

Minutes of the meeting of the Accounts Commission held in the offices of Audit Scotland, 110 George Street, Edinburgh on Wednesday 21 May 2008.

PRESENT: J Baillie (Chair)
A Faulds
K Geddes
I Robertson
D Sinclair

IN ATTENDANCE: C Coull, Secretary

Item No

Subject

1. Aberdeen City Council: Reports by the Controller of Audit on the Audit of Best Value and Community Planning and on the Property Sales Investigation

1. Aberdeen City Council: Reports by the Controller of Audit on the Audit of Best Value and Community Planning and on the Property Sales Investigation

The Commission resumed consideration of the reports by the Controller of Audit on the Audit of Best Value and Community Planning and on the Property Sales Investigation in Aberdeen City Council, together with the evidence of the hearing held on 13 and 14 May 2008.

After considerable discussion the draft findings were agreed. It was delegated to the Chair, in consultation with Douglas Sinclair and Iain Robertson, to finalise the wording. The approved findings are attached as an Appendix to these minutes.

ACCOUNTS COMMISSION FOR SCOTLAND

ABERDEEN CITY COUNCIL: REPORTS BY THE CONTROLLER OF AUDIT ON THE AUDIT OF BEST VALUE AND COMMUNITY PLANNING AND ON THE PROPERTY SALES INVESTIGATION

FINDINGS AND RECOMMENDATIONS BY THE ACCOUNTS COMMISSION FOR SCOTLAND

Introduction

On 19 March 2008 the Accounts Commission considered a report by the Controller of Audit on the Audit of Best Value and Community Planning in Aberdeen City Council. The report was made under section 102 (1) (c) of the Local Government (Scotland) Act 1973. The Commission agreed that, in light of the concerns highlighted in the Controller of Audit's report, it would hold a hearing.

On 30 April 2008 the Accounts Commission considered a report by the Controller of Audit in respect of a property sales investigation in Aberdeen City Council. This was a public interest report made under section 102 (1) (b) of the Local Government (Scotland) Act 1973. The Commission agreed to hold a hearing in respect of the report; and, given the arrangements already in place for a hearing into the report on the Audit of Best Value and Community Planning, agreed to cover the report on the property sales investigation as part of that hearing.

Hearing

The hearing was held on 13 and 14 May 2008 in Aberdeen. The Commission heard evidence from –

- Caroline Gardner, Controller of Audit, David Pia and Antony Clark of Audit Scotland and Cathie Wyllie of Henderson Loggie, the Council's external auditor
- Councillor Katharine Dean, Leader of the Council; Councillor Kevin Stewart, Depute Leader; Douglas Paterson, Chief Executive; Gordon Edwards, Corporate Director for Resources Management; Martin Murchie, Head of Performance Management and Quality Assurance; John Tomlinson, Corporate Director for Neighbourhood Services (North Area); Abigail Tierney, Corporate Director for Strategic Leadership; Susan Cooper, City Chamberlain; Colin Hunter, Head of Resources Development and Delivery, Resources Management; Alan White, Head of Service for Shelter and Environment, Neighbourhood Services (Central Area); Ewan Sutherland, Head of Human Resources – Resources Management
- Councillor Leonard Ironside, Leader of the Labour Group
- Councillor Alan Milne, Leader of the Conservative Group
- Karen Donnelly, UNISON
- Janet Adams, GMB; Grant Bruce, EIS; Graham Tran, Unite (Amicus); and Tommy Campbell, Unite (T&G)
- Rhonda Kelly, Chief Executive, Aberdeen Council of Voluntary Organisations
- Paul Hannan, Chief Executive, The Cyrenians
- Sultan Feroz, Aberdeen Trades Union Council

A transcript of the hearing is available on Audit Scotland's website www.audit-scotland.gov.uk.

Findings

1. The challenges facing the Council are collectively extremely serious. While the Council accepted the accuracy of both reports by the Controller of Audit, we found that there was a lack of a full appreciation of the seriousness of its current circumstances.
2. The decision by the Chief Executive to retire affords the Council an immediate opportunity for new leadership at management level. In parallel with the early recruitment of a new and experienced Chief Executive we consider that the Council now needs to demonstrate a strong and clear commitment to leading the implementation of the necessary changes. To date, in some specific areas such as the control of budgets, leadership has not been as effective as it should have been. The scale of the challenge facing the Council warrants the agreement of an improvement plan which has all-party support.
3. We do not believe that the Council currently has the capacity to carry forward the changes that are needed whilst managing its financial position and budget. In addition to the recruitment of a new Chief Executive we make recommendations that the Council secure appropriate external assistance, including from an expert in local government finance.
4. We are concerned that the Council believes that the organisational structure is fit for purpose while the findings of Her Majesty's Inspector of Education and the Social Work Inspection Agency indicate that the Council's two largest services lack leadership and direction. We believe that there is a case for the organisational structure to be simplified and for effective leadership, which commands the respect and support of employees, to be put in place for the Council's major services.
5. We have concerns about the governance arrangements within the Council, particularly the need for more effective member scrutiny.
6. There appears to be a fundamental morale problem among many of the employees of the Council. The Council frequently refers to a "culture of non-compliance" as a reason for its difficulties. We do not accept that explanation. It seems to us that there has been a failure to engage with employees in the changes which have taken place or which have been attempted.
7. With regard to the report by the Controller of Audit on the property sales investigation, the Council accepted the many and significant shortcomings in procedures detailed in that report. Other proceedings are taking place in relation to the property transactions and, therefore, we focussed in the hearing on the procedures that the Council has now put in place and on procedures for the future. These procedures are those that we would expect any Council to have had in place. We make a recommendation regarding the monitoring of significant property transactions.
8. We endorse the view of the Council's external auditor that the Council is in a precarious financial position. Over the past three years the Council expenditure has been significantly in excess of its budget, giving rise to concern over diminishing reserves and leading to the need for a substantial package of savings in the current financial year. Given the previous record of failure to meet savings targets, we cannot have confidence that these savings will be delivered and we accordingly make recommendations regarding the close and frequent monitoring of the position.

Recommendations

The Commission, therefore, recommends to the Council that it takes immediate action in respect of the following:-

- a. Action should begin immediately to recruit a new and experienced Chief Executive. The interview panel should include representation from all political groups on the Council and should have external advisers.
- b. The Council should secure appropriate external assistance from peers, to assist it in implementing these findings and taking forward the conclusions of the Controller of Audit's reports.
- c. We would encourage the Council to establish an all party leadership board for the specific purpose of taking ownership of its improvement plan.
- d. Immediately following the appointment of a new Chief Executive a review of the Council's organisational structure should be undertaken. There should be full engagement with employees in considering the options for this structure.
- e. The Council should appoint an independent local government finance expert to establish whether the Council's proposed savings are accurate and achievable, and closely to monitor the delivery of the savings. We also recommend that the Council's external auditor has access to all papers and minutes of the budgetary review working group and be entitled to attend all meetings.
- f. The Council should ensure that robust and effective governance arrangements are in place, including officers producing reports that outline policy options, members receiving all committee papers in accordance with the timescales laid down in the Local Government (Access to Information) Act and the Council's standing orders, and members attending appropriate training courses.
- g. To enhance public confidence in scrutiny, we recommend that scrutiny arrangements be chaired by a member of an opposition party.
- h. All significant property transactions should be signed off by both the Chief Financial Officer and the Monitoring Officer to ensure appropriate governance and accountability.

The Local Government (Scotland) Act 1973 (as amended) requires the Council to consider these findings at a meeting of the Council within three months of receiving them, and to decide whether to accept any or all of these recommendations and what action to take in response to them. We recommend that Scottish Ministers take appropriate action to ensure that, should there be any deficiencies in the implementation process, these are rectified.

The Commission will continue to monitor the circumstances of the Council through the Council's external auditors. We require a further report by the Controller of Audit on progress made by the Council in twelve months' time. We will give consideration at that point to any further measures that need to be taken.

29 May 2008.

