

Minutes

Thursday 14 December 2023, 9.30am

Audit Scotland offices, 102 West Port, Edinburgh, and
online via Microsoft Teams

505th meeting of the Accounts Commission

Present:

Ronnie Hinds (Interim Chair)
Malcolm Bell
Nichola Brown
Andrew Burns
Andrew Cowie
Carol Evans
Jennifer Henderson
Christine Lester
Angela Leitch
Ruth MacLeod (Apologies for items 13-18)
Mike Neilson
Derek Yule

In attendance:

Allan Campbell, Secretary to the Accounts Commission
Helena Gray, Controller of Audit
Fiona Mitchell Knight, Audit Director, Audit Services (items 6 and 13)
Corrinne Forsyth, Audit Manager, Performance Audit and Best Value (items 6 and 13)
Peter Lindsay, Senior Audit Manager, Audit Services (items 6 and 13)
Brian Howarth, Audit Director, Audit Services (item 7)
Antony Clark, Executive Director of Performance Audit and Best Value (items 8, 14 and 15)
Mark Taylor, Audit Director, Performance Audit and Best Value (item 8)
Carol Calder, Audit Director, Performance Audit and Best Value (item 14)
Lucy Jones, Audit Manager, Performance Audit and Best Value (item 14)
Blyth Deans, Senior Manager, Performance Audit and Best Value (item 14)
Vicki Bibby, Chief Operating Officer (items 16 and 17)
John Cornett, Executive Director of Audit Services (items 16 and 17)
Stuart Dennis, Corporate Finance Manager (item 17)

1. Apologies for absence

Apologies for absence submitted for items 13-18 for Ruth MacLeod.

2. Declaration of connections

The following declarations of connection were noted:

Malcolm Bell declared an interest in Item 7 (Shetland BVAR update). Malcolm advised he was Convener of Shetland Islands Council for 10 years until May 2022. This included the period when the last Best Value audit work referred to in this report was carried out. For those reasons and taking into account the provisions of section 3.38 of the Accounts Commission Code of Conduct (within two years of holding a senior position in an audited

body) Malcolm stated he would take no part in consideration of this item and would leave the room for its duration.

3. Order of business

It was agreed that the following items be considered in private:

- Items 11 to 18, as they required the Commission to consider confidential policy matters.

4. Minutes of meeting of 9 November 2023

The Commission considered a report by the Secretary presenting the minutes of the meeting of 9 November 2023, including a summary of business arising from the minutes.

It was highlighted that some of the suggested amendments to Item 15 (Partnership Working Framework) were not incorporated in the version of the minutes that had been shared as part of the papers for this meeting. This was due to an administrative error; the correct version of the minutes was issued to members shortly after the meeting and added to the meeting papers published on the Accounts Commission website.

With no further comments, the minutes of the meeting were otherwise approved as a correct record.

5. Minutes of November Committee meetings

The Commission considered a report by the Secretary presenting the minutes of the Committees on 23 November 2023, including a summary of business arising from the minutes.

With no comments, the minutes of the meetings were approved as a correct record.

6. Best Value Report: Dumfries and Galloway Council

The Commission considered a report by the Controller of Audit on Best Value in Dumfries and Galloway Council.

During discussion,

- The Controller of Audit introduced the report, outlining the main points including in relation to the Council's financial planning, performance reporting and leadership structure, and its new Council Plan, published in February 2023.
- The council's performance reporting was discussed in detail. The audit team explained that the council does report performance at service level internally twice a year, but it does not publish a council-wide strategic overview or summary of that performance. Council officers do also carry out analysis of performance using the Local Government Benchmarking Framework, but officers do not report that analysis to elected members and have not done so since 2020.
- The council's approach to financial planning was also discussed. The council produces 3-year budgets, the last of which was agreed in February 2023, and it has an ongoing, regularly reviewed process in relation to a medium-term financial

strategy, rather than a single document with that name. The audit team explained that there are clear links between different aspects of the council's financial planning and a strong audit trail. There is also clear cross-party working, with representatives of all parties involved in discussions around budget setting and financial planning.

- It was explained that the council's reserves include a Medium-Term Financial Planning fund set up to support the 3-year budgets, as well as a Resilience Fund and Corporate Change Fund. The audit team explained that they don't make judgements on what is a 'good' level of reserves, but on the approach to managing them, and that the council is transparent in doing so. The audit team was asked if there were any reasons for a recent increase in the level of reserves from £80 million to £100 million in 2021/22. The team explained this was prior to their audit appointment but agreed to investigate this and report back.

Action: Controller of Audit

- It was noted that the council is – according to its quarterly budget monitoring reports – on track to achieve 93% of the £0.75 million savings target related to the transformation project for 2023/24. The council estimates it will need to make a total of £38 million of savings by 2028. Members noted that the required savings per year are to increase significantly to £12 million in 2025/26 and that – this is heavily dependent on its transformational change plans. It was also noted that in the latest 3-year budget, years 2 and 3 are not balanced.
- It was highlighted that a number of the actions on the council's action plan have a due date of March 2024, with the remainder due during the rest of 2024, and that this coincides with the implementation of a new leadership structure by April 2024, which might make delivery of these actions more complex. However, the audit team explained that a number of key postholders are unchanged, such as the Head of Finance and the Director of Economy and Resources, who are key contacts and have substantial experience.

After discussion, the Commission agreed to consider in private how to respond to the report and approved the proposed publication arrangements outlined in the cover paper.

7. Shetland BVAR update

The Commission considered an update by the Controller of Audit on progress by Shetland Islands Council following the Best Value Assurance Report (BVAR) in 2022.

During discussion,

- The Council had made progress against the existing BVAR action plan but had not yet completed any action.
- The reserves position was highlighted – in particular, a revised but still pessimistic, estimate that they may last for 15 years. The previous BVAR reporting of this largely ignored expected returns on investment and harbour income, as it was based on the Council's previous medium term financial plan. It was explained that the council has not been drawing significant amounts and a recent revision of the medium-term financial plan identified a sustainable draw of £15 million each year. The current

year's plan identified a draw which was above this, so like many other councils, transformation and savings plans were needed to manage this.

- The council's transformation programme was discussed – projects are dispersed across services and the Chief Executive had agreed that there should be a council-wide corporate view of reporting these. Commission members raised the risk of a lack of alignment as a result, as well as individual services being less likely to achieve the necessary transformational change.
- Commission members expressed concern at the council's approach to the above matters and about whether there is sufficient overall strategic leadership and direction of the transformation programme. It was emphasised that reserves should be used to facilitate transformation rather than be seen as a substitute for it.
- Performance reporting had improved in the council but still lacked some aspects expected, including overall balance and focus on council priorities.
- Regarding community engagement, it was acknowledged that communities are well represented by the council as a significant employer, and the nature of the population means communities are more engaged than in larger council areas. However, it was agreed that the council needs to make progress with plans to develop an overall community engagement strategy.

After discussion, the Commission

- Noted the progress update for Shetland Islands Council.
- Agreed that it remains unsatisfied with the progress made by the council following the BVAR.
- Requested that progress against the recommendations in the BVAR are a focus of work on the next Annual Audit Report on the council, with the Controller to consider whether to use her section 102 powers to report any significant issues to the Commission.
- In light of the above, agreed that Shetland should remain in Year 3 of the current programme of reports on Best Value.

8. Dynamic work programme update: stock check against priorities

The Commission considered an update by the Executive Director of Performance Audit and Best Value on the Dynamic Work Programme.

During discussion,

- The Commission welcomed the report and the analysis presented, finding it helpful in assessing the extent to which each of the strategic priorities is being addressed.
- It was noted that although the Environmental Sustainability priority is being considered by the Commission as a cross-cutting topic, the nature of sustainability-related issues in this area – unlike other cross-cutting issues such as equalities – is such that they are less likely to automatically fall into the scope of more general audit

work. This means that a conscious decision is needed to focus on this topic in the work programme.

- It was also noted that although Sustainability features less prominently than other priority themes in the longer-term work programme, the Commission has recently published a number of important Climate Change/Net Zero-related audit outputs and is committed to shortly starting an audit on how well the Scottish Government and local government are planning for Climate Change adaptation.
- It was suggested that the environmental priority could be interpreted more broadly, incorporating aspects of the local environment in which people live including services such as roads, transport and waste. It was pointed out that these services are under particular financial pressure due to budgets for other services being protected, and the Commission has previously expressed a desire to increase its focus on them.
- It was stated that having uncommitted resource is useful, allowing capacity and flexibility to redirect focus and resources to new issues that arise. It was explained that the 'pipeline' part of the programme allows for this, with projects that have not been committed to, alongside confirmed products spanning the next 18 months being able to be started as resources become available.

After discussion, the Commission

- Restated its intention to increase its focus on community-based services that affect people's living environment.
- Noted that the outcomes from this discussion will be reflected in specific proposals brought to the Commission in the February 2024 work programme update.
- Agreed that the Strategy Seminar in March is a good time to consider in detail the pipeline products and how to ensure the best balance across the five priorities.

9. Secretary's update report

The Commission considered a report by the Secretary to the Accounts Commission providing an update on significant recent activity relating to local government.

During discussion,

- Allan Campbell explained that Audit Scotland will be responding to the consultation on Capital Finance and Accounting, as it is a purely technical accounting matter. Following a query from Christine Lester, Allan Campbell agreed to establish whether the external audit firms will respond to this consultation.

Action : Secretary

- Allan also explained that a draft response to the Education Reform consultation had been reviewed and approved by himself and the Interim Chair.
- Regarding self-directed support, the point was made that many service users are not made fully aware of the choice that they have, resulting in an implementation gap.

- Regarding care leaver payments, it was pointed out that financial support is not the only or the most appropriate intervention needed to support a young person's transition from care into adulthood and into independent living.

Following discussion,

- The Commission noted the report.
- The Secretary agreed to liaise with the Executive Director of Performance Audit and Best Value on the points raised regarding the Self-Directed Support and Care Leaver Payment consultations.

Action: Secretary

10. Any other public business

The Chair, having advised that there was no business for this item, closed the public part of the meeting.

11. Chair's update report

The Commission considered a report by the Chair providing an update on recent and upcoming activity.

Following discussion, the Commission:

- Noted the report.

12. Controller of Audit's update report

The Commission considered a verbal update by the Controller of Audit providing an update on recent and upcoming activity.

The update included:

- The section 102 report on Renfrewshire Council regarding school provision in Dargavel, now to be considered at the Commission's January 2024 meeting.
- The Controller's 'keynote' presentation to Audit Scotland staff, including a discussion also involving Sarah Gadsden, Chief Executive of the Improvement Service.
- Ongoing consideration, together with John Boyd (Audit Director, Audit Services), on best to reflect on the issues currently being raised through the Current Audit Issues report to the Commission's Financial Audit and Assurance Committee.
- Meetings in recent weeks with Sean Neill (Scottish Government).
- Quarterly meeting between Accounts Commission and COSLA.
- Ongoing quarterly meetings with Accounts Commission members.

Following discussion, the Commission

- Noted the verbal update.

13. Best Value Report: Dumfries and Galloway Council

The Commission considered its response to the report by the Controller of Audit on Best Value in Dumfries and Galloway Council.

Following discussion, the Commission agreed to make findings to be published on 11 January 2024; Following discussion, the Commission agreed to make findings to be published on 11 January 2024; the drafting of those findings would be delegated to the Interim Chair and the Secretary on behalf of the Commission and would then be circulated to all members for comment, with responsibility for final sign-off resting with the Interim Chair.

In discussing what the findings should include, the following general points were raised:

- Welcoming the council leadership's commitment to Best Value, the collaborative approach to strategic planning, the council's effective community engagement, and aspects of the council's financial planning including three-year budgets.
- Also welcoming the Council Plan's clear vision and priorities, and the alignment of delivery plans with objectives, although the council should publish a focused suite of high-level performance measures to track progress against its agreed outcomes.
- The need for information about performance to be clearer and more accessible to the public, including a summary and comparisons with other councils – this is required in order to comply with the Statutory Performance Information Direction.
- Analysis of performance using the Local Government Benchmarking Framework ought to be reported to elected members and used to support improvement.
- The reliance in financial plans on transformation to new service models, and the need to deliver these to meet the levels of savings required – although noting the council's track record of delivering savings targets.
- Encouraging the council to continue to ensure its reserves are used effectively and to support its transformation plans, where appropriate.
- Highlighting the council's ambitious plans on climate change, but being unclear on how achievable these are and whether there is the commitment and resources to realise them – noting that the current Council Plan does not include information on whether the council is still working towards its net zero target.

14. Local Government Financial Bulletin draft report

The Commission considered a paper by the Executive Director of Performance Audit and Best Value (PABV) on the Local Government Financial Bulletin draft report.

During discussion,

- Antony Clark introduced the draft report, highlighting that it relates to 2022/23 financial data and noting that much has changed since then in relation to local government finance; he advised that this report is one of a suite of local government

reports and will be complemented by the council budgets briefing, to be produced once councils have set their respective budgets.

- Past restrictions on Council Tax rises as well as the planned freeze were also raised. However, it was stated that analysis around the Council Tax and how the freeze is to be funded would be best left to the council budgets briefing, as this relates to 2024/25 budgets whereas the Bulletin focuses on 2022/23 and 23/24.
- The Commission and report team agreed to add further explicit references in the Financial Bulletin to the upcoming council budgets briefing, for updated analysis regarding the Verity House Agreement and Council Tax freeze.
- The Commission asked the team to clarify the points around savings and debt, expand exhibit 6 and amend the wording in the key messages section as discussed.

Action: Executive Director of PABV.

Following discussion, the Commission

- Agreed the messaging around the Verity House Agreement, and agreed to defer analysis regarding council tax to subsequent Commission publications
- Approved the draft Local Government Financial Bulletin subject to the amendments requested and agreed to delegate final approval of the final content – following receipt of any further outstanding data returns from auditors – to the sponsors.
- Agreed it would support the new dashboard format for future editions of the report, and that strong communications and promotion of the report will be required to drive home the key messages but also clarify that much of the data relates to 2022/23.

15. Statutory Performance Information (SPI) Direction 2024 scoping

The Commission considered a paper by the Executive Director of Performance Audit and Best Value and the Secretary to the Commission, on Statutory Performance Information (SPI) Direction 2024 scoping.

During discussion,

- It was suggested that producing the new SPI Direction is not just a case of updating the previous version – the context and its role has changed significantly, and the new Direction could be a key building block of the proposed accountability framework under the Verity House Agreement.
- It was suggested that the Commission looks again at the legal advice it had previously received which indicated that Integration Joint Boards (IJBs) fall outside of scope of the SPI Direction as they are not solely local government bodies. This could involve seeking new legal advice (the previous advice was received in 2015, after the legislation was passed but before it was implemented).
- The role of councils and nature of collective local leadership and decision-making (particularly in relation to statutory Community Planning Partnership partners) was

also reflected on, in terms of the purpose being to achieve improved local outcomes over and above simply to provide local services.

Following discussion, the Commission

- Noted its powers to issue an SPI Direction to councils and some joint boards and committees, and how the exercise of those powers has evolved over time.
- Noted that it will need to agree and publish a new SPI Direction by the end of 2024.
- Agreed to pursue the seeking of refreshed legal advice regarding whether IJBs can be subject to the SPI Direction.

Action: Commission Support Team

16. Q2 Corporate performance report

The Commission considered an update by the Chief Operating Officer and the Executive Director of Audit Services, on the Audit Scotland Q2 Corporate Performance Report.

During discussion,

- Vicki Bibby explained the Commission Support Team has worked with the Chief Operating Officer and the Corporate Performance Team on the content and format of the Q2 report. Vicki Bibby provided the correct YTD pay figure on page 8.
- John Cornett provided an update on local government audit delivery. It was advised 67 of 76 (88%) of local government audits had been delivered. Of the nine outstanding, five will be delivered pre-Christmas, and work on three of the other four audits is now complete pending sign off.
- The remaining outstanding audit is Comhairle nan Eilean Siar which is having issues with an ongoing cyber-attack.

Following discussion, the Commission

- Noted the report
- Welcomed the revised format as clearer and more succinct.

17. Local Government audit fees 2023/24

The Commission considered an update by the Chief Operating Officer and the Corporate Finance Manager on Local Government audit fees 2023/24.

During discussion,

- Vicki Bibby advised members that the setting of audit fees is incorporated into the budget setting process which is presented to the SCPA. It was communicated the SCPA submission was broadly supported.
- Members discussed additional fee income charged by Audit Scotland. Vicki Bibby advised whilst traditionally Audit Scotland hadn't charged for additional audit work it

was now in the process of charging for additional work caused by client issues, mirroring the approach used by the external audit firms.

Following discussion, the Commission

- Endorsed the fee levels for the 2023/24 audits in the local government sector.

18. Any other private business

Nichola Brown requested clarification of the dates relating to the 2024 Accounts Commission's Strategy Seminars. It was advised the Accounts Commission Support team would confirm these and reissue the invites.

Action: Commission Support Team

Members advised they wished to place on record they're thanks to Ronnie Hinds (interim Chair) for his stewardship and wished him well for the future.

The Chair, having advised that there was no further business, closed the meeting.

19. Close of meeting

The meeting closed at 14.50.