.'

Source: Audit Scotland, 'How Councils Work: An Improvement Series for Councillors and Officers. Roles and Working Relationships: Are You Getting It Right?', August 2010

Leadership Development

Elected member development

27. The Best Value report published in September 2013 recommended that all elected members undertake personal development meetings and that the council should improve member uptake of development and training opportunities. It also recommended that the council needed to maintain the momentum on the improved leadership of equalities, and improve member take up of equalities training.
28. Elected members we spoke to were generally positive about the training available to them and felt that the council was responsive to their training needs. The council completed a training needs analysis in June 2014, and all elected members now have personal development plans. The council intends to add a reflective section to each member's personal development log to record the main learning outcomes from each activity. This will help the council carry out the important task of evaluating the impact of its member development programme.
29. In September 2014, a report to the Policy and Resources Committee showed that together, the 26 elected members had attended a total of 1,475 training events, information or briefing sessions since the election in May 2012, an average of 56 for each member. Members attend events at their discretion and attendance varies considerably. For example, in 2014/15, attendances ranged between nine and 51 for each elected member. Since the report, the council has developed new training initiatives, including a seminar on equality impact assessments in October 2014 and training on chairing committees in April 2015. The council plans to develop further its approach to delivering training sessions by building on shared events with other councils and public sector partners, such as the Improvement Service.
30. It is encouraging to see that elected member development is being monitored and reported to council. There is now scope to develop the training programme so that it better supports the delivery of the council's strategic objectives. The most popular training and information

sessions are those related to service improvement. The council recognises that more emphasis is needed in the areas of leadership and corporate focus, although it still has to develop clear plans to address this.

31. Both officers and members we spoke to commented on how members' understanding and delivery of their strategic role had improved over the last few years. This has been helped particularly by the process to develop the community plan and the corporate plan. Both were developed in partnership with members of the ABR. Elected members we spoke to were extremely positive about this process, and said there was good ownership of the strategic priorities and cross-party buy-in to the community plan and the corporate plan.
32. The Leader of the council has retained his role as equalities champion, and the Chair of the Communities Committee also continues to lead on equalities issues. Since 2012, 23 elected members have attended some kind of equalities training or information session. In October 2014, the council delivered a seminar on the use of Equality Impact Assessments (EIAs). This was designed to challenge members to consider equality issues in more depth. Elected members we spoke to said there was now a good awareness of the need to complete EIAs.

Officer development

33. The September 2013 Best Value report found that officer leadership was developing well, with a more open and inclusive management style emerging and signs of improved corporate leadership by the Chief Executive. The Commission concluded that the council needed to continue to improve leadership through its development programme for senior managers.
34. The council's corporate management team (CMT) has changed recently, with two out of the three corporate directors appointed in the last year. A new Corporate Director of Education and Social Care was appointed in October 2014, having held the post on an acting basis since August 2014. The Corporate Director of Environmental Services post was renamed as the Corporate Director of Economic Development, Planning and Infrastructure Services in June 2014, reflecting the council's commitment to economic development. The post holder was made permanent in June 2015, having held the post in an acting capacity for the previous nine months. The council filled both posts following open competition recruitment exercises.
35. The CMT has continued to build an open and inclusive leadership style. We found a strong sense of cohesion and corporate leadership among the CMT. Corporate directors continue to work in an open plan office called 'The CMT Hub' which promotes joined up working and information sharing. The elected members we interviewed as part of the audit spoke positively about the open leadership style of the CMT. The CMT is working collectively to address the strategic issues and challenges facing the council. CMT meeting agendas now have fewer items and are more targeted on council priorities. At the time of our audit, the CMT were reviewing how best to ensure future senior management meetings focus on how prepared the council is to deliver the changes required to meet future priorities and financial challenges. The CMT is also improving external links with, for example,

neighbouring authorities and the Scottish Government. This demonstrates that the council is becoming more outwardly focused.

36. The council is taking steps to further improve corporate leadership at all levels of management. In March 2015, the council introduced a Leadership Forum to improve corporate working among council managers at third-tier level and above. The forum meets quarterly so managers can work together to respond to council priorities. So far, the forum has covered topics such as the community plan and the corporate plan, and performance management and corporate management responsibilities. In September 2015, the forum looked at:

- performance, including financial performance; and
- resilience in times of change.

The council plans to hold a forum meeting on the CMT's workplan for managing change and delivering priorities in November 2015, and on leadership and culture change in March 2016.

37. In May 2015, the council published Moray Management Methods (MMM). This sets out the corporate responsibilities of council managers to ensure all staff are managed consistently. It provides guidance and information on areas of essential management responsibilities such as service planning, performance management and customer care. The June 2015 Leadership Forum meeting focused on MMM, including identifying associated training needs. It is too early to determine the full impact of the Leadership Forum and MMM, but both will help to keep all employees better informed about corporate priorities.

38. The council continues to participate in the Public Sector Leadership Programme with the University of the Highlands and Islands. The structured development programme, which leads to a formal post-graduate certificate, focuses on the current challenges facing the public sector and helps prepare future leaders. Since our last audit, the programme has been opened up to managers at fourth-tier level to build capacity for succession planning; six members of staff have since completed the programme.

39. The council changed the programme based on feedback from participants. For example, it has been extended to reflect the significant time commitment required to complete the course and the number of local support sessions has been increased. The council recognises it can further develop its management training. For example, it is developing workshops on managerial resilience. It has also established short-term action groups to address priority training issues raised in the June 2015 Leadership Forum.

40. All councils should use performance appraisal systems to help develop their staff and improve performance. The information generated from appraisals is important for identifying at a corporate and individual level, the extent to which the skills and competences needed by the council are in place, and where further training and development is required. However, the council does not routinely monitor and report on staff appraisals. It has not gathered information on uptake since September 2013, when it estimated that only 60 to 70 per cent of staff had undertaken an appraisal. The council plans to review the current training it provides in April 2016 to ensure it is aligned with

corporate priorities. But it also requires, as a matter of urgency, to ensure that all staff receive an annual performance appraisal, and that the results of these inform its training programmes.

Embedding a collaborative and positive workforce culture

41. The last Best Value report found that the council needed to build on improvements in leadership and culture by continuing to embed the collaborative and positive culture demonstrated at CMT more widely across the council.
42. The CMT and elected members demonstrate a clear commitment to embedding a positive workforce culture within the council through a range of approaches. They have identified workforce culture as an organisational development priority in the council's corporate plan, and engaging with employees is a key part of the workforce strategy.
43. The council's Employee Engagement Programme, introduced in January 2012, has activities and events to engage with staff. For example, the council held its first employee recognition scheme in November 2013, and its second in November 2014. The programme's service learning visits continue to be well received. During these visits, members of the CMT and elected members meet staff in different services. In 2014, these visits were increased to two each month. Two employee conferences, held in autumn 2014, allowed small groups of staff to discuss specific council issues in more depth. The council plans to build on this new format for the 2015 event.
44. The council carries out a staff survey every two years as part of the Employee Engagement Programme. The last staff survey for which results are available was carried out in summer 2013, before the last Best Value report was published. Only around 25 per cent of the council's 4,900 staff responded to the survey. It found that the vast majority (around 90 per cent) of staff who responded were clear about their duties and responsibilities, and had high levels of job satisfaction. Conversely, around one in five did not consider that the council's culture was open, honest and transparent. In addition, eight per cent of respondents reported that they had been harassed or victimised in the workplace.
45. The council conducted a further employee survey during May 2014 to better understand why staff felt harassed or victimised. Some 29 per cent of staff responded to this survey. One third of respondents reported experiencing some form of bullying or harassment in the workplace in the previous 12 months. In response, the council established a Workforce Culture Group in September 2014 intended to help develop a more positive workforce culture. The group comprises the Council Leader and one other administration member, one opposition member, the Chief Executive, the Corporate Director (Corporate Services), the Head of Human Resources and ICT and three trade union representatives.
46. The group is currently developing an action plan underpinning six key areas of improvement:
 - positive behaviour
 - addressing problems

- excellent communications
- valuing and recognising employees
- realistic workload expectations
- people management.

Representatives we spoke to as part of our audit work told us the group is developing a shared understanding of workforce issues within the council. However, there is scope for the pace of this work to increase and begin to deliver change and improvement.

47. The council conducted a staff survey in summer 2015. It included a new workforce culture section, with questions about staff management and team working, work related issues and behaviours. Around 30 per cent of staff responded to the 2015 survey. The council expects that the results will provide baseline information on workforce culture issues, against which it can benchmark future performance. Survey results were not available at the time of our audit.
48. There have been some recent capacity issues within the council's human resources department which have limited progress on elements of the Employee Engagement Programme. For example, some actions arising from the 2013 staff survey were not completed due to insufficient staff availability. In April 2015, the council agreed to allocate £136,000 for 12 months (and £63,000 a year after that) to recruit additional human resources staff to take forward key elements of the Workforce Culture Group. The council has filled two out of the three posts and is considering how best to fill the other post. Recruiting these extra people shows that the council wants to improve workforce culture, but it is important it has an impact in ensuring delivery of the group's priorities.

Progress in strategic planning and continuous improvement

The council has aligned its community plan and corporate plan, and now has a clear set of strategic priorities and objectives. It has recently agreed a performance management and continuous improvement framework but it is too early to say how effective this will be.

49. In the September 2013 Best Value report, the Commission concluded that there would be substantial benefit for the council in integrating its many strategic plans and strands of improvement work. The report recommended that the council develop an overarching improvement framework to help prioritise and focus improvement activity and improve reporting and governance arrangements. The report also recommended that the council improve how it measured and reported on equality outcomes.
50. The report identified that the council's strategic plans at that time were contained in a significant number of similar inter-related priorities and community planning outcomes. Key strategic plans then in place included:
- a Corporate Plan up to the period 2013
 - a Corporate Improvement Plan (*Best Value for Moray*), agreed in November 2011
 - a set of administration priorities, agreed in September 2012

- a draft Single Outcome Agreement for the period 2012-2015.
51. In December 2013, the Community Planning Board approved a new ten-year community plan, *Moray 2023*. The council reviews the community plan annually. This plan replaces the previous Single Outcome Agreement. Audit Scotland published the results of its review of [The Moray Community Planning Partnership](#) (CPP) in July 2014. The report, on behalf of the Accounts Commission and the Auditor General for Scotland, found that the CPP had made significant progress over the previous year. Its ten-year community plan had given it a much better understanding of the needs of Moray and helped establish a clearer strategy for the area, with economic development as a clear priority.
52. The council's Corporate Plan 2015-17 sets out how it will help deliver the agreed priorities identified in *Moray 2023*. It also sets out the financial challenges facing the council and the need to adapt as an organisation to meet these. The community plan and corporate plan are clearly aligned, sharing the same five priorities:
- a growing, diverse and sustainable economy (which is the top priority overall)
 - healthier citizens
 - ambitious and confident young people
 - adults living healthier, sustainable, independent lives safeguarded from harm
 - safer communities.
53. The cross-party ABR oversaw the development of both the community plan and corporate plan. The council approved the corporate plan in March 2015, a year after the community plan. This was the result of a conscious decision by officers to work as effectively as possible with elected members on the development of the plan. Officers and members we spoke to considered that it was worth investing the extra time to work together on the corporate plan, to develop a good understanding of the council's priorities and to achieve cross party buy-in. All agreed that these features were largely absent from previous arrangements. Maintaining a shared commitment to these plans should provide a strong foundation for the council as it starts to deliver them.
54. At the time of our audit, the council was in the process of approving its service plans for 2015-18. The council will need to ensure these plans will deliver its strategic aims, particularly its top priority of a sustainable economy.
55. The council has three clear equalities outcomes: reducing bullying; reducing domestic violence and improving access to streets (for example ensuring wheelchair users are able to use the pavements). These outcomes were developed in consultation with the Moray Equalities Forum and approved by the council in March 2013. All public sector bodies must review their equalities outcomes at least every four years and publish a progress report every two years.
56. The council's progress report, published in April 2015 found it was difficult to establish how well it was doing in many of the equalities areas due to a lack of reliable baseline data. The council's equalities officer is now working closely with the relevant service departments to

obtain the necessary data. The progress report shows a reduction in incidents of harassment of vulnerable adults, and a drop in the number of domestic violence incidents, although the number of repeat incidents increased. There is also a decrease in the number of incidents of domestic violence involving alcohol, which the council attributes to recent campaigns by the Moray Drugs and Alcohol Partnership.

Developing an improvement programme

57. The September 2013 Best Value report found that the council did not have an overarching approach to prioritise and focus improvement work. At the time, the council was taking forward improvement activity through three strands:

- Designing Better Services (DBS) (see paragraph 17)
- the Public Service Improvement Framework (PSIF)
- its corporate improvement plan, Best Value for Moray.

Each of these strands had different reporting and governance arrangements.

58. Since then, the CMT has been working on revising the overall strategic framework for the council and seeking to embed improvement in its core management arrangements:

- The DBS programme will come to an end in December 2015. The Corporate Plan and the financial strategy will be the drivers for change, and proposals are emerging for a Gateway process and a corporate Project Management Office (PMO) to support and monitor the change process.
- The PSIF continues to be used in all council services, apart from Education and Social Care Services, which uses its own self evaluation tools and external inspection reports. The council uses a three-year cycle for PSIF, and completed the second cycle in March 2014.
- Best Value for Moray was superseded in March 2013 by the council's Corporate Plan, which includes council priorities. It recognises the challenges facing the council in the next few years, and the need for improvement in organisation and performance. Service plans set out aims and performance targets for each service in response to the Corporate Plan. Service Committees approve these plans annually.

59. The council has a framework for performance management and continuous improvement in place that includes a detailed procedure for each service to monitor and report on performance achieved. This involves:

- Heads of service conducting routine regular monitoring with exception reporting to Director and/or CMT.
- Directorate management teams (DMT) considering service performance on a quarterly basis, reporting areas requiring significant improvement to the CMT.
- Service committees considering performance reports every six months summarising financial performance, areas of good and poor performance and progress against service plan actions.

- A corporate overview being maintained, known as the Continuous Improvement Assessment programme, to allow progress to be tracked by CMT and service committees.
 - A “call in” process by the Audit and Scrutiny Committee to consider selected improvement areas for scrutiny.
60. The way in which committees are scrutinising performance is changing. Previously, the Audit and Performance Review Committee had the lead role in examining the council's performance. The council now expects individual service committees to have a greater role in scrutinising service performance. In June 2015, the Audit and Scrutiny Committee replaced the Audit and Performance Review Committee with the intention that it should focus on strategic audit and scrutiny issues rather than the detail of service performance.
61. The Audit and Scrutiny Committee's first agenda included consideration of a report on the Local Government Benchmarking Framework results for 2013/14, Accounts Commission national performance reports and a progress update on the work of internal audit. At present the committee is still scrutinising requests for information from previous meetings relating to service performance but the council anticipates this will happen less as the changes bed in. The manner in which the scrutiny agenda is set for this committee will be crucial to its success.
62. The council wants to use this framework to promote an open and supportive improvement culture that focuses on identifying improvements and monitoring their effectiveness. The arrangements in place have good potential to support improvement from a service delivery perspective, but there also needs to be a clearer focus on transformation or redesign of services if the council is to address effectively the challenges it faces. While the CMT recognises this, and is developing proposals, time is pressing and it will be vital that elected members across the council can demonstrate a shared commitment to what is required.
63. In addition, a key development will be in ensuring the council uses information and intelligence that emerges from managing performance and continuous improvement, to inform decisions about service redesign and transformation, and about organisational change. Managed effectively, this will ensure that the council's attention remains on delivering high quality, customer focussed services and meeting the needs of its communities.

Progress on Customer Focus

The council is developing a more co-ordinated approach to customer focus but progress has been slow. It has developed a customer focus strategy and this should be used to drive an increased pace of change in responding to the views of its customers.

64. In the September 2013 Best Value report, the Commission urged the council to develop a more coordinated approach to seeking and making use of the views of customers in line with good practice (Exhibit 4). The report recommended that the council should develop a

customer focus strategy and action plan, and improve its reporting on customer feedback and satisfaction.

Exhibit 4: Statutory Best Value guidance states that:

A local authority which secures Best Value will be able to demonstrate:

Responsiveness to the needs of its communities, citizens, customers, employees and other stakeholders, so that plans, priorities, and actions are informed by an understanding of those needs.

Source: The Local Government in Scotland Act 2003 - Best Value Guidance, April 2004

65. Since the last report, the council has been developing a more co-ordinated approach to customer focus. But progress in developing a strategic approach was slow, despite this being a fundamental principle of Best Value. The council agreed a customer focus strategy and accompanying customer charter in April 2015. The strategy includes an action plan that the council should now use to increase the pace of change in gathering and making use of the views of customers.
66. The Corporate Director for Economic Development, Planning and Infrastructure is responsible for leading the council's approach to customer focus. The work is taken forward through a Customer Focus Working Group. The group was established in early 2014 and comprises senior officers from across all service areas. Progress in developing the customer focus strategy and customer charter was slower than anticipated, often due to poor attendance at working group meetings and in getting sufficient buy-in across all services. This highlights the need for the council to strengthen its approach to managing cross-cutting, strategic projects. This council could deal with this through the senior managers' development programme.
67. The council has made improvements to the way it monitors and measures customer satisfaction, although Development Services was slower to respond. The council has started to map its customer satisfaction performance using the customer service excellence model. It has also now introduced a mandatory requirement for performance indicators for customer satisfaction to be gathered and reported at least every three years.
68. In addition, the council issued service planning guidance in January 2015. This requires services to report customer information in their service plans, such as other survey and complaints results from the previous year. All services need to respond fully to these requirements to ensure that customer satisfaction information is monitored consistently and acted upon. The council will also need to consider how it captures its engagement activity with its communities in response to the Community Empowerment Act.
69. The council plans to provide members with an annual overview report on complaints and customer satisfaction by the end of 2015. The council also recently joined a customer services benchmarking club hosted by the Chartered Institute of Public Finance and Accountancy (CIPFA). This will enable the council to compare its approach and

performance with other local authorities in delivering services face-to-face and online, and in telephone answering.

70. The council recognises it still needs to improve how it uses customer satisfaction information to improve services and to demonstrate the success of improvement activity. Examples of when the council has acted on customer feedback include:

- improving facilities at the Buckie access point
- acting on the results of a passenger survey to extend booking times and the area covered by the council's dial-a-bus service, Dial M for Moray.

However, the use of customer information continues to be varied across service areas.

71. The Moray Community Planning Partnership has identified a need to develop an overarching framework for engagement activities. The council already has a community engagement strategy, Moray Council: Community Engagement Scheme, 2012-2016. But it now needs to work with its community planning partners to agree a strategic approach to community engagement across Moray. Working with its partners to engage effectively with the public will be critical as the council seeks to address the financial challenges it faces and achieve its agreed priorities for Moray.

Areas for improvement

We have identified six areas for improvement as a result of our most recent audit work in the Moray Council. The council will want to consider how best to integrate these areas into its improvement activity.

Political leadership and development

The council should:

- Continue to build effective working relations between members and ensure that sound protocols are in place for making the council's key business decisions, including agreeing financial savings.
- Ensure that its member development programme is well aligned to its corporate priorities.

Managerial leadership and development

The council should:

- Review, by June 2016, recent developments to improve corporate leadership to ensure:
 - a consistent standard of management is being delivered across the council
 - council priorities are communicated effectively to all staff.
- Use the senior management development programme to strengthen the council's approach to managing strategic projects that involve more than one service.
- Monitor senior management development needs more robustly through the performance appraisal process.
- Ensure senior management development needs are well aligned to the council's corporate priorities as part of the review of training provision scheduled for 2016.

Financial sustainability

The council should:

- Ensure that its plans for changing the way it delivers services are informed by performance intelligence and strike an appropriate balance between maintaining services and securing the council's long term financial stability.
- Strengthen its approach to developing new ways of delivering services and organisational change, and maintain a shared commitment across the council in this area.
- Use the 2016/17 budget setting process to agree its strategy for the use of financial reserves and ensure the councils uses them for the long-term benefit of local communities.

Workforce culture

The council should:

- Develop appropriate responses to the findings of the 2015 staff survey results, using the Workforce Culture Group to co-ordinate areas for action.
- Ensure that all staff receive an annual performance appraisal, and that the results of these are used to inform the review of training provision scheduled for 2016.
- Review, by June 2016, the impact of additional human resources staff put in place to address the priority areas of the Workforce Culture Group.

Strategic planning and continuous improvement

The council should:

- Review, by March 2016, the performance management / continuous improvement framework to ensure it is delivering the intended benefits, and that officers and members are effectively scrutinising performance.

Customer and citizen focus

The council should:

- Increase the momentum of its approach to customer focus by:
 - using the customer focus strategy and action plan to drive an improved culture of customer focus across the council
 - using customer satisfaction results more systematically to improve services.
- Work with its partners to develop an overarching framework for engagement activities across Moray and its communities.