

Shared risk assessment: Assurance and improvement plan 2010–13

Shetland Islands Council



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1. Introduction

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

What do we mean by a scrutiny risk?

5. All local government bodies have agreed the definition of a shared risk assessment as:

‘A joint approach using key information about local government to plan scrutiny activity that is proportionate and based on risk’.

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

What does proportionate scrutiny mean?

9. When considering the appropriate level of scrutiny activity for each council we consider the following points to ensure that it is proportionate:
 - Is scrutiny activity the best driver for improvement?
 - If so, how can we tailor that activity to the areas where it will have the most impact?
 - How can we tailor that activity in terms of its frequency, intensity and scope?
 - What is the minimum level of scrutiny required to provide assurance to the public?
 - How can we work together to minimise the impact of the scrutiny activity on the council?
10. The overall objectives for this collaborative approach are to maximise the efficiency and effectiveness of scrutiny work and minimise the impact of scrutiny activity on the council. This will be achieved by:
 - Coordinating the timing and approach of our risk assessment work.
 - Helping to identify and monitor key risks through the sharing of intelligence and information.
 - Building on each other's work.
 - Avoiding duplication of effort.

2. Summary

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

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

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

The second issue related to the fact that the council, in contravention of the SORP, failed to apply the effective interest rate method to certain financial assets to determine the interest and investment income for inclusion within the income and expenditure account. The effect of this is that the council's general fund balance at 31 March 2009 was materially misstated. The council has given assurances that the correct method will be applied in the 2009/10 financial statements.

13. Recent press coverage of the departure of the chief executive under a compromise agreement reinforces the significant risks we have identified in our previous reports in relation to the council's governance, vision and strategic direction and in demonstrating best value in the use of resources.

These issues, together with the need for further development of key corporate arrangements in areas such as performance management, asset management and procurement means that the council is not well placed to demonstrate that it is achieving best value.

14. The shared risk assessment process is designed to ensure the level of scrutiny activity is proportionate and based on a sound risk assessment. The significant corporate risks identified in the council have already resulted in a statutory report being presented by the Controller of Audit to the Accounts Commission. The Accounts Commission asked for further work to be carried out to supplement Audit Scotland's annual audit on these risk areas. This work is currently ongoing and a public hearing has been scheduled for the end of June 2010. The results and implications of this for further scrutiny work will be considered by the LAN. The results of this work will be a key driver in scrutiny activity over the three year period. This will include consideration of the timing of any BV2 review.
15. As noted in the introduction, risk assessments against the national risk priorities are not separately identified in this document:
 - protection, welfare and access to opportunities for children, adults in need of support and protection, and older people issues are considered under the outcome assessments and education and social care services. No significant risks have been identified
 - assuring public money is being used properly is an area of significant risk for the council for the reasons reported earlier
 - the impact of the recession is considered as part of wider concerns about the council's financial sustainability in the future reported earlier.

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

16. The SOA progress report demonstrates that a large number of targets were achieved in 2008/09, including the number of business start-ups, unemployment rates, attainment levels of school pupils and low crime rates. There are, therefore, clear indications that the council performs well in terms of its service provision.
17. There are clear indications that, helped by high funding levels, the council performs well in terms of service provision in key services, and is reporting improving performance. As a result our overall assessment is that there are no significant scrutiny risks in education, social care, infrastructure, community economic development and ports and harbour operations. However, within the services, there is a range of identified scrutiny risks including:
 - there have been recruitment difficulties faced by the council and as a result there are currently several vacancies for head teachers in Shetland. The council has recognised that the school population in Shetland is reducing within a short timeframe and is progressing its Blueprint for Education to address these issues and to incorporate the changes required as a result of Curriculum for Excellence

- there is currently some uncertainty regarding housing service improvements. Following its most recent inspection in 2007, the SHR identified areas for improvement. The council agreed an improvement plan to address these areas and to measure progress. The SHR will review the level of progress achieved by the council during its planned visit in October 2010 and the LAN will continue to monitor developments in this area.

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

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

3. The council's context

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

The Shetland Community Planning Partnership has performed a review of the SOA to assess whether the strategic priorities and outcomes and indicators are appropriate for the local context of

the Shetland Islands. As a result of this, in 2010/11, plans for service delivery are more focused onto the achievement of the outcomes. It is encouraging to see the continued development of the SOA and this iterative process will help to ensure that the SOA is appropriate for the needs of the Shetland residents.

Self-evaluation

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

4. Delivering outcomes for communities

Strategic priorities

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

29. National risk priorities have been identified by the Scottish Government and these are reflected in national scrutiny priorities which have been considered in the shared risk assessments for all councils. The national scrutiny priorities are:

- protection, welfare and access to opportunities for children, adults in need of support and protection¹ and older people
- assuring public money is being used properly
- the impact of the recession.

30. Risk assessments against these priorities are not separately identified at Appendix 1, instead they are reflected in the outcome, service and corporate assessments in this document:

- protection, welfare and access to opportunities for children, adults in need of support and protection, and older people issues are considered under the outcome assessments and education and social care services. No significant risks have been identified
- assuring public money is being used properly is an area of significant risk for the council for the reasons reported above
- the impact of the recession is considered as part of wider concerns about the council's financial sustainability in the future reported above.

31. At the start of the 2008-09 financial year, the Shetland Community Planning Board was restructured as a result of a high-level self-assessment. A Community Planning Partnership (CPP) and Delivery Group (CPDG) were established in April 2008. The CPP is responsible for selecting areas from the SOA each year, setting them as priority areas for delivery by the CPDG and then appointing members of the Partnership to that group. It is the CPDG's role to establish a realistic target for success in each priority area and then to progress them through working with partner organisations. Through this model, community planning activity has become focused on delivery of the SOA. An annual progress report is prepared to record the levels of achievement of targets within the SOA.

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

Outcomes

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

Smarter

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

Healthier

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

Fairer

36. Performance across this area is positive with ten of the fourteen indicators improving, and three already approaching 2010/11 targets. As a result there are no significant scrutiny risks identified with this outcome. The main areas showing improvement are supporting older people with care at home, helping vulnerable adults into employment and supporting young people and children. Fostering and adoption services continue to present some challenges as there are insufficient carers to meet the needs of all children unable to return home. A target has now been set by the council and performance is reported on a quarterly basis. The council's target, which it has now achieved, is to recruit three new households per year.

37. The CPDG reports that there has been an increase in the symptoms of poverty, including the misuse of drugs and alcohol and increased levels of debt, and is working towards a multi-agency poverty framework. The LAN will monitor developments in the council's reporting of outcomes.

Safer

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

Stronger

40. Performance in this area is variable. With evidence that the population of Shetland is provided with a good level of services, the provision of housing remains a significant issue for Shetland with almost 1,000 people on the waiting list for accommodation in March 2009. There has also been an increase in the number of homeless presentations which leads to more pressure on the housing department. Despite the mixed performance, the overall assessment is that, on balance, there are no significant scrutiny risks identified with this outcome.

Greener

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

Wealthier

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

Services

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

Education

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

Social care

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

Housing

47. Areas of uncertainty have been identified within the housing service. Notwithstanding the fact that the most recent inspection performed by the SHR assessed the Shetland Islands Council housing

service overall as 'fair', there were a number of areas identified for improvement. It was recognised by the SHR that the council collects, analyses and publishes a range of tenant satisfaction information. General satisfaction rates were noted as being high, although results were poorer for the homeless service. The level of rent arrears at four per cent is considerably better than the national average of 6.1 per cent and there is also good performance in the average number of weeks rent owed by tenants leaving in arrears. However, there is evidence of a shortage of available housing, with people spending too long in temporary accommodation and, without financial support from the Scottish Government, there is currently no approved strategy for increasing the supply of temporary accommodation. In addition, an SHR inspection in 2007 on repairs to housing identified poor and deteriorating performance in the area of response repairs. Since 2007 the KPIs are indicating that performance is improving in all areas of repairs, and it is now only the area of routine repairs which requires more improvement to reach the target level.

48. SHR highlighted that there are gaps in the council's stock condition which creates risks for the council's investment programmes and its ability to achieve the Housing Quality Standard by 2015. The council has plans in place to address this and it is currently reporting that it is more than 80 per cent compliant with the standard. Following its most recent inspection in 2007, the SHR identified areas for improvement. The council agreed an improvement plan to address these areas and to measure progress. The SHR will review the level of progress achieved by the council during its planned visit in October 2010.

Infrastructure

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

Economic development unit

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

and internationally. The council anticipates that the recently announced agreement with Total to build a new gas terminal will lead to increased employment opportunities in the future.

Ports and harbour operations

51. No significant scrutiny risks for ports and harbour operations have been identified. The council has been undertaking a review of all port functions over the last 18 months to ensure that future provision matches the throughput of the oil terminal to maintain profitability. Budget reviews have been performed throughout the council and it is now expected that the earlier forecast deficit for Ports and Harbour Operations for 2010/11 will be greatly reduced, if not eliminated. Although there has been a reduction in harbour income due to Schiehallion having been out of operation for much of 2009, this has been partially offset by recent ship-to-ship transfer operations and increased income from fish landings in some smaller ports.
52. Currently, the £11 million capital project for new tugs is running within budget levels but the service is hoping to identify further efficiencies. The status of this project is monitored by Budget Responsible Officers and the Finance Department and reported to the Harbour Board each cycle.

Implications for scrutiny activity

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

5. Corporate assessment

Corporate assessment

58. In determining the corporate assessment for Shetland Islands Council, we considered the corporate performance and arrangements in place. The detail of our evaluation is contained in Appendix 2.
59. The quality of working relationships between officers and members can influence the reputation of the council and impact on the efficiency of its services and there is ample evidence of this in Shetland. In recent months, issues have been documented in the media and reported in the annual audit report by Audit Scotland relating to strategic leadership within the council at the member and officer levels. The recent departure of the chief executive under a compromise agreement has confirmed our view that these issues have led to significant risks with the council's governance, vision and strategic direction and in demonstrating best value in the use of resources.
60. As noted previously, the council continues to provide a wide range of high quality services. However the cost in providing these services is leading to the council using substantial amounts of its reserves on an annual basis. The use of such levels of reserves cannot be sustained in the longer term. The council now needs to set clear strategic priorities which support its overall aim of maintaining a balance of £250 million of reserves. All scrutiny agencies agreed that the council also needs to start demonstrating that it delivers services in a way which demonstrates best value.
61. This is particularly important in the current financial climate. At 31 March 2009, the council had no loan debt and held investments of approximately £200 million, which gives it a unique position in Scotland. These resources have been used in previous years to help fund revenue and capital expenditure, but this is not sustainable in the long-term if the council's strategy of maintaining a minimum threshold of reserves is to be achieved. The council's overall draw on reserves during the financial year 2008/09 was approximately £23 million. Given that the council had a balance of £280 million of reserves at 31 March 2009, continued draws of similar levels would mean that the reserve fund would be depleted by 2022. However, in the current environment of reduced funding settlements, there is a risk that the reserve fund may be depleted earlier than 2022.
62. The current economic situation means that the public sector in Scotland is under the greatest financial pressure since devolution. There will be significant challenges for public bodies to prioritise spending, identify efficiencies and review commitments to ensure delivery of key targets and objectives and manage financial pressures. To face these challenges, while ensuring sustainability and quality of services, a comprehensive policy-led approach to budgeting is required. Although there has been some improvement in the council's budget setting processes, there continues to be a risk that budgets are prepared on an incremental basis with departmental budgets reflecting historic levels and varying little in response to changing priorities.
63. Despite the pattern of under-spending by the council in recent years, in December 2009, the estimates for the 2010/11 budget setting exercise, which allies with the service plans, highlighted a

£16.2 million funding gap between the spending aspirations of departments and the actual resources available. Following work by officers with budget responsible officers, the gap was reduced to £5 million and work is now being progressed to identify the savings necessary to balance the 2010/11 budget. This illustrates the fact that, rather than the corporate centre proactively setting the overall budget based on available resources, the budget tends to be driven by services. The reactive approach currently being taken by the corporate centre is a direct result of this.

64. The council's capital programme is heavily oversubscribed and in previous years Audit Scotland reported the need for an approved long term plan. To address this, in 2010 the council appointed a head of capital programming and the council is now working towards a 2-5 years plan. Currently, there are several large capital projects being developed and constructed including Anderson High School and the Mareel Centre.
65. The years of high spending by the council have created large expectation levels amongst the community. Any proposed changes in service delivery or capital projects can create anxiety in sections of the community and generate significant political pressures and this, in turn, delays the decision-making process. There are examples of this in several areas of the council, including the lack of an approved long-term capital plan, community unrest surrounding the potential implications of Shetland's Blueprint for Education and the budget cuts in services which were widely discussed in the community and by the local media.
66. The council's 2008/09 financial statements were given a qualified audit opinion for two issues. The first issue was that the council did not include the results of the SCT in its group financial statements and this was in contravention of the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice (the SORP)*. It was estimated that the inclusion of the SCT results would contribute:
 - a deficit position of approximately £3 million to the Group Income and Expenditure Account
 - net assets of approximately £220 million to the Group Balance Sheet.
67. The second issue related to the fact that the council, in contravention of the SORP, failed to apply the effective interest rate method to certain financial assets to determine the interest and investment income for inclusion within the income and expenditure account. The effect of this is that the council's general fund balance at 31 March 2009 was materially misstated. The council has given assurances that the correct method will be applied in the 2009/10 financial statements.
68. At the time of writing, there is no approved workforce plan for the council as a whole, although a workforce development strategy for the education and social care department was approved in May 2009. The council faces serious workforce challenges and it is important that these are addressed in the short term so that services in the future can continue to be delivered while achieving Best Value. The population of Shetland is currently approximately 22,000 and is reducing. Added to that, in common with most other areas in Scotland, the population is ageing. The workforce plan should take account of the low population levels, which means that there is a smaller pool of people for recruitment purposes and training plans should be formulated to ensure that the workforce is

adequately skilled. Without an agreed workforce plan, there is a considerable risk that council services may be adversely affected due to the lack of appropriately skilled and adequate numbers of officers.

69. The education service budget has been underspent in recent years and this is mainly due to the fact that there are several unfilled vacancies for headteachers in Shetland schools. The council is currently progressing its Blueprint for Education. In May 2007, councillors acknowledged that there will be a reduction within a relatively short timeframe in the number of school pupils within the Shetland population. The challenge for the council is to develop a modern “blueprint” for the shape of the service across Shetland for ten years time. The Blueprint incorporates the changes required as a result of “Curriculum for Excellence”.
70. There is increasing demand for the existing home-based care service and this trend is expected to continue for the foreseeable future. As demand for services increases, the council needs to be more creative in the way services are provided. This includes targeting resources on high priority areas, ensuring care assessments are based on need and not availability, and continuing to work closely and effectively with partners, eg the voluntary sector and NHS Shetland.
71. In October 2008, a report was presented to the audit and scrutiny committee which considered the handling of a number of proposed key capital projects within the council. This highlighted that unclear project briefs and delays in approving capital projects have resulted in building projects being deferred and extra costs being incurred. The audit and scrutiny committee called for the development of best practice guidance for the conduct of capital projects in the council. This has resulted in a best practice methodology report being presented and accepted by the council in May 2009. The council currently has a number of large high profile projects under development and construction including Anderson High School, Mid Yell Junior High School and Mareel Cinema and Music Venue.
72. Following the 2005 best value report, the council made progress in some improvement areas. Key improvements made include the approval of the 2008-11 corporate plan which includes the targets and priorities of the community plan. Governance arrangements are strengthened with the establishment of the audit and scrutiny committee and recently a new head of capital programming was appointed.
73. The council demonstrates good partnership agreements and a commitment to partnership working. This includes developing the SOA and the community plan which has been formally adopted by all partners. The SOA was the result of joint working between Shetland Islands Council, and other bodies including NHS Shetland, Northern Constabulary, Highlands and Islands Fire and Rescue Service, Highlands and Islands Enterprise and Voluntary Action Shetland. A community planning delivery group has been established with partners to provide leadership and facilitation to community planning in Shetland through the adoption and overall monitoring of arrangements. During 2010/11, the group’s priority is to prepare for the impact of cuts in the public sector – this will be jointly led by the convenor of the council and the Chair of NHS Shetland.

74. Despite these improvements, due to the slow pace in introducing a range of improvement actions in other key corporate areas such as performance management, asset management and procurement, the council is not currently well placed to demonstrate that it is achieving best value in delivering its services.

Implications for scrutiny activity

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

6. Conclusion

Summary of planned scrutiny activity

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

Next steps

81. The status of the AIP remains draft until the National Scrutiny Round Table and the Local Government Scrutiny Co-ordination Strategic Group has approved the AIPs for each council. The role of the national round table is to ensure that councils are treated equitably in terms of the assessment of risk and the proportionality of the scrutiny response. The national round table will also ensure that available scrutiny resources are appropriately targeted to areas of greatest risk.
82. Once agreed, the AIP is a public document and councils are expected to consider the AIP at an appropriate committee. Our intention is to publish the national scrutiny schedule on the Accounts Commission web page and on other scrutiny bodies' websites. The AIPs for all councils will also be published on the Accounts Commission website.

Appendix 1

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix 2

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

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

Corporate assessment area	Initial risk assessment	Evidence/rationale	What we plan to do
		performance reporting to be more joined-up between partners.	
Community engagement	No significant scrutiny risks identified	<ul style="list-style-type: none"> ▪ A community planning delivery group has been established with partners, to provide leadership and facilitation to community planning in Shetland, through the adoption and overall monitoring of arrangements. The group has assigned 'champions' to take forward each of the national outcome areas from the SOA. The planned work includes preparing a co-ordinated joined up and comprehensive response to the economic and financial downturn across all community planning partners. ▪ "Your Voice" is Shetland's twice yearly citizens' panel which provides statistical and qualitative information. ▪ Data which feeds into the process of planning and delivering services. ▪ Local service delivery groups have been established to help planning and delivery at a local community level. ▪ The council's service plans have a section which outlines any recent or future consultation and engagement with customers. This enables services to build up an understanding of customers' needs, what they expect and how services can be improved. Specific examples of engagement include satisfaction surveys, informal meetings, public meetings, suggestion boxes, regular contact with community councils and feedback via websites. ▪ Staff use a range of effective approaches to raise public awareness about keeping children safe, including an informative website, local media briefings, household leafleting and public meetings. ▪ Good community perception, involvement and understanding of social work services enabling people to remain in their own homes, communities and on the islands. ▪ A 16+ Learning Choices group has been formed to 	No specific scrutiny activity. Monitoring by LAN members as part of ongoing scrutiny work.

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

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

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

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

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

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

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

Appendix 3

Shetland Islands Council: Assurance and improvement plan 2010-13: Summary of scrutiny and improvement

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

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

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