

Minutes

Thursday 16 January 2025, 10.00am

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

517th meeting of the Accounts Commission

Present:

Jo Armstrong (Chair)
Malcolm Bell (online)
Andrew Burns
Andrew Cowie (online)
Carol Evans (online)
Jennifer Henderson (online)
Angela Leitch (online, items 1-8)
Christine Lester (online)
Ruth MacLeod (online)
Mike Neilson (online)
Derek Yule (online)

In attendance:

Sarah Watters, Secretary to the Commission
Helena Gray, Controller of Audit
Rob Jones, Auditor, EY (Items 5 and 10)
Grace Scanlin, Auditor, EY (Items 5 and 10)
Joe Chapman, Policy Manager to the Accounts Commission (Item 6)
Alison Cumming, Executive Director of Performance Audit and Best Value (PABV) (Item 11)
Blyth Deans, Audit Director, PABV (Item 11) (online)
Martin McLauchlan, Senior Manager, PABV (Item 11) (online)
Lucy Jones, Audit Manager, PABV (Item 11) (online)
Vicki Bibby, Chief Operating Officer (Item 14)

1. Apologies for absence

Apologies had been received from Nichola Brown, Angela Leitch gave apologies for items 9 to 15.

2. Declaration of connections

No connections were declared.

3. Order of business

It was agreed that items 9 to 15 would be considered in private, for the reasons stated on the agenda.

4. Minutes and matters arising from previous meetings

The Commission considered a report by Sarah Watters, Secretary, presenting the minutes of the meetings of December's meeting.

Sarah summarised the matters arising and updated members that Action 24/044 (Audit Delivery) is covered within the Controller of Audit's update report at today's meeting and can be considered closed.

Regarding minutes, Malcolm Bell raised an amendment to item 2 to clarify that his son worked at Aberdeen City Council for only part of the time that the fraud occurred.

With no further comments, the minutes were approved as a correct record subject to one minor amendment to item 2.

5. Best Value: East Renfrewshire Council

The Commission considered the Controller of Audit's report on Best Value in East Renfrewshire Council. Following an introduction by Helena Gray, the discussion was structured according to the following themes:

- Financial sustainability, including:
 - The Council's 2024-2030 revenue plan, and assurances that it includes three-year budget planning.
 - £15 million from service concessions being used to balance the budget, alignment between capital and revenue budget strategies, and the reserves policy.
 - Use of reserves to balance budgets, current level of reserves – 2.3% of the council's annual budget – and governance in place to scrutinise budget setting and affordability.
- Budgets, including:
 - The council's use of budget scenario planning, based on data and forecasts, as an example of good practice that might be useful to share.
 - Timeliness of budget monitoring reports, with the council's cautionary approach to reduce the risk of unexpected overspends often leading to underspends.
 - Impact of IJB budgets on council budgets, with a close relationship, management of financial risks, agreed savings and plans for use of reserves, and consideration of tighter eligibility criteria to reduce spending on services where necessary.
- Transformation, including:
 - Level of detail available on transformation projects, and clarity about progress; the council's early digital transformation efforts make recent work appear slower.
 - Handheld devices and the degree to which they are truly innovative; the devices improve productivity, though financial savings have not been demonstrated.

- Cross-party collaboration in the context of the small size of the council and recent elections, with strong relationships between elected members, long-term goals at the forefront of planning, and concerns raised and addressed consistently.
- Sharing knowledge and practice with other councils, particularly within regional or ‘family’ groups, and with community planning partners.
- The council's 2045 Net Zero target, its honesty about its achievability, and recording and scrutiny of progress through regular reports and action plans.
- Performance, including:
 - The council's performance compared to similar councils, with consistent strong performance – ranking in the top one or two in some areas and above average in others.
 - Whether raising service eligibility criteria in social care to balance the budget aligns with service users' expectations and with improving outcomes. Current Local Government Benchmarking Framework indicators only measure e.g. satisfaction rates for those in receipt of services, not of those who then might be in need of services. Members asked PABV to reflect potential audit work on the impact of raising eligibility criteria in proposals for the Commission's future work programme (for discussion at the March strategy seminar).

Action: Executive Director PABV

- Workforce, including:
 - Concern about low rates of responses to employee engagement surveys, whether there are plans to address this, and whether there has been a positive response from employees in areas such as the wellbeing programme.
 - The council's approach to employee wellbeing surveys, including questions asked and the timing in relation to busy periods of the year for employees.
 - The importance of metrics on employee levels and turnover as evidence of the wellbeing programme's effectiveness; these are reported annually to the council's audit and scrutiny committee, with a drop in absence rates for 2023/24.
 - Reasons why only 14% of employees can benefit from hybrid working, including differing definitions of hybrid work and requirements for staff to attend offices two days per week; feedback is being considered under the council's People strategy.

Commission members agreed that it was a positive report overall, highlighting cross-party working and pre-emptive budget savings as particularly positive.

The Chair thanked the Controller of Audit and the audit team for their hard work.

Following discussion, the Commission agreed to decide in private how it wishes to respond to the report.

6. Local Government policy update report

The Commission considered a report by Joe Chapman, Policy Manager, providing an update on significant recent activity relating to local government.

Joe highlighted a few key issues:

- Activity is expected to increase in the coming weeks as councils set their budgets.
- The Aberdeen City Council report was well covered both locally and nationally, albeit with modest engagement on social media.
- The SPICe briefing on the Local Government settlement as part of the Scottish budget is recommended reading, while the Improvement Service Annual Report is an interesting read with lots to explore.
- Members can expect a draft response to the Scottish Government's Equality and Human Rights Mainstreaming Strategy consultation soon, for comment by the end of January.
- The consultation on local authorities' general power of competence closes at the end of March and includes a lot of detail which refers heavily to current provisions.
- The UK Government has launched a consultation on reform of local audit in England, a link to which will be shared with Commission members. Sarah Watters will work with Audit Scotland colleagues to produce a strategic response on behalf of the Commission.

During discussion, the following points were raised:

- Members were disappointed by the findings of the Scottish Household Survey, noting a 10% drop in public perceptions of councils' performance over recent years.
- Regarding the general power of competence consultation, members asked whether there was scope for round tables which might allow Commission members to take part in or observe. The Secretary will discuss with the Local Government division of the Scottish Government to ask what involvement Commission members might have.

Action: Secretary to the Commission

- Members noted Falkirk Council's decision not to proceed with a reduction to core learning hours in 2025/26 and expressed interest in hearing any impact from this.

Following discussion, the Commission noted the report.

7. Chair's update report

The Commission considered an update by Jo Armstrong on recent and upcoming activity.

During the discussion,

- The Chair confirmed that as part of the Commission's response to last month's report on serious fraud at Aberdeen City Council, she has now written to all Council Chief Executives to highlight lessons learned from this case, copying heads of finance and appointed auditors. This letter was also published on Audit Scotland's website.

- The Chair signposted her future attendance at the Directors of Finance meeting on 7 February, where she will hear their views on the Local Government Financial Bulletin and the upcoming Budget Briefing.
- The Chair also noted her future attendance at the Improvement Service (IS) Board on 21 March to discuss the recently reviewed Joint Working Agreement between the Commission and the IS. It will also provide an opportunity to discuss the Commission's forward work programme.

Following discussion, the Commission noted the update.

8. Any other public business

The Chair advised there was no other business and closed the public part of the meeting.

9. Controller of Audit's update report

The Commission considered a verbal update by Helena Gray, Controller of Audit, on recent and upcoming activity, which included the following:

- A stock take on Best Value is underway, with surveys sent to Council Chief Executives along with auditors to gather their views. A follow up survey will be issued to Commission members later this week, and Helena offered to have one-to-one conversations with members if they wish.

Action: Controller of Audit

- Helena has been in regular contact with the auditor for Clackmannanshire Council. Helena explained that she did not have a current update on the progress of recommendations from the Clackmannanshire BV report to note, but she will continue to keep the Chair updated on this. Members requested an update at February's meeting.

Action: Controller of Audit

- In relation to strategic scrutiny co-ordination, meetings have been held with scrutiny key partners and stakeholders, discussing medium to long term strategic issues, and a refresh of Local Area Networks (LANs). A paper will be circulated via correspondence and a fuller update will be brought to the Commission, likely before the summer.
- Members asked for an update on East Dunbartonshire Council, and whether there are any areas of concern. Helena is arranging a call with the council's Director of Finance but noted that no concerns were highlighted within the 2022/23 audit.

Following discussion, the Commission noted the report.

10. Best Value: East Renfrewshire Council

The Commission considered its response to the Controller of Audit's report on Best Value in East Renfrewshire Council. Members agreed to issue findings in response to the report, with a draft to be circulated to members.

The Commission members discussed a number of points, which are included within the findings within the published report.

After consideration, the Commission:

- Approved the proposed publication arrangements
- Delegated to the Secretary and Chair to produce the findings for publication on 6 February.

11. Local government financial bulletin 2023/24 – draft report

The Commission considered a draft report presented by Alison Cumming, Executive Director of Performance Audit and Best Value (PABV). Alison thanked the audit team for their hard work, in particular Lucy Jones who is moving to a different policy area and has produced considerable insights on the bulletins over the last few years.

Alison highlighted several points:

- The team is continually working to refine these reports in order to find the best way to provide information with a balance between data analysis and commentary. Alison also explained that the IJB 2023/24 financial bulletin (to be considered next month) will have a different format, and the team is keen to gain members' feedback on this.
- Further refinement to the key messages is underway, identifying key trends from outputs such as transformation. An accompanying blog is planned.
- The Chair will lead media engagements on this report, and both she and Derek Yule will attend the Local Government, Housing and Planning Committee on 4 February to give evidence on the report.
- Work on the 2025/26 budget briefing is underway, with the Local Government Overview team looking at budget setting, and what actions councils are taking to secure a balanced budget.
- Alison thanked the Chair and Commission sponsors for their review and comments over the holiday period, and requested that the Commission delegates final approval of the content of the report to them.

During the discussion, the following points were raised:

- Commission members were positive about the report, recognising the challenges in collecting data from councils which created a tight turnaround. Engagement needs to be taken forward to improve this, as the information provided is valuable.

- The Commission highlighted the importance of drawing clear links between analysis carried out in developing the Financial Bulletin and work that is planned as part of the Budget Briefing 2025/26, with particular focus on councils' reserves.
- Assurance that the figures have been shared with Scottish Government and confidence that these will stand up to scrutiny. In recent years, the figures produced have been politically “contested.”

Following discussion, the Commission:

- approved the draft Local government financial bulletin
- agreed to delegate final approval of the content of the report to sponsors
- noted the publication arrangements for the report and an accompanying blog.

Jo also thanked Lucy for her contribution to the Commission’s local government reporting and wished her well in her new role within Audit Scotland.

12. Commission intervention options – discussion paper

Sarah introduced the paper, which set out options which seek to give the Commission further ways in which to use its statutory powers. Sarah raised a number of points to note:

- This item links to a paper on meeting options which will be presented at February’s meeting.
- The Finance Secretary, Shona Robison, writes to councils after every report, so it is clear Ministers are aware of the work of the Accounts Commission.
- This paper is for discussion only today to allow a strategy of preferred options to be developed

During the discussion, the following points were raised:

- Amendments to some aspects of the wording in the paper were requested, including the addition of ethical purpose, trust and confidence, and prioritising outcomes over simply raising the Commission’s profile.
- Some Commission members expressed that hearings should not always be viewed as a negative; some have experienced them directly driving council improvement.
- The criteria for holding a hearing is a useful starting point for agreeing on the process. Members debated whether holding hearings on positive examples had merit but conceded that costs and resources meant this would not be sustainable.
- The Commission felt that a combination of the options included within the paper would be beneficial, and the Secretary will use this discussion to refine the options and produce a strategy for approval.

Following review and discussion, the Commission agreed that the Secretary produce a final intervention strategy for consideration at a future meeting.

13. Commission business risk register – quarterly review

Sarah presented the risk register for review by the Commission.

During the discussion, the following points were raised:

- Division of risks into those which must be actively managed, and those which have achieved target risk score and must be monitored.
- Risk four has been updated to refer to the general public, in response to a previous query about the wording.
- The addition of risk 12 which captures discussions on cyber security which members had previously felt was missing. This includes the introduction of training for Commission members which it is hoped will soon be available.
- Members expressed that some risks seem to lack tangible action, and responsibility falls mainly to the Chair and the Secretary. Whilst the Chair felt that ultimately this is correct, a review of this position will be undertaken in future and the Secretary will discuss this with the Chief Operating Officer.
- The next review of the register will take place at the strategy seminar in March and there is an opportunity to take a deep dive into a particular area.

Following discussion, the Commission:

- Noted the considerations of the risk management working group and the changes proposed
- Noted the risk scores and controls
- Agreed the wording and scores for new risk AC12 (IT/Cyber/Information Security)
- Noted that the next quarterly review will take place in March 2025

14. Chief Operating Officer update

The Commission considered a verbal update by Vicki Bibby, Chief Operating Officer.

Vicki provided updates on the following areas:

- The Audit Scotland budget has been submitted to the Scottish Commission for Public Audit, who asked further questions relating to National Insurance, and why Audit Modernisation seeks ring-fenced funding instead of being funded via fees. Audit Scotland has provided a rationale and this will be revisited in future years.
- The Commission had previously been updated on the increase of audit fees, and it has been agreed as part of the budget process that the fee increase will be 1.9% in recognition of growing financial strain on the public sector. Fees letters will be sent out by the end of January fees.
- The appointment of the new Audit Scotland Board member will be announced on 22 January, followed by the announcement of who has been appointed into the Board apprentice position at the end of the month.

During the discussion, the following points were raised:

- The minimal risk of the budget not being approved and the impact this will have following the issue of fees letters. Vicki confirmed that a caveat will be included in the letter to cover this.

Following discussion, the Commission noted the update.

15. Any other private business

The Chair highlighted that whilst her main update report is taken in public, there may be items that she wishes to provide updates on in private. She will make use of the private AOB section to do so, as needed. The Chair updated on the following topics of note:

- Her recent meeting with Ellen Leaver, lead Scottish Government sponsor. Ellen was updated that member appraisals are taking place and is keen that the Commission members have a positive session with the Cabinet Secretary at the meeting next month. The Commission members are asked to send topics and thoughts for consideration in advance.

Action: Secretary to the Commission

Other items:

- The Commission's role in scrutinising new taxes levied at local authority level had been raised with Jo recently. In relation to the Visitor Levy, Councils are expected to be transparent in how they intend to allocate any monies generated and the public should be included in these discussions- there should be evidence of this during the annual audit.

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

Close of meeting

The meeting closed at 13:55