

Minutes of Meeting of the  
Accounts Commission held in the  
offices of Audit Scotland, 110  
George Street on Wednesday 16  
March 2005 at 10.30am.

PRESENT: A MacNish (Chair)  
A Alexander  
J Baillie  
J Couper  
A Faulds  
K Geddes  
A Leslie  
I Low  
P McKinlay  
I Robertson

IN ATTENDANCE: C Gardner, Deputy Auditor General and Controller of Audit  
D Pia, Director of Performance Audit (Local Government)  
M Gaston, Assistant Director of Performance Audit  
R Nicol, Assistant Director of Performance Audit  
G Neill, Audit Manager (Best Value)  
W F Magee, Secretary

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Best Value Audit of Shetland Islands Council

1. Apologies

Apologies for absence were intimated on behalf of Mahendra Raj.

2. Best Value Audit of Shetland Islands Council

There was submitted a report by the Secretary introducing the Controller of Audit's report on the Best Value audit of Shetland Islands Council. The Controller of Audit's report was made to the Commission under section 102(1)(c) of the Local Government (Scotland) Act 1973.

The Controller of Audit and Performance Audit staff answered questions by Commission members. The Commission then made findings on the report contained in the Appendix to this minute.

**ACCOUNTS COMMISSION FOR SCOTLAND**  
**BEST VALUE REPORT ON SHETLAND ISLANDS COUNCIL**  
**COMMISSION FINDINGS**

---

1. The Commission accepts this report on the performance of Shetland Islands Council's statutory duties to secure Best Value and to initiate and facilitate the community planning process. The Commission recognises that the report gives a broad picture of the Council's performance based on the work of Audit Scotland and the findings of other scrutiny bodies such as Inspectorates and that it does not attempt a comprehensive review of all service delivery. We acknowledge the co-operation and assistance given to the audit process by members and officers of the Council.
2. There is considerable scope for improvement in the management and leadership of Shetland Islands Council and their internal arrangements for scrutiny. In particular, the Commission has significant concerns about the following:
  - There is a lack of clear strategic plans with targets translating the broad vision of the Council and its partners into practical programmes of action
  - Planned activity is not prioritised and matched to planned resources
  - There is a lack of evidence and systems to show how well the Council is delivering services to the people of Shetland. As a result senior managers and councillors are not able systematically to monitor performance across all areas of activity, or identify areas of under-performance
  - There is a lack of a corporate approach to procurement
  - It is not acceptable for an Executive Committee to attempt also to fulfil the role of an independent Audit Committee
  - The principles of Following the Public Pound need to be fully applied to the currently complex arrangements that the Council has put in place for service delivery through the various Trusts
  - The Council has been unable, in three successive years, to agree a balanced budget and has met the shortfall between expenditure and income from reserves. This is unsustainable and not conducive either to sound financial management or to good planning.
3. The Council area has a distinctive culture. The Council has no loan debt and has significant investments. It also has a more significant role in the local community through the provision of air services and ferries and in economic development. We recognise that these factors result in unique circumstances for the Council and we welcome its honest self assessment of where it stands and how it needs to improve. While we accept that service delivery in Shetland can result in higher costs, the lack of key management systems prevents the Council from demonstrating whether Best Value is being achieved.
4. In view of the significance of our concerns we recommend that the Council adopt an improvement plan by 30 June 2005 with specific targets and timescales to address the issues raised in the report and these findings. We are asking the Best Value Audit Team to revisit Shetland Islands Council with a view to a further statutory report on the extent to which the objectives of the improvement plan are being achieved within 12 months from the adoption of that plan.

