

The Accounts Commission for Scotland

Agenda

Meeting on Thursday 15 November 2012,
in the offices of Audit Scotland, 18 George Street, Edinburgh

The meeting will begin at 10:00 am

1. **Apologies for absence**
2. **Declarations of interest**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 12 to 14 in private.
4. **Minute of meeting of 18 October 2012**
5. **Minutes of meeting of the Performance Audit Committee of 1 November 2012**
6. **Chair's introduction:** The Chair will report on recent activity and issues of interest to the Commission.
7. **Update report by the Controller of Audit:** The Commission will consider a report from the Controller of Audit on significant recent activity in relation to the audit of local government.
8. **Audit of community planning partnerships and outcomes: update** The Commission will consider a verbal update by the Director of Best Value and Scrutiny Improvement.
9. **Shared risk assessment: update** The Commission will consider a verbal update by the Director of Best Value and Scrutiny Improvement.
10. **Clyde Valley Shared Services Proposals:** The Commission will consider a report by the Director of Audit Services.
11. **Best Value audit (follow-up) - Comhairle nan Eilean Siar:** The Commission will consider a report by the Controller of Audit.
12. **Any other business**

The following items are proposed to be considered in private:

13. **Statutory performance information – update:** The Commission will consider a report by the Director of Best Value and Scrutiny Improvement.
14. **Best Value audit (follow-up) - Comhairle nan Eilean Siar:** The Commission will consider the action it wishes to take on the report.
15. **Performance audit – Protecting consumers:** The Commission will consider a draft report.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of the meeting of the Commission of 18 October 2012	AC.2012.9.1
Agenda Item 5: Minutes of the meeting of the Performance Audit Committee of 1 November 2012	AC.2012.9.2
Agenda Item 7: Report by the Controller of Audit	AC.2012.9.3
Agenda Item 10: Report by Director of Audit Services	AC.2012.9.5
Agenda Item 11: Cover report by Secretary and Business Manager	AC.2012.9.7
Agenda Item 13: Report by Director of Best Value and Scrutiny Improvement	AC.2012.9.6
Agenda Item 15: Report by Director of Performance Audit	AC.2012.9.8

ACCOUNTS COMMISSION

MEETING 15 NOVEMBER 2012

MINUTES OF PREVIOUS MEETING

Minutes of the meeting of the Accounts Commission held in the offices of Audit Scotland at 18 George Street, Edinburgh, on Thursday, 18 October 2012, at 10am

PRESENT: John Baillie (Chair)
Michael Ash
Alan Campbell
Sandy Cumming
Colin Duncan
Jim King
Christine May
Bill McQueen
Colin Peebles
Linda Pollock
Douglas Sinclair

IN ATTENDANCE: Barbara Hurst, Director of Performance Audit
Fraser McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement (BVS I)
Fiona Kordiak, Director, Audit Services
Paul Reilly, Secretary and Business Manager
Antony Clark, Assistant Director, BVS I
Phil Grigor, Project Manager, (PAG) [Item 11]
Mark McCabe, Project Manager, BVS I [Item 12]

<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 September 2012
5.	Minutes of meeting of the Performance Audit Committee of 6 September 2012
6.	Minutes of meeting of the Financial Audit and Assurance Committee of 20 September 2012
7.	Chair's introduction
8.	Update report by the Controller of Audit
9.	Improving how the Commission manages its business
10.	Any other business
11.	Performance audit: Health inequalities in Scotland
12.	An overview of Best Value in Scottish police authorities and police forces

1. Apologies for absence

Apologies for absence were submitted from Graham Sharp.

2. Declarations of interest

Mike Ash declared an interest in item 11 as a member of the Board of NHS Lothian.

3. Decisions on taking business in private

It was proposed that items 11 and 12 should be taken in private as they include draft reports and confidential issues.

4. Minutes of meeting of 13 September 2012

The minutes of the meeting of 13 September 2012 were submitted and approved.

Arising therefrom, the Commission noted advice from the Secretary and Business Manager that:

(a) In relation to item 6 (Update report by the Controller of Audit), that the briefing from the Assistant Auditor General on welfare reform would take place at a future meeting.

(b) In relation to item 14 (Accounts Commission annual report), that the annual report was published on 2 October 2012 and was available on the Accounts Commission website.

(c) In relation to item 15 (Accounts Commission strategy and action plan), that the strategy and action plan were to be published on 31 October 2012.

5. Minutes of the meeting of the Performance Audit Committee of 6 September 2012

The minutes of the meeting of the Performance Audit Committee of 6 September 2012 were submitted and approved.

6. Minutes of the meeting of the Financial Audit and Assurance Committee of 20 September 2012

The minutes of the meeting of the Financial Audit and Assurance Committee of 20 September 2012 were submitted and approved, subject to the revision of the list of those present to exclude Sandy Cumming and Graham Sharp, both of whom had submitted their apologies for absence from the meeting.

7. Chair's introduction

The Chair reported that—

- On 17 September, he recorded a podcast in relation to the Commission's report on Strathclyde Police Authority, which was published on 20 September.
- On 19 September, Mike Ash attended, on behalf of the Commission, a conference on integrating health and social care. He advised that a report of the conference, produced by Mike Ash, had been circulated to members alongside the papers of this meeting.
- On 24 September, he recorded a podcast in relation to the Commission's report on Strathclyde Fire and Rescue Services Joint Board, which was published on 26 September.
- On 1 October, he attended a meeting of chairs of non-departmental public bodies hosted by the Scottish Government in Edinburgh, at which various matters were discussed, primarily around public sector reform.
- Also on 1 October, he recorded a podcast in relation to the Commission's report 'How Councils Work – Managing Performance', which was published on 4 October.
- On 4 October, he chaired a meeting of strategic scrutiny group, which comprises of the Commission and its scrutiny partners. He advised that a minute of the meeting would be circulated to members in early course.
- Also on 4 October, he chaired a meeting of the community planning partnerships audit steering group.
- On 12 October, Douglas Sinclair, Sandy Cumming and Jim King met with representatives of Lothian and Borders Fire and Rescue Board to discuss the Board's response to our joint Best Value audit and inspection, which was published on 27 March 2012.
- On 25 October, he and Douglas Sinclair would be meeting the Cabinet Secretary, John Swinney, and the Minister for Local Government and Planning, Derek Mackay, to discuss the ongoing community planning partnership audit development work. He advised that he would report on the outcome of that meeting at the Commission's next meeting.
- He would in early course be circulating his response, in his capacity as Chair, to the consultation undertaken by the Public Appointments Commissioner for Scotland on the administration of the public appointments process and the application of the 2011 Code of Practice for Ministerial Appointments to Public Bodies in Scotland.

The Chair congratulated on behalf of the Commission six members who were reappointed for a further term from 1 October 2012, namely Douglas Sinclair, Colin Duncan, Christine May, Colin Peebles, Linda Pollock and Graham Sharp.

The Chair also congratulated on behalf of the Commission Bill McQueen on his appointment as a member of the new Scottish Fire and Rescue Service.

8. Update report by the Controller of Audit

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

During discussion the Commission agreed:

- To note advice from Colin Peebles that the stakeholder round table discussion with stakeholders in relation to the 2012 Local Government Overview report was a positive and valuable one.
- To note advice from the Controller of Audit that he was intending to report to a future meeting on severance payments to senior local authority officers, more details on which he would update the Commission in due course.

Thereafter the Commission agreed to note the report.

9. Improving how the Commission manages its business

The Commission considered a paper by the Secretary and Business Manager setting out proposals on how the Commission may improve how it manages its business.

During discussion the Commission agreed:

- A proposed meeting schedule for 2013, subject to individual members confirming the suitability of specific meetings, upon which the Secretary and Business Manager would liaise with members in due course.
- As part of this schedule, and for an initial period of a year, for meetings of the Commission's two committees take place on the same day, with a programme of speakers to be introduced for such committee meeting days.
- To note the availability of video-conferencing arrangements for use by members in exceptional circumstances.
- To note the ongoing development of the business being covered by the Commission's committees.
- To note that a secure Commission extranet site would be launched in 2013.
- That other media for improving the circulation and management of papers, such as the use of handheld electronic technology, be investigated.
- That the effectiveness of the Accounts Commission website be reviewed.
- The practice of the Commission meeting in public be reviewed to gauge the potential for further improvements.

Action: Secretary and Business Manager

10. Any other business

The Commission noted that there was no other business to be considered.

11. Performance audit: Health inequalities in Scotland [in private]

The Commission considered a draft report and key messages from the Director of Performance Audit on the audit of health inequalities in Scotland , which had been prepared as a joint report on behalf of the Accounts Commission and the Auditor General for Scotland.

Following discussion, the Commission agreed:

- That the Directors of Performance Audit and BVSI consider, in conjunction with the Auditor General for Scotland and the performance audit sponsors, Mike Ash and Linda Pollock, how to better promote the report, including:
 - involving interests such as health board members, COSLA and the Scottish Government, perhaps for example through conferences or such events
 - ensuring good material for use by local auditors
 - targeting of specific groups of elected or Board members.
- That consideration of marketing and promotion issues be a standard part of future performance audit reports to the Commission.
- To approve the draft report, subject to consideration being given to a number of points raised in discussion and to further consultation with performance audit sponsors.
 - *Action: Director of Performance Audit*

12. An overview of Best Value in Scottish police authorities and police forces [in private]

The Commission considered a paper from the Secretary and Business Manager presenting a draft national overview report on the Best Value in Scottish police authorities and police forces.

The Chair welcomed Andrew Laing, Her Majesty's Inspector of Constabulary for Scotland, who along with the Director of BVSI presented the report.

Following discussion, the Commission approved the draft report, subject to consideration being given to a number of points raised in discussion and to delegate authority to study sponsors Alan Campbell and Sandy Cumming to sign off the final audit report prior to publication.

ACCOUNTS COMMISSION

MEETING 15 NOVEMBER 2012

**DRAFT MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE
OF 1 NOVEMBER 2012**

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, 1 November 2012, at 10.30am.

PRESENT: Douglas Sinclair (Chair)
Mike Ash
John Baillie
Alan Campbell
Jim King
Christine May

OTHER COMMISSION MEMBERS PRESENT: Graham Sharp

IN ATTENDANCE: Paul Reilly, Secretary and Business Manager
Barbara Hurst, Director, Performance Audit
Ronnie Nicol, Assistant Director, Performance Audit Group (PAG)
Angela Cullen, Assistant Director, PAG [Items 4 and 5]
Dick Gill, Portfolio Manager, PAG [Item 5]
Michael Oliphant, Project Manager, PAG [Item 5]
Claire Sweeney, Portfolio Manager, PAG [Item 6]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 6 September 2012
4.	Update report on performance audit programme and Best Value and Scrutiny Improvement work
5.	Emerging messages: Major projects – managing capital investment in local government
6.	Impact report: Transport for health and social care
7.	Any other business

1. Apologies for absence

Apologies for absence were received from Colin Peebles.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 6 September 2012

The minutes of the meeting of 6 September were submitted and approved.

Arising therefrom, in relation to item 4 (Update report on performance audit programme and Best Value and Scrutiny Improvement work), the Committee noted advice from the Director of Performance Audit that she would report to the next meeting of the Committee on (i) the marketing of joint reports with the Auditor General and (ii) how we engage with COSLA in relation to the impact of reports.

4. Update report on performance audit programme and Best Value and Scrutiny Improvement work

The Committee considered a joint report by the Directors of Performance Audit and Best Value and Scrutiny Improvement providing an update on progress for performance audits and information on development work to support the performance audit rolling programme approach.

The Committee agreed:

- That a draft project brief for a joint audit on *Reshaping care for older people – use of the change fund* be brought to a future meeting of the Committee.

Action: Director of Performance Audit

- To note advice from the Director of Performance Audit that direct welfare payments would be part of the list of possible audits for 2014/15 or 2015/16.
- That the following be included for consideration as a future subject in the *How councils work* series:
 - Decision-making structures
 - Borrowing and use of the Prudential Code

Action: Director of BVSI

- To note advice from the Director of BVSI that he would consider how we can gauge the impact of the *How councils work* series.

Action: Director of BVSI

- To note advice from the Director of Performance Audit that she would report back to the Committee on issues in relation to the balance in numbers of reports of the Commission, the Auditor General, and joint reports.

Action: Director of Performance Audit

Thereafter the Committee agreed to note the report.

5. Emerging messages: Major capital investment in councils

The Committee considered a report by the Director of Performance Audit setting out emerging messages from the audit of major capital investment in councils. The audit team presented a short presentation to support the report.

The Committee:

- approved the emerging messages as the basis for a draft report, subject to consideration being given to points raised in discussion.
- noted that the draft audit report would be submitted to the Commission in February 2013 with publication planned for March 2013.
- agreed that the Director consider how to publish good practice guidance alongside the audit report.

Action – Director of Performance Audit

6. Impact report: Transport for health and social care

The Committee considered a report by the Director of Performance Audit setting out the impact after 12 months of the performance audit *Transport for health and social care*.

During discussion, the Committee:

- Agreed that it be kept informed of developments in relation to the issues raised in the performance audit, particularly in relation to the current attention being given to the issue by the Scottish Parliament's Public Petitions Committee and the current work of the Scottish Government.

Action: Director of Performance Audit

- Agreed that issues raised in the report of the audit be considered as part of scoping for the proposed joint audit on *Care for older people*.

Action: Director of Performance Audit

Thereafter the Committee noted the report.

7. Any other business

There was no other business to be dealt with.

8. Date of next meeting

The Committee noted that the next meeting is scheduled for early January 2013, the exact date of which would be notified in due course.

ACCOUNTS COMMISSION

MEETING 15 NOVEMBER 2012

REPORT BY THE CONTROLLER OF AUDIT

UPDATE REPORT

Introduction

1. The purpose of this regular report is to provide an update to the Commission on significant recent activity in relation to the audit of local government.
2. It is intended to complement the intelligence reports to the Financial Audit and Assurance Committee, which provide a more detailed update on issues arising in local government.
3. The most recent such report was at the Committee meeting of 20th September 2012.

Local government issues

Audit of Accounts

4. Annual audit reports for local authority accounts should be signed off by the auditors by 31st October. The reports are addressed to council members and to me.
5. Councils normally consider annual audit reports through discussions at their audit committees and by tabling them at the first available full council meeting.
6. I am now reviewing the reports to identify matters which I should bring to the Commission's attention and to inform the annual overview report on local authority accounts. I will provide an update on matters arising in due course.

Community Planning Partnerships audit

7. Audit teams are continuing to develop reports on the early audits of Community Planning Partnerships. Feedback and challenge events with the three CPP strategic boards are taking place to discuss headline messages from the audits and the local improvement agenda.
8. The quality and consistency review panel (QCRP) for the three draft audit reports is scheduled for 22nd November. It will be chaired by Fiona Kordiak, Director of Audit Services. Annette Bruton, Chief Executive of the Care Inspectorate; Sally Hammond, Associate Director from the Audit Commission and David Martin, Chief Executive, Renfrewshire Council (and SOLACE representative) will provide an external challenge role.

Shared Risk Assessment

9. Work on the latest round of shared risk assessments for councils has begun. Audit Scotland staff and scrutiny partners are reviewing the assessments made in previous years in relation to current intelligence on councils. Meetings of local area network groups and with individual councils are being arranged to discuss potential changes to the assessments and the implications these may have on audit work and other scrutiny and inspection programmes.

Scottish Government inquiry into Highlands and Islands Fire and Rescue Service

10. Audit Scotland staff have joined the HM Chief Inspector of Fire and Rescue's team undertaking fieldwork as part of the inquiry into progress made in addressing recommendations made in the Commission's Best Value audit report on Highlands and Islands Fire and Rescue Service.
11. The inquiry will establish the action taken to address the Commission's findings on serious concerns about leadership and governance of the service and an urgent need to establish an effective and sustainable service model reflecting the needs of the area. It will also identify what remains for the Scottish Fire and Rescue Service to address when it commences on 1 April, 2013.
12. The inquiry's report is expected before the end of the year and I will update the Commission on its findings in due course.

Issues arising on individual councils

13. Aberdeen City Council is to proceed with plans to set up a special arm's length company to run services for older people
14. Roddy Burns has been appointed as chief executive of Moray Council on a permanent basis. He was previously the council's chief legal officer.

Parliament

15. A committee of Westminster MPs has taken evidence on proposals for the audit of local authorities in England contained in the Draft Local Audit Bill. Former AGS Bob Black was among the experts who gave evidence.

National Audit Office

16. The National Audit Office has produced a report on how the Department of Work and Pensions is placed to tackle the significant challenge of implementing the reforms to housing benefit. It found that the Department is working to manage the introduction of the housing benefit reforms, but their full impact is currently uncertain and depends on how households and the housing market react, locally as well as nationally.

Events

17. Earlier this month I attended the Scottish Leadership Forum. The event was attended by senior officers from all parts of the public sector. The theme was *Supporting Resilient Communities*. Speakers included John Swinney MSP; Geoff Mulgan (Chief Executive, National Endowment for Science Technology and the Arts (NESTA)); and Prof Carol Tannahill (Director, Glasgow Centre for Population Health).

Conclusion

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

Fraser McKinlay
Controller of Audit
8 November 2012

ACCOUNTS COMMISSION

MEETING 15 NOVEMBER 2012

REPORT BY DIRECTOR OF AUDIT SERVICES

BRIEFING: CLYDE VALLEY SHARED SERVICES PROPOSALS

Purpose

1. The purpose of this paper is to provide an update to the Commission on the current position relating to the Clyde Valley Shared Services proposals.

Background

2. A position statement was provided to the Commission in November 2011. At that meeting concerns were raised regarding the lack of progress and underdeveloped governance arrangements in taking forward the agreed Clyde Valley Shared Services initiatives. It was agreed that an update be provided to the Commission in the summer of 2012 detailing information on areas still being considered and governance arrangements in place.

Position Statement

3. The tables below provide a position statement as at 31 March 2012 which captures information prior to the May 2012 Local Government elections.
4. The Leaders' and Chief Executives' Forum of the Clyde Valley authorities met on 25 June 2012 to discuss the way forward following the May 2012 elections and updated information available. It should be noted that the election resulted in the majority of Clyde Valley Councils' becoming Labour controlled.

An update on the involvement of the Clyde Valley authorities in each of the work streams is provided below:

Proposal	Renfrewshire Council	North Lanarkshire Council	West Dunbartonshire Council	East Dunbartonshire Council	Glasgow City Council	East Renfrewshire Council	Inverclyde Council
Social Transport	Yes	Yes	No	No	Yes	Yes	Yes
Integrated Health & Social Care	Yes	No	No	Yes	Yes	Yes	Yes
Waste Management	Yes	Yes	No	Yes	Yes ¹	Yes	No
Support Services	Yes	Yes	No	No	No	Yes	Yes

¹ Providing advice and information based on their experience in procuring waste management services

The following table shows details regarding the lead council involved in each of the proposal areas:

Lead council on each work stream	
Social Transport	Glasgow City Council
Integrated Health & Social Care	Renfrewshire Council
Waste Management	North Lanarkshire Council
Support Services	East Renfrewshire Council

Social Transport

5. Glasgow City Council is the lead authority for the social transport work stream. Pilot exercises have been conducted in a small number of centres which provide services for children and adults with special needs in Glasgow and Renfrewshire; this has resulted in more efficient use of transportation. Consideration is being given to the outcomes from the pilot exercise by 6 of the Clyde Valley authorities. The information presented to the forum highlights that it may be difficult to quantify savings attributable to the Clyde Valley review due to the constituent authorities implementing their own changes and improvements in service provision. There has been slippage in this area in part due to a change in the Project Director and other project members. A revised plan requires to be prepared with associated timelines.

Integrated Health and Social care

6. This work stream has focussed to date on commissioning external child care and adult services. Estimated savings of £10.6m were included in the update report provided in June 2012. It is not however possible due to the information available to identify separately savings directly related to partnership working and savings realised through improved terms negotiated by individual councils. Partners have agreed to continue to meet monthly during 2012 to further progress joint working in relation to regional childcare commissioning and specialist adult care services.
7. Renfrewshire, East Renfrewshire and North and South Lanarkshire Councils and NHS Greater Glasgow and Clyde and NHS Lanarkshire are participating in a Scottish bid for European telehealthcare funding. NHS Ayrshire and Arran and the three Ayrshire Councils are also participating in this bid which aims to roll out integrated telehealthcare solutions. The future of this work stream will be guided by Community Planning Guidance which is due to be issued shortly by the Scottish Government.

Waste Management

8. Four of the Clyde Valley councils (North Lanarkshire, Renfrewshire, East Dunbartonshire and East Renfrewshire) and North Ayrshire Council are participating in a waste management initiative to progress a joint procurement process for the future treatment and disposal of residual waste.

9. Initially a new public – public entity² was proposed however a lead authority model was decided upon to accelerate benefits outlined in the detailed business case. Project governance is set out in an Inter Authority Agreement which was signed off by each of the authorities in April 2012. Technical advisors have recently been appointed to manage technical, financial and legal aspects of the process. A project team has also been established with officers from each of the authorities providing support to deliver the project plan.
10. It is anticipated that tender documents for the residual waste project will be developed with formal commencement of the OJEU contract taking place in November 2012. Tonnage and waste composition figures are currently being updated to provide more accurate information. The long term target of the project is to provide a joint residual waste management and disposal service which will comply with the requirements of the proposed landfill ban in 2020.
11. Inverclyde and West Dunbartonshire Councils have withdrawn from the waste management initiative and are working in partnership to develop a local solution which provides improved service delivery and better value for money for these areas. Glasgow City Council have already undertaken a separate procurement exercise for residual waste. They are providing support and expertise to the work stream based on their experience.

Support Services

12. As highlighted in the update report provided in November 2011 only 4 (North Lanarkshire, Renfrewshire, East Renfrewshire and Inverclyde) of the 7 councils' agreed to continue to participating in this work stream. The main reasons cited for withdrawal from the proposal during our information gathering exercise was the lack of formalised governance arrangements including agreement on the principle of "one council one vote".
13. It has been recognised that savings identified in the original business case included participation of all 7 councils. An exercise has been carried out to assess the feasibility of continuing with 4 councils in the work stream. The review highlighted that technology solutions previously identified were no longer affordable. Lower cost solutions are being considered which include a managed service option whereby the supplier hosts and maintains the software on behalf of the customer. Risks have however been identified which include limited opportunities for customisation and change.
14. Baseline data and financial projections have been updated for 3 of the 4 councils. Indicative savings and investment costs have been prepared as follows:
 - Option 1 – includes transactional and high volume activities plus ICT. Net savings projected for this option over the first 5 years have been estimated to be £13.5m. Previously when 7 councils were participating estimated savings amounted to £13.7m.
 - Option 2 – includes areas covered in option 1 with the addition of professional service functions also transferring over time. Projected net savings are estimated to be £27.6m compared with £28.2m with 7 councils participating.
15. A due diligence process is being undertaken by the 4 Directors of Finance to validate estimated savings above.
16. Legal officers from each of the 4 councils have reviewed the delivery model and agreed that a public – public company with a Limited Liability Partnership would be the best option to deliver services.

² A limited liability partnership created exclusively for public sector entities

17. Governance arrangements have been considered as part of the revised business case with participation of 4 councils. External consultants were engaged to provide a view on the best option. They concluded that experience in England to date indicated that “one council one vote” would be the best arrangement based on successful outcomes in England. There were differing views across the 4 councils with some supporting the “one council one vote” principle and others favouring voting rights based on the size of the council. Governance arrangements were subsequently reviewed by legal officers in each of the councils and they concluded that either option could be made to work legally. Legal teams are developing a draft Deed of Partnership with a compromise arrangement which includes a combination of voting rights. It was recognised that representation and voting rights agreement was critical if the project was to continue.
18. The Chief Executives of the 4 Councils have recently taken a decision not to proceed with the detailed business case for sharing transactional services at this time due to the impact of universal credit and the budget pressures faced by individual Councils. We note that significant resources have been deployed in developing working arrangements and preparing the business case. As this work stream is no longer being progressed in the short term there is limited benefits arising from the costs and time incurred in this initiative.
19. There has been a change in direction around shared service delivery and the 4 Councils are now proposing to share ICT services based on the review conducted by John McLelland. The proposal is subject to approval by all 4 Councils. It is felt that this development would support the ICT strategy for Local Government which was approved by Cosla in September 2012. The strategy focuses on increasing on line services and improvements to service delivery at a reduced cost. A collaborative working arrangement has been recommended by the 4 Councils rather than a formal shared service agreement. There would be no change to employment terms and conditions for staff involved in the project. The project will be led by East Renfrewshire Council and the 4 partners have agreed to appoint a project lead for a period of 2 years. The project lead will be responsible for identifying and implementing opportunities for efficiencies through sharing ICT services. The expected level of efficiencies directly attributable to this project has not been outlined at this stage.
20. Many of the projects and initiatives within the Clyde Valley Shared Service proposals are still within the planning and business case development stage. Tangible savings to date are not readily identifiable and the pace of delivery has been slower than originally anticipated. This has been partly due to the Local Government elections in May 2012. We note that costs associated with work streams are not reported in the update papers presented to the Leaders’ and Chief Executives’ Forum. It is therefore not clear on costs incurred to date and savings achieved in taking forward Clyde Valley initiatives.

Fiona Kordiak
Director of Audit Services
15 November 2012

ACCOUNTS COMMISSION

MEETING 15 NOVEMBER 2012

COVER NOTE BY SECRETARY AND BUSINESS MANAGER

**BEST VALUE AUDIT – FOLLOW-UP REPORT:
COMHAIRLE NAN EILEAN SIAR**

Purpose

1. The purpose of this report is to introduce the follow-up report on the Best Value Audit of Comhairle nan Eilean Siar. The Commission is invited to consider the report and decide how it wishes to proceed.

Background

2. At its meeting on 10 November 2011, the Commission considered the report on the Best Value audit of Comhairle nan Eilean Siar. As part of its findings, the Commission requested a further report by the Controller of Audit in around 12 months' time on the progress made by the council.
3. This report provides an update on progress made by the Comhairle in addressing the Commission findings.

The report

4. The report is made under section 102(1)(a) of the Local Government (Scotland) Act 1973 (as amended by various subsequent pieces of legislation including the Local Government in Scotland Act 2003). The report is also being sent to the Comhairle, which is obliged to supply a copy of the report to each member of the Comhairle and make additional copies available for public inspection.
5. 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.

Consideration of the report

6. The Controller of Audit and members of the audit team from Audit Scotland will be present at the Commission meeting to answer questions.
7. 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.
8. If the Commission considers that it requires further information to proceed with its consideration of the report, it may direct the Controller of Audit to carry out further investigations. If the Commission is satisfied with the information which it has, it may wish to proceed to make findings unless members consider that a hearing is necessary.
9. The circumstances in which the Commission may wish to hold a hearing may include:
- where the Commission has serious concerns about the performance of a local authority as demonstrated in the audit report; or
 - where there is a strong difference of opinion between the Controller of Audit and the local authority.
10. 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.

Conclusion

11. The Commission is invited to:
- consider the follow-up report on the Best Value Audit of Comhairle nan Eilean Siar; and
 - decide how it wishes to proceed.

Paul Reilly
Secretary and Business Manager
6 November 2012

Comhairle nan Eilean Siar

Follow-up Audit of Best Value and Community Planning

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Introduction

1. The statutory duty of Best Value in local government was introduced in the Local Government in Scotland Act 2003. In response, the Accounts Commission (the Commission) consulted on, and implemented, the audit of Best Value and Community Planning. Best Value audit reports have been published on all 32 councils in Scotland. The approach to best value audits has moved on significantly since completion of the first audits of all 32 councils. The audit framework is now more proportionate and risk based; founded on a shared risk assessment process with other scrutiny bodies; more focussed on impact and outcomes; and designed to provide a more rounded view of local partnership working and the difference it is making.
2. The first report on Best Value and Community Planning on Comhairle nan Eilean Siar (the comhairle) was published in August 2006. The audit found that the comhairle could not demonstrate a commitment to continuous improvement and that the pace of change within the comhairle needed to be increased. The second report on Best Value and Community Planning was published in November 2011. In its findings the Commission noted serious concerns over the slow pace of improvement by the comhairle in key areas and stated that it required a report from the Controller of Audit 'in around 12 months' time' detailing the progress made by the comhairle. This report fulfils the request of the Commission.

Comhairle nan Eilean Siar

3. The key priorities for the Western Isles remain as they were at the time of the best value and community planning audit in 2011. These are sustaining communities; providing employment opportunities; maintaining transportation links; tackling the affects of alcohol; and reducing fuel poverty.
4. Following the local government election in May 2012 the comhairle has remained an independent council, with 21 independent, seven SNP and three Labour members. Thirteen of the 31 members were new councillors. The previous council leader has been re-appointed to the post, while a new convener has been appointed.
5. The comhairle has maintained its existing political structures. It uses an issue by issue consensus based approach to decision-making rather than having an administrative group. The comhairle's governance arrangements continue to support this approach.
6. There has been no change to the managerial structure of the comhairle or the corporate management team (CMT) since the last best value report. In 2011/12 the comhairle spent approximately £123.7 million on providing services to its communities. This equates to approximately £4,742 per head of population.

Accounts Commission findings 2011

7. The Commission's findings recognised that most services perform well and are supported by strong political and community leadership, prudent financial management and sound governance arrangements. The Commission also noted that the comhairle recognised where improvements are needed and had recently increased its pace of change.
8. The Commission noted 'serious concerns', however, over the slow progress overall by the comhairle since the first best value audit in 2006, and highlighted the need for better progress in areas including:
 - clearer and more visible leadership from the chief executive and corporate management team
 - develop a longer term strategic financial plan
 - councillors playing a more active role in the improvement agenda
 - improved culture of challenge and improvement.
9. The November 2011 best value audit report also highlighted areas for improvement around:
 - performance management
 - partnership arrangements
 - continuous improvement
 - managing resources
 - customer satisfaction.
10. This follow-up audit assesses the extent to which the comhairle's improvement plan addresses the issues identified in the 2011 best value audit report, and evaluates the progress made to date.
11. We gratefully acknowledge the cooperation and assistance provided to the team by Angus Campbell, Leader of Comhairle nan Eilean Siar; Malcolm Burr, Chief Executive; Lesley McDonald, Head of Executive Office; and all other councillors and staff involved. We are also grateful to the partner organisations who participated in the audit.

Summary

Overall conclusions

The comhairle has made progress in developing a culture of challenge and improvement. It has significantly improved its performance management, partnership and financial planning arrangements which are the key building blocks of best value. The pace of change has not improved, however, in other areas including customer satisfaction, asset management and workforce management.

12. The comhairle accepted the Commission's findings in the 2011 best value report, and responded by putting in place an action plan in February 2012 and improvement plan in June 2012. The improvement plan outlines actions the comhairle aims to undertake to address the key issues identified.
13. The chief executive and CMT have demonstrated leadership in progressing the comhairle's response to the best value report. Councillors have also played an important role in progressing the improvement agenda.
14. The comhairle has increased its pace of change in some areas, and can demonstrate progress towards implementing a performance management culture. It will take time to fully embed this culture, and for the comhairle to demonstrate the impact on outcomes through the performance management system.
15. The improvements in performance management, coupled with support from the comhairle's community planning team, have had a positive impact on partnership arrangements and the role of the Outer Hebrides Community Planning Partnership (CPP). Partners on the CPP have developed a clearer focus and structure for the CPP outcome groups, and this has helped to improve joint working.
16. The comhairle is also making progress on self-evaluation where it is developing a 'How Good Is Our Council' toolkit, and on financial planning where a long term financial strategy is due to be implemented by February 2013.
17. The comhairle has not improved its pace of change in some important areas, including asset management, customer satisfaction and workforce management.
18. Limited progress has been made in carrying out personal performance appraisals where the comhairle has failed to achieve its target completion rate of 95 per cent. The completion rate was particularly poor in the comhairle's two largest departments - education and children's services and social and community services.
19. Sickness absence levels are above the Scottish average. The rate excluding teachers has increased from 10.5 days per year in 2008/09 to 13.8 days in 2011/12, while sickness absence levels for teaching staff decreased from 10.0 days in 2008/09 to 7.8 days in 2011/12 but remain above the average.

20. The comhairle has the capacity to deliver the best value improvement plan, but needs to prioritise actions and resources and be realistic with planned timescales. A coordinated approach to the comhairle's improvement agenda is also needed.

Progress in Comhairle nan Eilean Siar

Identifying and implementing improvements

The comhairle has developed a detailed improvement plan in response to the Accounts Commission findings and the best value report which addresses all of the key issues. Progress in most areas is ongoing and the comhairle is heading in the right direction.

21. On 14 February the comhairle approved an action plan in response to the best value audit report and the Accounts Commission findings. The corporate management team refined the action plan into a 'Best Value 2 Improvement Plan', and this was presented to the Policy and Resources Committee on 21 June 2012. This improvement plan details the specific actions required to address each improvement area, assigns each action to a senior officer, and sets out the timescale in which the action should be achieved.
22. The key actions in the comhairle's response to the 2011 best value report are outlined in Exhibit 1 below: The local authority elections which took place in May 2012 did impact on the comhairle's ability to progress some actions as quickly as they would have liked.

Exhibit 1

Timeline of comhairle's response to 2011 best value report

Month	
November 2011	Second report on 'best value and community planning' published.
January 2012	Staff survey conducted.
February 2012	Best Value and Community Planning Action Plan approved.
May 2012	Local authority elections.
June 2012	Best Value 2: Improvement Plan approved. Results of staff survey reported to committee. Standardised performance management reporting process trialled at June committee meetings. Revised customer services strategy approved.
July 2012	Member Officer Working Group (MOWG) start meeting regularly
August 2012	Self-evaluation internal challenge team meet for first time. Comhairle service committee chairs and vice-chairs invited to attend CPP outcome group meetings.
September 2012	Staff survey improvement plan approved.

Month	
Future events	Corporate strategy considered by policy and resources committee & comhairle (1 November 2012) Long term financial strategy to comhairle (March 2013)

Source: Audit fieldwork

23. Progress on the improvement plan is reported to both the policy and resources committee and the audit and scrutiny committee. The comhairle set up a member-officer working group (MOWG) in January 2012 and tasked it with monitoring progress against the plan. The MOWG consists of the chief executive, all directors, the head of executive office and the chairs and vice-chairs of the Audit and Scrutiny and Policy and Resources Committees. Although established in January, the MOWG did not start meeting regularly until July 2012 after the improvement plan had been approved. There is now a monthly timetable of meetings in place, and councillors are engaged in the improvement process.
24. The improvement plan outlines actions to address all of the areas highlighted by the Accounts Commission and the best value audit report. The plan includes actions to address communication issues which were highlighted in the 2012 staff survey. The actions are reasonable, and should help the comhairle to address the key issues. The comhairle has the capacity to deliver the plan, but should prioritise actions and resources and be realistic with planned timescales. Senior officers and councillors need to continue to monitor progress on a regular basis and ensure that actions are prioritised and coordinated effectively.

Leadership and culture of challenge and improvement

The comhairle is developing a more effective culture of challenge and improvement and is introducing a new corporate strategy and long term financial strategy. The recent progress needs to be maintained to help address the ongoing financial challenges facing the organisation.

25. The CMT and councillors have demonstrated leadership in actively promoting the comhairle's action and improvement plans in response to the best value report. This has included progressing actions outlined in the plans, but progress in some areas has been slow.
26. Developments to the comhairle's performance management arrangements have meant that councillors are now able to scrutinise and challenge more effectively, and senior managers are more accountable for the performance of their departments. This has had a positive impact both internally and within the Outer Hebrides CPP, where the comhairle's executive office support performance reporting. It is important that the developing culture of performance management spreads throughout the whole organisation.
27. Following the election in May 2012 the comhairle is in the process of updating its corporate strategy, and extended the deadline for consultation from 30 August 2012 to 12 October 2012 to allow more input from partners and the public. The corporate strategy was considered at a special meeting of the comhairle on 1 November 2012. The comhairle aims to introduce its long term financial strategy by February 2013.

28. It is important that the corporate strategy, financial strategy and the improvement plan are aligned and that activity is coordinated effectively. Councillors and the CMT must continue to show strong leadership in driving forward the comhairle's strategic priorities and improvement work.

Progress on the improvement plan

Progress against the best value improvement plan is ongoing and on-schedule, and the comhairle expects to complete most actions by summer 2013.

29. This part of the report comments on the progress the comhairle has made on its improvement plan actions, grouped under the following five headings:
- performance management
 - continuous improvement
 - change management
 - partnership arrangements
 - customer satisfaction.

Performance management

The comhairle has made significant progress since the 2011 report in developing a performance management framework and is making progress in developing a culture of performance management and improvement. This is having a positive impact at both the comhairle and the community planning partnership. The next stage is for the comhairle to ensure that the culture which is evident at senior officer and councillor level permeates throughout the organisation.

30. Both the 2006 and 2011 best value audit reports highlighted that improvements were needed to the comhairle's performance management arrangements. The comhairle has made significant progress since the 2011 report in developing a performance management framework. While it will take time to fully embed a performance management culture throughout the organisation the revised approach and effective use of Interplan (*the comhairle's performance management system*) has enabled the comhairle to monitor the impact of its work while increasing the level of scrutiny and challenge by councillors.
31. Under the revised arrangements, performance management is a standing item at the top of each service committee agenda. Councillors are presented with a monitoring report on the relevant indicators from the single outcome agreement (SOA), and directors give a presentation highlighting the key aspects of their departments' performance to the relevant service committee. Department performance reports are also presented to the Audit and Scrutiny Committee, and the Policy and Resources Committee receives them along with the full SOA monitoring report. The comhairle is seeking ongoing feedback to enable it to consider the effectiveness of these arrangements and make any improvements necessary.
32. This provides councillors on each service committee with an overview of how departments are performing, and allows SOA indicators to be considered in detail in an appropriate forum. This

has facilitated improved scrutiny and challenge of performance and increased directors' accountability to councillors'.

33. The comhairle is continuing to develop Interplan and this is supporting improvements to its performance management framework. The system now more clearly aligns the comhairle's corporate themes to national outcomes, local objectives, Outer Hebrides CPP objectives, and service business plan actions. This allows the comhairle to demonstrate the impact of its work more effectively, and provides a clear link of how local tasks and actions contribute to corporate objectives and national outcomes.
34. Councillors all have access to Interplan, and through this are able to investigate in detail aspects of the comhairle's performance. There is limited evidence, however, of how the system is being used by councillors in practice, although training has been offered as part of the induction process following the local elections in May. Using Interplan more effectively would enhance councillors knowledge and understanding of performance issues, and further improve the quality of scrutiny and challenge they are able to provide.
35. Work is required to ensure a more consistent approach to performance management across services and departments, and a team is in place to provide support. The standard of information which Interplan provides is only as good as the level of data which is input, and it is up to individual heads of service to identify any gaps in service plans, and to ensure that information is timely and accurate.
36. This was highlighted in an internal audit report on 'Performance Management & Monitoring Arrangements - July 2012'¹, which stated that there may be a risk 'that the Interplan system is not always integral to service delivery' and that reporting 'can be seen as a diversion'. The report noted that Interplan 'requires to be further developed to improve the comhairle's public reporting and decision-making processes'.
37. The revised arrangements have resulted in enhanced performance monitoring and improved scrutiny and challenge. The key challenge for the comhairle is in making the best use of the information available, and taking appropriate action to address issues identified.

Partnership arrangements

The comhairle and its partners have made good progress on developing their partnership arrangements and in particular their performance reporting framework. While these developments are at an early stage they provide a strong base for ongoing improvement.

38. The 2011 best value audit report highlighted that partnership arrangements were still developing and that the CPP was unable to demonstrate progress on partnership outcomes effectively. Good progress has been made in creating a clearer focus and structure for the CPP outcome groups. The partnership have completed 'logic modelling' exercises, which involved mapping activities to short, medium and long term outcomes. The outcome groups

¹ Internal Audit Review: Performance Management & Monitoring Arrangements - Final Report 12/13 - 22, 27 July 2012 (Presented to Audit & Scrutiny Committee - 5 September 2012)

are now clearer about their role and purpose, and the revised performance management arrangements have supported this progress.

39. The CPP board and its executive group now receive standardised performance updates from each of the outcome groups. The comhairle's performance management system, Interplan, is used to compile the reports which are discussed by outcome groups to agree on overall assessments using a RAG (red, amber, green) coding approach.
40. Performance reporting links to the comhairle have improved. SOA monitoring reports are now broken down by outcome theme and reported to the relevant service committee. Councillors have found this approach to be more user-friendly and it has encouraged them to be more challenging of the information and feel more engaged in scrutinising partnership progress on outcomes.
41. Work has taken place to increase elected member involvement in the outcome theme groups. In August 2012 the CPP decided to invite comhairle service committee chairs and vice-chairs to attend relevant outcome theme groups. Other committee members have also been allocated to an outcome group. The impact of this activity is yet to be seen, but it is an encouraging sign.
42. The 2011 best value audit report noted that the CPP partnership had been working to bring together a SOA which included more effective measures and targets to track progress and demonstrate improved outcomes. The CPP agreed a revised 2010/11 SOA in August 2011. This was more defined and focussed, with a reduction from over 100 indicators to around 30 high level indicators with a clearer outcome focus. Feedback on the new SOA from the Scottish Government's Location Director² noted the increased use of outcome focussed indicators, but also highlighted that there was work to be done to further shift the balance from output to outcome measures.
43. The CPP is currently working towards a refresh of the SOA for 2013. The process of reviewing and refreshing the SOA is fostering a stronger sense of ownership and focus within the partnership. Partners feel that the improvements at the outcome group level will also feed into the refresh process, as the groups are now clearer about their role and the overall shared vision of the CPP.
44. The clearer focus and purpose developing at the outcome group level is also helping to improve joint working between partners. One example of this is ongoing work between the comhairle and Highlands and Islands Enterprise (HIE) to develop a joint economic strategy for the area.
45. The CPP has undertaken a self-evaluation using the CPP public sector improvement framework (PSIF) model developed by the Improvement Service. Through this process the partnership identified a number of areas for improvement and prioritised five of these. These priorities form the basis of an improvement plan approved by the CPP in February 2012. The improvement plan includes actions to:

² SOA Annual Report: Feedback from Scottish Government, Report to Outer Hebrides Community Planning Partnership, 27 June 2012

- improve the partners' joint financial planning, resource planning and asset management
 - clarify the links between partner's operational plans and the agreed outcome priorities
 - maximise joint lobbying opportunities
 - review the CPP communication strategy
 - clarify roles of board members.
46. Progress on the self-evaluation improvement plan has included the approval at the September CPP meeting of a partnership agreement, which sets out how the partners will work together to develop, agree and achieve the objectives of Community Planning in the Outer Hebrides. At this meeting the partnership also approved terms of reference.
47. The CPP had previously stated that it did not want to adopt formal terms of reference, as partners were concerned this would constrain the flexibility they felt was needed in the Outer Hebrides context. However, following recommendations included in the best value audit report and in a comhairle internal audit report³, the partnership decided to adopt formal terms of reference. The partnership reviewed the approaches taken by other CPPs to help them to develop a model which it felt best suited their needs. These improvements will give a clearer structure and focus to the CPP and will help support ongoing improvement activity.
48. Capacity challenges remain for the CPP, particularly in terms of support for the performance management framework. While partners have some dedicated resources to support the CPP - for example the comhairle has a community partnerships unit and HIE has recently employed a graduate to support the collation of performance data - the partnership needs to ensure that this is sufficient and resilient enough to support their needs. The resource planning aspect of the CPP's self-evaluation improvement plan should offer the opportunity to look strategically at how it can make best use of the resources available to them as a partnership.
49. Strong leadership and direction are needed from councillors, the CMT and all partners to ensure the good progress to date is maintained and built upon. The ongoing financial pressures faced by all partners mean that effective partnership working is essential to ensure that public resources are being used efficiently and are delivering for local communities.

Continuous improvement

The comhairle has made progress towards implementing a self-evaluation toolkit, but work is needed to improve communication and address workforce management issues including high sickness absence levels and low completion rates for performance appraisals. The comhairle would benefit from a more coordinated approach to its improvement agenda.

Self-evaluation

50. The 2011 best value audit report identified that the comhairle did not have a corporate self-assessment process to help it identify where improvement is most needed. The comhairle is

³ Internal Audit Review: Single Outcome Agreement - Final Report 12/13-24, 31st May 2012 (presented to Audit & Scrutiny Committee - 20 June 2012)

now implementing the 'How Good Is Our Council?' self-evaluation toolkit. At the time of this audit it had not made as much progress as had been planned, however a plan is in place and an internal challenge team, comprising representatives from each service, has been established. The team met for the first time in August 2012.

51. The challenge team is overseeing a trial exercise which is scheduled to be completed and reported to the CMT by the end of 2012. This exercise covers all departments, and the comhairle aims to compare the findings with a comparator authority that uses the same toolkit. The comhairle also plans to roll the toolkit out across the organisation in early 2013.
52. In rolling out the toolkit, the comhairle will need to ensure it has a robust plan in place and prioritises the areas needing to be assessed.
53. Councillors and the CMT have both been supportive of developments in self-evaluation, and must continue to demonstrate strong leadership by ensuring the comhairle makes best use of the toolkit and delivers improvements as a result.

Workforce management

54. The 2011 best value audit report noted that the comhairle had introduced a performance appraisal process in September 2009, but expressed concern at the number of performance appraisals that had been completed. In 2009/10 only 42 per cent of the performance appraisals were completed. This increased to 73 per cent in 2010/11. In 2011/12 the completion rate increased further to 82 per cent, but remains below the comhairle's target of 95 per cent.
55. Only the chief executive's department (with a completion rate of 98 per cent) and development department (100 per cent) exceeded the target completion rate. The two largest services - education and children's services (77 per cent) and social and community services (83 per cent) - had the lowest completion rates. The comhairle are aware of the completion rates and have included an action to address this in the improvement plan.
56. In 2007/08 the comhairle had the lowest levels of sickness absence across all Scottish local authorities. Since then absence levels have risen significantly and absence levels (excluding teachers) have risen from an average of 10.5 days in 2008/09 to 13.8 days in 2011/12. This is above the Scottish average of 10.4 days. This was highlighted by Scott-Moncrieff, the comhairle's appointed auditor, in the annual audit report for 2011/12⁴.
57. The report also highlighted that absence levels for teaching staff decreased over the same period from 10.0 days in 2008/09 to 7.8 days in 2011/12, although this is still above the Scottish average of 6.2 days. The report notes that the comhairle is not clear what the underlying cause is for the increase in sickness absence, and that while quarterly reporting on sickness absence has started this is not done consistently across departments. The comhairle acknowledges these findings, and is in the process of upgrading the payroll and human

⁴ Annual Report on the Audit to the Comhairle and the Controller of Audit 2011/12, September 2012 - Scott-Moncrieff

resources system and processes to enable analysis and monitoring systems to be implemented.

Staff survey

58. The 2011 best value audit report noted that the comhairle had not undertaken a staff survey since 2008 and that it needed to ensure it was gathering regular staff feedback. The comhairle carried out a staff survey in January 2012 and reported on the findings in June 2012.
59. The overall response rate was very similar to that achieved in 2008, up slightly from 41 per cent to 42 per cent. The response rate in the comhairle's two largest departments was particularly low, at 23 per cent for social and community services and 29 per cent for education and children's services. These departments also had the lowest completion rates for performance appraisals as previously outlined in the workforce management section.
60. Overall the findings show a picture of general improvement, though some aspects of the results are not comparable to the 2008 survey. Levels of job satisfaction are up from 67 to 72 per cent, and pride in working for the comhairle is up from 38 to 48 per cent. Staff satisfaction with key aspects of management, such as listening (58 per cent to 64 per cent), encouragement (59 per cent to 66 per cent), delegation (55 per cent to 61 per cent) and decision-making (60 per cent to 65 per cent), has also improved.
61. The findings do identify some areas where there has not been any improvement and where results identify areas of concern for the comhairle. Although the questions used were not directly comparable, there has been some indication of improvement in staff perceptions of how good performance is recognised and the benefits of the staff appraisal system. However, levels of staff satisfaction for this theme remain low. In the 2012 survey only 46 per cent of respondents agreed that good performance is recognised and only 52 per cent agreed with the statement that the performance appraisal and time spent with their manager is beneficial to them. Of particular note, only 23 per cent of respondents agreed that poor performance is dealt with effectively.
62. The comhairle has recognised the issues that the staff survey highlights and in September 2012 approved an improvement plan in response. The staff survey improvement plan includes actions relating to communication, performance, support and training, with most scheduled to be implemented between December 2012 and March 2013.
63. The plan does not identify lead officers for the actions and it is not clear from the plan or committee report who is responsible for its implementation. The action plan is to be reported to the comhairle on a six-monthly basis. The comhairle would benefit from a more coordinated approach to its improvement agenda, as this would enable resources to be targeted effectively and minimise the potential for duplication of effort.
64. The issues raised by the 2012 staff survey reflect similar issues in the 2008 survey, and there has been limited demonstrable improvement in some areas between the two surveys. The comhairle needs to ensure that their improvement plan activity is effectively addressing the issues identified.

Communication

65. Communication was included in the best value improvement plan in light of the 2012 staff survey results, although some improvement had been made since the 2008 survey. The staff survey highlighted that while more staff feel the comhairle is as 'open and honest with them as it can be' than did in 2008 (up from 21 per cent to 29 per cent), 38 per cent of respondents disagreed with this statement. There has been an increase in the percentage of staff who feel the comhairle communicates well with them (up from 32 per cent to 45 per cent), but over 50 per cent of staff feel that the comhairle either doesn't tell them much or only gives them a limited amount of information.
66. The best value improvement plan included a commitment to rewrite the communications strategy by June 2012, but a proposed process and timescale were only submitted to the Policy and Resources Committee in September 2012. The improvement plan also includes actions to develop a joined up approach to community consultation; a proactive approach to staff engagement; the use of a 'communities connect' portal to promote communication; and the use of the employee newsletter to raise awareness of performance management within the comhairle.

Managing resources

The comhairle has an innovative approach to budget planning, and is developing a long term financial strategy. The pace of change in other areas of resource management, however, has not improved.

Financial management and budget planning

67. The 2011 Accounts Commission's findings highlighted that the comhairle 'needs to develop a longer-term financial plan'. The comhairle plans to have updated its corporate strategy by December 2012 and have a long-term financial strategy agreed by February 2013.
68. In the 2011/12 annual audit report the appointed auditor agreed with the comhairle's assertion in the annual governance statement that 'governance and internal control arrangements are largely effective and able to provide reasonable and objective assurance'. The report noted that the comhairle achieved a general fund surplus of £3.5 million in 2011/12, and incurred £56.1 million in capital expenditure of which £38.5 million related to the Western Isles Schools Project.
69. For budget planning, the comhairle has developed a process which is suited to the local political context. Each councillor submits their views on budget options using an interactive planning tool called 'Budget Choices'. The process is detailed in Exhibit 2 below.

Exhibit 2

Interactive budget planning tool

At the start of the budget setting process councillors, the corporate management team and other selected parties are provided with an interactive budget setting tool called 'Budget Choices'.

Budget Choices runs on a database system and at the top level details the budget for each department. The total saving that needs to be achieved is also shown, which for 2012/13 is ten per cent. Detailed information is provided within the tool on each line of the budget, including possible savings and the issues and risks relating to each saving.

The user selects the savings that they would propose to accept, and a summary of their total saving is shown at the top level. Each user is asked to come up with a proposal which achieves the total efficiency target, and this proposal is submitted to the finance department.

A summary report detailing how many were in favour of each option is presented at a budget seminar, at which councillors decide on options to be included in the public consultation exercise.

A simplified online version of Budget Choices is available on the comhairle's website during the public consultation. This allows members of the public to complete their own budget proposal, and informs the budget process while developing public understanding of the difficult choices facing councillors.

Source: Audit Scotland

Asset management

70. The 2011 best value audit report highlighted that progress on developing a corporate approach to asset management had been slow, but that the comhairle was successfully managing its school buildings.
71. In the 2011/12 annual audit report, the appointed auditor noted that the comhairle 'continues to develop its approach to asset management however progress has been slow to date'. The comhairle has developed a high level strategy on asset management, but this not been rolled out across the organisation.
72. The asset management plan, however, is scheduled to be presented to the comhairle in December 2012. The sector asset management plans and asset inventories will be developed once this has been approved.
73. The annual audit report also notes that the comhairle has 'entered into separate agreements with Highlands and Islands Enterprise and the Northern Constabulary to share assets', and that work is ongoing to identify further opportunities for asset sharing both across departments and with the wider community.

Risk management

74. The 2011 best value audit report noted that risk management was beginning to improve, but that the comhairle had been slow at bringing risk registers up to date and developing its approach to risk management overall.
75. In a July 2012 update⁵ to the Audit and Scrutiny Committee, the appointed auditor provided an overview of risk management arrangements at the comhairle, and highlighted that 'although

⁵ External Audit: Interim Management Report 2011/12, July 2012 - Scott-Moncrieff (presented to Audit & Scrutiny Committee - 5 September 2012)

the comhairle has made steps in developing its risk arrangements, it has yet to fully embed risk management into every day practices'.

76. The report also highlighted scope to develop risk management arrangements by:
 - establishing a process to highlight common themes and links between risk registers
 - facilitating wider input to the development of risk registers from senior staff, statistical analysis, benchmarking and internal budgetary reports
 - linking risk registers to the comhairle's strategic and operational objectives.
77. In September 2012, the comhairle approved a risk management policy, risk management strategy and partnership risk management strategy. A risk review group has examined operational risk within two departments and reported findings to the Strategic Risk Management Group, and risk management training for members, and partnership risk management training for officers, has been provided.
78. Work has commenced on producing a joint risk register for the CPP, and the comhairle's corporate policy team is progressing the risk module of Interplan supported by a dedicated risk officer and support team.
79. The comhairle must continue to take action to address the risk management issues identified in the best value report and by the appointed auditor.

Procurement

80. The 2011 best value audit report highlighted that the comhairle had failed to achieve conformance status against the Scottish Government's annual procurement capability assessment (PCA). This was based on the comhairle's performance in the 2010 PCA as assessed by Scotland Excel. In the 2011 PCA the comhairle improved its score to 29 per cent, an increase of eight per cent, this is classified as 'conformance'. The improvement is to be welcomed but the score remains below the national average of 40 per cent.
81. In June 2012 the comhairle approved a 'Procurement Strategy 2012-14'. The strategy includes a detailed action plan and aims to direct procurement practice over the three year period and 'address the organisational risk which is inherent in a lower than average PCA score'. The comhairle has set itself a target of 35 per cent for the 2012 PCA, and 50 per cent in the 2013 PCA.
82. The appointed auditor also considered the comhairle's procurement arrangements in their interim management report (July 2012). The report referenced an internal audit review of e-procurement and contract management during 2011/12, and supported the findings of the PCA that development is required in the comhairle's procurement function.

Customer satisfaction

The comhairle has made limited progress in addressing the findings of the best value report in relation to customer satisfaction.

83. The 2011 best value audit report identified that the comhairle needed to measure customer satisfaction more effectively. The comhairle's improvement plan sets out four actions to address these findings, and one of these actions is now complete. Limited progress has been made on the other three, and no timescale is specified within the improvement plan for these actions.
84. The comhairle approved a revised customer services strategy in June 2012 in line with the improvement plan. The main focus of the strategy is to develop the comhairle's approach to dealing with customer contact and enquiries. The strategy has limited focus on gathering and using customer satisfaction information and improving how this information is used.
85. The 2011 best value audit report identified that there were some good approaches to gathering customer satisfaction information within individual services, and recommended that the comhairle use these good examples to develop its corporate approach. There has been little progress made on sharing good practice and learning across services. The comhairle's improvement plan committed it to establishing a rolling programme of direct user surveys by June 2012; to date this action has not been implemented.
86. The comhairle was piloting a Customer Satisfaction Measurement Tool, developed by councils in conjunction with the Improvement Service. In November 2011 the comhairle's customer services steering group considered a report on a pilot exercise run in the customer service access point in Stornoway Town Hall. The results of the survey showed a high level of satisfaction with the service, but the report did not make any recommendations to roll out the use of the tool to others services.
87. The comhairle needs to better coordinate its community engagement and consultation activity across services and with its partners. Better coordination of engagement and consultation activity is needed to ensure best use of resources and avoid 'consultation fatigue' within the community. The comhairle also recognises the need to improve how it shows the impact of consultation activity by clearly demonstrating the link between consultation and decision-making.
88. While community engagement is an important area of activity for the comhairle, it needs to be clear about the distinct need to effectively gather and use customer satisfaction information. Customer satisfaction information is an important aspect of service performance information. Gathering appropriate customer satisfaction information is crucial to be able to demonstrate the quality of the services the comhairle provides to its communities. Without customer satisfaction information - and this information being effectively integrated into its performance management framework - the comhairle will be limited in its ability to demonstrate whether its services provide value for money.