

# Minutes

Thursday 11 January 2024, 9.30am

Audit Scotland offices, 102 West Port, Edinburgh, and  
online via Microsoft Teams  
506<sup>th</sup> meeting of the Accounts Commission

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## Present:

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

## In attendance:

Allan Campbell, Secretary to the Accounts Commission  
Helena Gray, Controller of Audit  
Gary Devlin, Partner, Risk Assurance, Azets (items 5 and 11)  
Michael Wilkie, Director KPMG (items 6 and 12)  
Matthew Moore, Audit Senior Manager, Public Sector North Scotland, KPMG (items 6 and 12)  
Taimoor Alam, Manager, Public Audit, KPMG (items 6 and 12)  
Gemma Diamond, Director of Innovation and Transformation (item 13)  
Simon Ebbett, Communications Manager (item 13)  
Michelle Borland, Head of Organisational Improvement (item 13)

## 1. Apologies for absence

There were no apologies for absence noted.

## 2. Declaration of connections

There were no declarations of connections.

## 3. Order of business

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

- Items 9 to 14, as they required the Commission to consider confidential policy matters.

#### 4. Minutes of meeting of 14 December 2023

The Commission considered a report by the Secretary presenting the minutes of the meeting of 14 December 2023, including a summary of business arising from the minutes.

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

#### 5. Statutory report – School accommodation for Dargavel

The Commission considered a report by the Controller of Audit on School accommodation for Dargavel.

The Controller of Audit introduced the report, providing background information including a brief timeline of events, summarising the key points of the council's response to the independent review (the 'Bowles report'), and highlighting some of her main conclusions.

The Controller of Audit also introduced Gary Devlin of Azets and thanked the auditors for their work on this issue to date.

The subsequent discussion was structured according to the following themes:

- Community and other engagement – including:
  - the council not yet having undertaken a review of the effectiveness of its engagement activities
  - the decision not to consult on the extension of Park Mains High School being in line with guidance – due to the council having determined there were no viable alternative options – but not meeting expectations in terms of community engagement.
- Learning lessons and building capacity – including:
  - the extent to which the findings of the Bowles report reflect the council's current position in terms of its governance arrangements, and its capacity to deliver major projects
  - the external expertise the council has sought in estimating future capacity needs, and its ability to manage the inherent risk and uncertainty.
  - the role of organisational culture in relation to learning and accepting challenge, the need for improvement and how to measure it.
- Impact on service provision – including:
  - any implications for other areas of service provision arising from the handling of the section 75 agreement and the errors made in estimating demand
  - the sources of assurance – inspections and other assessments – about the quality of education provision, and whether these are publicly accessible
  - the circumstances in which the council negotiated the revised section 75 agreement, and the level of oversight and assessment of Best Value. .

- Financial management and consequences, including:
  - the relationship between the concerns raised by the Bowles report about the management of Dargavel school provision, and the Annual Audit Report's finding of confidence in the council's financial management
  - whether the council ensures sufficient oversight of financial decisions and financial risks, and of the management of its capital programme
  - whether the council is reflecting in its financial plans the additional costs associated with building and running a new primary school and the implications of this on council services and its capital programme
  - the lack of effective collaboration and communication between different service areas, resulting in financial risks not being escalated appropriately.
- Council leadership, governance and culture, including:
  - the timescales, terms of reference and oversight of the council's review of governance arrangements, and its management development programme, and the role of these in providing assurance that past mistakes will not be repeated
  - the extent to which elected members were involved in decisions or raised questions, the relationship between them and senior officers, and the improvements in this relationship as identified in the Annual Audit Report
  - changes to the council's senior leadership team and the level of attention and oversight by them of the council's implementation of the action plan;
  - the extent to which individuals concerned can be held accountable for historic failings, and an understanding of the consideration that the council has given to this.

After discussion, the Commission agreed to consider in private how to respond to the Controller of Audit's report.

## 6. Best Value in Orkney Islands Council

The Commission considered an update by the Controller of Audit on Best Value in Orkney Islands Council.

During discussion,

- The Controller of Audit introduced the report and thanked the audit team, and the Interim Chair provided a brief summary of the key points from the Commission's 2017 Best Value Assurance Report on Orkney Islands Council.
- The Council's performance in relation to Local Government Benchmarking Framework indicators was discussed, including the extent to which there are inherent challenges and costs for an islands authority, including limitations on its capacity to deliver transformation of services, as well as opportunities available to Orkney including in relation to renewable energy and tourism. It was suggested it would be useful for reports to include performance comparisons with the family

groups of Councils with similar characteristics (such as, in this case, islands) identified in the Local Government Benchmarking framework

- The positive relationship between the council and residents was highlighted, along with its strong engagement with community planning partners. It was acknowledged that council services are well-received and there is an emphasis, in medium-term financial planning, on preserving this level of service as far as possible. The council's compliance with the Statutory Performance Information Direction was also praised.
- It was noted that there are a number of actions that the council 'will take' or needs to do, with discussion of the balance between its future, strategic planning and ensuring effective delivery of services at the present time. It was also pointed out that a number of actions have long timescales, with reassurance sought about milestones or activities in the meantime – these are in place as part of the council's overall Delivery Plan but not at service plan level.
- The council's Strategic Reserve Fund was discussed, in the context of the large budget gap projected over the next few years, as well as the time period in which the council intends to agree a sustainable approach to use of reserves. It was confirmed that the council intends not to use reserves to balance its budget in future years. Clarification was also sought about whether the £27.1 million figure in the report was a cumulative total of the budget gaps in each year – the audit team confirmed this.
- A question was asked about whether the council is likely to achieve its target of net zero by 2030, as it does not seem to be on course to do so currently. Concern was also raised about the recurring issue of slippage in delivery of capital projects. Regarding tackling inequalities, it was explained that there is a strong focus on this in the community plan and locality plan, with an emphasis on both achieving and demonstrating positive outcomes for individuals and communities.

After discussion, the Commission agreed to consider in private how to respond to the Controller of Audit's report.

## 7. Local Government policy 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,

- The Secretary provided a verbal recommendation that a response is not necessary to two of the consultations highlighted in the report, due to each of them coming at the early stages of policy development, and that there would be other opportunities to make comment on those subject matters in future. In response to a question from Jennifer Henderson it was agreed that the Commission support team will look to provide any further information.

### **Action: Commission Support Team**

- Members welcomed the report, including its focus on the Scottish Budget.
- In light of the changes to proposals for the National Care Service (explained in the report), Christine Lester suggested the Commission ought to review its approach to

auditing Integration Joint Boards. It was noted that the Strategy Seminar may present an opportunity to discuss this further. The Interim Chair also highlighted the recent blog on the Commission's approach to the audit of social care.

- Angela Leitch suggested that the Commission keep 'on its radar' the issue of the impact of Scottish Government decisions on the delivery of the policy priorities it shares with local government, particularly in relation to inequalities. The Secretary advised there would be scope to reflect on this in the new suite of overview reports and potentially in the internal budget briefing expected to be provided to the Commission at its February meeting.
- The issue of differing comparisons between different years' budgets was raised – Mike Neilson asked whether this could also be addressed as part of the Commission's internal budget briefing in February.
- Ronnie Hinds advised that he would be happy to review a first draft of the response to the Wellbeing and Sustainable Development Bill if it was available before his term as Interim Chair ends on 31 January.

Following discussion, the Commission:

- Noted the report
- Agreed to the recommendations regarding responses to consultations.

## 8. Any other public business

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

## 9. Chair's update report

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

- Ronnie Hinds confirmed the media arrangements for the upcoming Accounts Commission publications.
- Commission members discussed the upcoming strategy seminar agenda, and it was agreed the Commission support team would look at the potential of bringing some of the items into February's Accounts Commission meeting.

**Action: Commission Support Team**

Following discussion, the Commission:

- Noted the verbal update.

## 10. Controller of Audit's update report

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

Following discussion, the Commission

- Noted the verbal update.

## 11. Statutory report – School accommodation for Dargavel

The Commission considered a report by the Controller of Audit on School accommodation for Dargavel.

Following discussion, the Commission agreed to make findings and to request that the Controller of Audit seeks further information from the council on specific points, with the intention to publish the findings and points of enquiry on 18 January 2024.

The drafting of those findings and points of enquiry 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.

The Commission also agreed to emphasise that it may decide to hold a public hearing, dependent on the council's response and progress over the coming months.

In discussing what the findings should include, it was agreed that they would be structured according to the following themes, in line with the earlier discussion:

- Community and other engagement
- Learning lessons and building capacity
- Impact on service provision
- Financial management and consequences
- Council leadership, governance and culture

It was also agreed to request that the Controller of Audit reports back to the Commission by June 2024 on any issues raised in the report that she thinks appropriate and on the further information and updates sought from the council.

## 12. Best Value in Orkney Islands Council

The Commission considered an update by the Controller of Audit on Best Value in Orkney Islands Council.

Following discussion, the Commission agreed to make findings to be published on 30 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 progress made by the council since the Best Value Assurance Report in 2017, including completing most of the actions it committed to following that report.

- Commending the council for its high-quality services, appreciated by residents, and praising its effective strategic planning and performance reporting – including good compliance with the Statutory Performance Information Direction.

- Recognising the challenges faced by the council as an islands authority – including in relation to staffing and capacity – and the opportunities offered by its range of responsibilities, natural resources, and positive relationship with communities.
- Expressing concern about the council’s ability to deliver on its future transformation plans, with a greater sense of urgency needed in financial planning, management of capital projects and tackling climate change.

Also expressing uncertainty about whether the council will be able to bridge its large projected budget gap without using reserves – bearing in mind the inherent costs associated with providing services to island communities, and the difficulty of achieving significant savings as a result – and urging the council to finalise its strategy for sustainable use of reserves earlier than its target date of March 2025.

- Seeking more clarity from the council as to whether it is on track to achieve its (ambitious) target of net zero by 2030, and on when it will publish a revised climate change strategy and action plan.
- Welcoming the council’s review of its community consultation and engagement but asking the council to conclude it sooner and to continue in the meantime to ensure regular, structured engagement with residents throughout the year.

### 13. Stakeholder research

The Commission considered a report by the Director of Innovation and Transformation and Communications Manager, who were accompanied in the meeting by the Head of Organisational Improvement.

During discussion,

- The targets listed in the current Communications and Engagement (C&E) Strategy were discussed, including benchmarks and how progress would be measured; it was explained that they will soon be reviewed as part of a refresh of the C&E Strategy.
- The Commission also discussed whether current targets for increased engagement and recognition were relevant, and the importance of trust in and the impact of the work of the Commission and the other public audit bodies.
- It was explained that stakeholder research work is used to inform discussions about the work programme – particularly in ensuring that where stakeholders raise an issue as a priority, it is appropriately addressed in audit work.
- Christine Lester commented on the lack of detail and information which referenced IJBs and requested more information on how IJBs will be engaged.
- Members expressed an interest in exploring options for engagement with third-sector organisations. Michelle Borland noted this and agreed to follow up with the Commission Support Team.

**Action: Head of Organisational Improvement and Commission Support Team**

Following discussion, the Commission

- Noted the analysis and information provided in the paper
- Agreed to gather MSPs' view through participation in the annual MSP survey undertaken by PA Advocacy
- Decided not to undertake a separate survey of councillors but asked officers to explore the Improvement Service's survey as an option.
- Decided not to undertake separate feedback research with local government Directors of Finance, and to use existing forums and engagement to source feedback

#### **14. Any other private business**

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

#### **15. Close of meeting**

The meeting closed at 15.00.