

# **AUDIT COMMITTEE**

Tuesday 27 February 2007

Session 2

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2007.

Applications for reproduction should be made in writing to the Licensing Division,  
Her Majesty's Stationery Office, St Clements House, 2-16 Colegate, Norwich NR3 1BQ  
Fax 01603 723000, which is administering the copyright on behalf of the Scottish Parliamentary Corporate  
Body.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by RR  
Donnelley.

---

# CONTENTS

Tuesday 27 February 2007

	Col.
ACCOUNTS COMMISSION .....	2037
AUDITOR GENERAL FOR SCOTLAND REPORTS (RESPONSES) .....	2055
COMMITTEE REPORTS (RESPONSES) .....	2056

---

## AUDIT COMMITTEE

### 4<sup>th</sup> Meeting 2007, Session 2

#### CONVENER

\*Mr Brian Monteith (Mid Scotland and Fife) (Ind)

#### DEPUTY CONVENER

Mr Andrew Welsh (Angus) (SNP)

#### COMMITTEE MEMBERS

\*Susan Deacon (Edinburgh East and Musselburgh) (Lab)

\*Robin Harper (Lothians) (Green)

\*Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

\*Mrs Mary Mulligan (Linlithgow) (Lab)

\*Margaret Smith (Edinburgh West) (LD)

#### COMMITTEE SUBSTITUTES

Mr David Davidson (North East Scotland) (Con)

Marlyn Glen (North East Scotland) (Lab)

Eleanor Scott (Highlands and Islands) (Green)

Mr John Swinney (North Tayside) (SNP)

\*attended

#### THE FOLLOWING ALSO ATTENDED:

Mr Robert Black (Auditor General for Scotland)

#### THE FOLLOWING GAVE EVIDENCE:

Caroline Gardner (Audit Scotland)

Alastair MacNish (Accounts Commission)

David Pia (Audit Scotland)

#### CLERK TO THE COMMITTEE

Shelagh McKinlay

#### SENIOR ASSISTANT CLERK

Joanna Hardy

#### ASSISTANT CLERK

Clare O'Neill

#### LOCATION

Committee Room 2



## Scottish Parliament

### Audit Committee

*Tuesday 27 February 2007*

[THE CONVENER *opened the meeting in private at 09:37*]

11:17

*Meeting suspended until 11:25 and continued in public thereafter.*

### Accounts Commission

**The Convener:** I welcome the public and members of the media to the fourth meeting in 2007 of the Audit Committee. I also welcome the witnesses who are with us for item 5, which concerns the Accounts Commission's local authority audits for 2006. This is the fourth annual evidence-taking meeting with the Accounts Commission—the first was back in April 2004. The practice was started by this committee, with the help of the Accounts Commission.

The purpose of this part of the meeting is to allow the Accounts Commission to provide an update on performance and best-value issues in relation to local government. Members are reminded that, as was previously agreed by the committee, in taking evidence on local authority matters, the committee's interest focuses on the performance of local authorities on a national basis, not on the performance of individual local authorities.

With us today we have Alastair MacNish, the chairman of the Accounts Commission; Caroline Gardner, the deputy auditor general and controller of audit; David Pia, the director of performance audit in the local government team at Audit Scotland; Gordon Smail, the senior manager of performance audit at Audit Scotland; and Bill Magee, the secretary to the Accounts Commission and the Audit Scotland board.

I invite Alastair MacNish to make his introductory statement.

**Alastair MacNish (Accounts Commission):** With regard to the past four years, I must say that time flies when you are having fun.

I thank the committee for the opportunity to present the 2006 overview report on local government in Scotland. The report is, in the main, a positive one. Financial stewardship remains sound across authorities, with council tax collection rates increasing in-year to 93.3 per cent, compared to 92.7 per cent in 2005—six years ago,

in my first year with the Accounts Commission, it was in the 80s—and in real terms, the councils took in an additional £100 million in council tax, in-year. Although the councils obviously collected more than that eventually each year, there has been a dramatic improvement in in-year collection.

For the first time, every council has a stated reserves policy, which is an issue that we have highlighted in the past few years. Waste recycling has increased from 17.6 per cent in 2005 to 24.7 per cent in 2006, with the amount of biodegradable waste that is sent to landfill sites coming close to the Executive's target for 2005-06.

There has been progress with regard to the flexible use of home care services across most councils in Scotland, although the overall reduction in the number of elderly people receiving any home care needs careful monitoring.

The report shows the most encouraging results in performance against statutory performance indicators since their inception. Despite the improvements, however, the essential performance management information that is available in each authority is far from robust, which is an issue that we have raised at this committee before. In that connection, the Accounts Commission welcomes the review that the Executive is undertaking—along with the Convention of Scottish Local Authorities, the Society of Local Authority Chief Executives and Senior Managers, the Improvement Service, Audit Scotland and others—of management information that is required by authorities to accurately reflect their service performance.

Financial pressures on councils are as severe as they have been for many years. That is, in the main, the result of equal pay settlements, the single status agreement, continuing pension-fund contribution increases and ever-increasing energy costs. It is, therefore, imperative that councils have in place proper risk assessment, detailed asset management arrangements and sound long-term financial planning.

On best value and community planning, Audit Scotland has completed 18 of the 32 best-value audits of councils. What is most encouraging is that, in every case, councils are using the best-value process to try to improve the quality of service provision in their area. That includes the councils that have furthest to go in terms of achieving best value.

11:30

On the other hand, community planning partnerships in many areas are not progressing as quickly as we would like. That is partially because of the bureaucracy in the process and partially because of the urgent need for greater

commitment at the highest level in partner organisations. It is vital that those issues be resolved as soon as possible.

Such reports are only of real value if they are used to look forward as well as to reflect on the year that is under review. The current report is no different. The imminent introduction of multimember wards, together with the retiral of many experienced elected members and senior officers throughout Scotland, underlines how vital it is to provide the necessary training for new members in May. We urge councils to set up the arrangements for that now, together with clear protocols for multimember ward issues, so that the progress that local government is currently making is not jeopardised.

As I highlighted earlier, the financial pressures on authorities are significant, so it is essential that councils and their public-sector provider colleagues move the sharing of services to the top of the agenda. Sharing of services will progress only if it is treated primarily not as a cost-cutting exercise but as enabling the redirection of resources to front-line services within current spending guidelines.

My colleagues and I are happy to try to answer questions.

**Margaret Jamieson (Kilmarnock and Loudoun) (Lab):** The report does not say whether you consider sickness absences that have resulted from people sustaining injuries at work. We hear anecdotal evidence about teachers and police officers sustaining injuries and about other workers being involved in industrial accidents. Will any work on that be undertaken for next year's report?

**Caroline Gardner (Audit Scotland):** The statutory performance indicators do not break down the sickness absence rates by reason for sickness; they break them down by the big operational groups—teachers, white-collar staff and manual staff. However, sickness absence is one of the areas that we are keeping a close eye on because of its importance under the efficient government initiative. We will continue to consider it and to think about ways in which the SPIs might develop as part of the performance-management framework to which we refer later in the report.

**Margaret Jamieson:** There is a correlation between people being off sick and the information that is provided on assaults on teaching staff, to use teachers as an example. It would be helpful to see that correlation.

I note that you have made no comment on the impact that the procurement process has, under the efficient government initiative, had on small and medium-sized enterprises or on the need for each authority to consider it.

**Alastair MacNish:** We are not far down that road in terms of the efficient government initiative's success to date. It needs to be managed carefully. When we examine in more detail some of the figures that have been bandied around, we find that they are less to do with efficient government and more to do with good housekeeping. The issue that Margaret Jamieson raises is important for communities—we must be careful that we do not substitute efficiencies for something that, in the long term, would harm the communities. We take that on board for the audit of each authority.

**Margaret Jamieson:** So, the situation it is not quite as rigid as it is made out to be.

**Alastair MacNish:** Many issues are involved. It is not a case of saying that there is a saving to be made so something should be taken away; one has to consider the full picture. The community's needs must be included, as well as straightforward savings.

**Margaret Smith (Edinburgh West) (LD):** I am interested in your comments about the upcoming council elections. You say that they "represent a significant challenge". I think that we would all agree with that, but you go on to make the interesting point that

"there is a risk to the pace of change and improvement achieved in recent years."

Will you expand a wee bit on that? Are your comments based on evidence from your visits to councils that local authorities are not doing what they should to get themselves ready for the influx of new people and the loss of experience, or is what you said anecdotal and a gut reaction to the fact that the elections will bring about a period of change?

**Alastair MacNish:** In the main, the conclusion stems from the best-value audits. Over the past few years, there has been concern about the lack of real scrutiny of policy in councils. That is improving, but in every case the need for proper training of elected members in their scrutiny role was aligned to that concern. The fact that training is not up to speed in the old system means that the problem will be far greater when we switch to a multimember ward set-up in May.

The councils should start now to create protocols for after the elections because many experienced officers will soon disappear. There will be a double problem: experienced officers will leave and the new officers who will come in will be trying to run to stand still. The commission is concerned that if protocols are not in place by May, we will start with a built-in inertia and things will take a long time to pick up. That would be a tragedy, because there is genuine improvement in service delivery at a local level.

This is not anecdotal; there is evidence that the matter needs to move forward. COSLA is trying hard to move it forward, but the issue is real. The statement that you quoted from the report is not a throwaway line.

**Margaret Smith:** I presume that you have had discussions with COSLA about that. Your point about scrutiny is fundamental. If you are considering drawing up protocols for multimember wards, you could examine what happens in other countries and put protocols together fairly easily. We have a fairly short time, but it is not as if the same issues have not been experienced elsewhere. I presume that there are basic rules.

**Alastair MacNish:** Yes—there are various examples throughout the world of protocols being put in place for such situations. The danger is that the issue will fly under the radar: we will suddenly get to May, June and July and everybody will be rushing about trying to do something. COSLA plays an important part in the matter and needs to do so. I do not know whether Caroline Gardner has had any formal discussions with COSLA on it.

**Caroline Gardner:** The Improvement Service is doing a lot of work on, for example, the training that new members will need, the support that members in multimember wards might require and a case-handling system for multimember wards to ensure that everybody who has an interest will be able to track what is going on in particular cases. Some of that material is becoming available. The Accounts Commission is keen to encourage local government officials to think now about what to provide for new councillors when they come into their new roles in the first week in May, in order to ready them quickly for playing that role and to build on what has built up over the past year or so.

**Alastair MacNish:** We could also learn from the mistakes that were made with list MSPs when the Parliament came into being. Speaking from the local authority side, I can say that it was chaos; we would get the same letter seven times in three or four months.

Training and support are—and will be, come the summer—cause for concern in local authorities. All we ask is that local authorities consider them now and take steps to have them in place so that the changes do not come as a surprise.

**Margaret Smith:** I echo that point. Having been a member of a local authority as well as a member of Parliament, I would go for the training and support that I got when I entered the local authority before the help, support, guidance and training that I did not receive when I became a member of the Parliament. I echo your general sense of what was going on when Parliament came into being.

**The Convener:** I would like to clarify that it is generally known that there will be a change in the councillors who will take post after 3 May, because of the new form of local government elections, and that because of the changeover there will be a significant loss of experienced councillors. Is it generally well known that that will coincide with the loss of experienced officials? Is the loss of experienced officials unusually high this year, or is it just that such changes tend to happen at that time of year?

**Alastair MacNish:** It is a strange situation because, as you might remember, about a year ago word was going round that 12 to 16 chief executives would leave the service. That did not seem to happen, but there is a drip now as a significant number of chief executives, and therefore people in other tiers, are starting to announce that they will stand down. There is a problem in respect of senior officers across Scotland—it is not happening just in pockets. Obviously, the chief executives are not all leaving, but there is a serious issue.

**The Convener:** Do we know whether that is happening because of the drive for more efficient government or because of packages that make it more attractive for people to leave, or is it just that people think that it is an appropriate time to leave because the make-up of councils is changing? Is the reason psychological?

**Alastair MacNish:** I think that people are leaving for the same reason that I stepped down in 1999: they feel that someone else can do a better job. I felt that my time was up. Officers tend to be in control at council level for a certain timespan. It is no different from any other business. The time comes when one must move on.

**The Convener:** You have raised a useful issue; I hope that the rest of Parliament is also aware of it.

**Mrs Mary Mulligan (Linlithgow) (Lab):** I will raise two issues. The first is how councils respond to the demands that are placed on them by changing populations. Exhibit 6 in your report shows the number of primary and secondary pupils. I am sure that you will understand when I say that the trend that it shows is not the one that I see locally; the trend in my area is in the opposite direction. Clearly, increasing school rolls alongside changes such as reductions in class sizes mean that there are pressures on some—but not all—local authorities to respond to those demands. There is an issue when the trend locally is the opposite of the national one, which is a reduction in the number of pupils. It becomes more of a challenge when the figures are going in the opposite direction. How can we ensure that the few local authorities that have those pressures are able to respond to them and are supported so that

they can respond effectively in their use of resources? Does Parliament recognise the additional demands that are placed on some of our local authorities?

**Alastair MacNish:** I believe that that is a real issue. One of the few problems with a national report is that it paints the overall picture; therefore, the report paints an overall picture of falling school rolls, although school rolls are rising dramatically in pockets of Scotland. That is every bit as big a problem as falling school rolls, and in some ways it is a greater problem, and the question of how to cope with it is a problem.

The Scottish Executive is obviously putting money into the public-private partnership arrangements in an effort to help by enabling significant changes. It is still too early to judge how successful that has been or will be.

Caroline Gardner might want to comment on increasing school rolls.

**Caroline Gardner:** You are right that the report provides the picture across Scotland. One of the things that we find in councils that are doing well in respect of both best value and community planning is that they have a handle on demographic changes in their areas, whether the change is in the number of schoolchildren coming through or in the number of older people who will require services. We have not yet examined closely how well that links to national priorities and what the Executive is trying to achieve, or what it means for funding. I suspect that that will start to work its way through the system over the next two or three years.

There is a lot of discussion about local outcome agreements or area outcome agreements that might help to match local and national priorities. That would be a good way of driving out the differences that can differentiate an authority from the across-Scotland picture.

**Mrs Mulligan:** I hope that the committee will forgive me if I use a local example. Where there are increasing numbers of pupils while we are looking to reduce class sizes in certain subjects, there is an issue about how to provide the teachers to service that. The Executive is saying that it is increasing the number of people who are coming into the teaching profession, but how do we direct those additional teachers to the areas where the pressure is most severe? I am not sure whether we are seeing a response to that.

11:45

**David Pia (Audit Scotland):** An issue that we have become increasingly aware of—some local authorities have brought it to our attention—is that there is some uncertainty about demographic

projections. A particular issue is the impact of migration, which can be quite profound at the local level. The significant feature of migration is that it occurs among people who are of working-population age and child-bearing age. That will certainly have a significant influence in some areas. We hope that when we come back next year to talk about our overview report we will be able to comment on the population projections with which we are working.

**Mrs Mulligan:** The second issue that I want to highlight is recycling. We are all tremendously impressed by and welcome the improvements that have been made. However, it has been said to me that there could be further improvement in a couple of respects. One issue is about how we record our recycling and how local authorities are asked to record it. If we compare ourselves with our colleagues on mainland Europe, we have different targets and different recognition of recycling. We may therefore be doing better than we think we are, which would obviously be good. Have you come across that?

The other issue is about the ability of local authorities to work together. The Executive is keen to promote regional responses to recycling. That is good as far as it goes, but local authorities' working together can hold back the local authorities that are further along the line. The question is about how we balance partnership working with the ability of some authorities to push ahead while not being delayed by others that are not at the same stage. Do you have a view on that in respect of increasing recycling?

**Alastair MacNish:** The Executive and local authorities should be congratulated on the increase in recycling—there was a significant injection of funding to the local authorities, which they have used very well. It is clear in authorities that I have visited that there is a drive to increase the rate of recycling. Very few people now do not know about what is required on recycling.

I am not sure whether we are doing better than we think we are, but the point about recording recycling is valid. When one travels in Europe, one hears all sorts of stories about different systems. Some of the systems are fairly draconian, in that people who put things in the wrong recycling bins are fined and so on. There are different systems and the figures are recorded differently so it is a valid point, but I do not know whether we have further information on the matter.

It would be tragic if any council were to be held back through partnership working. I made a point about shared services—I believe passionately that we must move that agenda forward. No big business can survive in this day and age without moving the agenda forward in respect of scarce resources. It would be tragic if authorities that



were ahead of the game were held back and were having to slow down.

**Caroline Gardner:** We are in the final stages of a study on waste management. David Pia is better informed than I am about what is coming out of that.

**David Pia:** We are examining the progress of the area waste plans, which are produced by 11 groupings of local authorities in Scotland. Without pre-empting the study's conclusions, it is clear that progress in implementing the plans has been rather halting, partly because it has been complex to get the authorities together and partly because the United Kingdom has been running fast to try to catch up, because we started rather far behind. A lot has been done in a very short time. In the study, we will be able to comment on the reasons for the delays, and to make recommendations that I hope should take matters forward more effectively.

**Mrs Mulligan:** I look forward to publication of that study.

**Susan Deacon (Edinburgh East and Musselburgh) (Lab):** I have several issues to ask about, the first of which is best value. Many of us have lived through the genesis, growth and evolution of best value. I, for one, am persuaded that it is an altogether more effective approach than what went before; however, there is still a way to go in making what best value means penetrate the public consciousness. The terminology can seem vague and woolly, even if the results of the process are not. Now that the system is fairly well embedded in practice, what is being done to get across to the wider public what the process is all about and how it addresses their concerns not just about service delivery and development, but about the wider governance and operation of local authorities?

**Alastair MacNish:** I am surprised by how well and how quickly best value has developed, and by the support that it has received from the local authority community, as it is a difficult area. It was not a throwaway line when I said that councils are using the best-value process to try to improve levels of service. However, there was overoptimism about the first few best-value improvement plans that councils came up with, in which councils said that they were going to do everything. The external audit reports came back saying that the councils were not achieving some of the outcomes that they had hoped to achieve. There is, therefore, an issue about councils' being realistic and moving at a pace with which they can cope. That is a slight drawback.

It is vital, as a next stage, to improve customer awareness of best value. The reports are fairly technical and are—I speak with tongue slightly in

cheek—written in plain English as far as possible. The reports tend to be technical in nature, although the press take out only the headlines that they want from them. An important message needs to be passed to the public and the citizens of each area, especially from the councils, about what local authorities are trying to achieve, about the Accounts Commission's findings, and about what councils hope to do further along the road.

It has been asked whether we should start to take customer responses into account. We can do that to a small extent, but it is too big an issue for Audit Scotland and the Accounts Commission to take everything on board. We would never finish any of the reports if we did that. Nevertheless, it is a valid issue, and we need to make the public's input into best value far more real in terms of perceived issues. Any individual has many issues, and best value gives only a rounded picture—it does not cover every service; it covers only the services that we believe require attention.

**Caroline Gardner:** As Alastair MacNish said in his introductory comments, we are just over halfway through the first round of councils. We are reviewing how the approach is working, how we can fine tune it for this round and, more important, what we want to change for the next round. Two broad themes are coming out of that. First, we want to move away from a focus on processes, which is where we have had to start, towards something that is much more about outcomes and local impacts. Secondly, there is the question of how we engage people and ensure that we incorporate their views in the audits and that we report findings in a way that is more accessible and understandable to them.

It is fair to say that we have struggled to do that this time round. Just today, the Accounts Commission published a favourable report on the City of Edinburgh Council, but the coverage in *The Scotsman* is very much about things that are not as good as they should be, such as street cleaning. There is no mention of the things that are going very well. That approach is taken repeatedly, so we are keen to consider ways of getting the information across more directly to people and to develop their understanding of best value. That work is on the way just now. The intention is that the Accounts Commission will, over the summer, make decisions on how we update the approach and then engage with the new elected members to ensure that they understand what best value is about, so that they can play their part in engaging communities in it.

**Susan Deacon:** I am grateful for that answer and pleased that it is not just about enabling the public to offer input. An awful lot of it is about feedback and communication. Often, views and concerns are fed into the process—they go into

the sausage machine—but it does not feel that way to the wider public even if, a year later, something comes out at the other end in response to their views and concerns.

I am interested to know what mechanisms you think could be used to improve information and feedback. Also, given the recent use of a hearing in West Dunbartonshire—although that took place in exceptional circumstances—I am interested to know whether you think that there may be more mileage not in a full-blown hearing of that nature, but in something that resembles that more open process in which there is an opportunity for the public to hear more about what is going on within a local authority or to get more feedback, just as some of the processes in the health service now enable people who are interested to go along and hear about accountability reviews, and so on.

**Alastair MacNish:** There is no doubt that the 150 people who attended the public hearing in West Dunbartonshire genuinely believed that, for the first time, they were hearing about and airing grievances for which there had previously been no forum. If you had taken a straw poll in West Dunbartonshire, the public would have welcomed such a hearing with open arms. Nevertheless, we must be cautious about going down that road, as it is fraught with its own difficulties. There are occasions on which it will have to be done, but it is a last resort.

As Caroline Gardner pointed out, we are in the middle of a review of best value in which we are consulting the councils and their customers. We hope to have the review completed by the summer, after which we will meet local representatives, the councils and their partner organisations to see where we have got to and how we can improve things. I could easily sit here and say, “Yes—no problem. We will solve the problem overnight,” but that is not going to be the case. The more we can relate best value to the citizens of each council area, the better the best-value reports will be in terms of improving the quality of service in each area. There is a long way to go, but progress is being made. I hope that the further we go down that road, the better it will be.

**Susan Deacon:** I would like to think a bit more about the leadership and governance issues that you touched on earlier, with specific reference to the transition period that we are now in. In your comments today and in the report, an awful lot of the analysis is couched in the language of risks and problems. Might there be opportunities, too? Might we think about how those opportunities could be exploited? I fully appreciate the fact that, following a major change in personnel—both elected members and officials—councils will lose a lot of capacity. That is clearly an issue to be addressed. However, equally there is a chance to

bring in new perspectives, new approaches and new blood. How could those opportunities be exploited?

**Alastair MacNish:** Back in 1995, everyone said that the end was nigh, because experienced elected members and officers were disappearing. There was an opportunity at that time for me and others to bring in some new blood. Some of the fresh ideas that we brought into the system worked and some of them did not.

I was careful to talk about the loss of experienced elected members. There will be a breath of fresh air and new ideas will come in that will move the agenda forward, but we should never discount experience, because we have gone down that road and have seen that it genuinely does not work. There is a balance to be struck. It should not be all doom and gloom. If we handle the transition well, it can be a recipe for further success.

Nevertheless, there are dangers at the moment, because people are looking in different directions. One of the biggest dangers is the fact that the most enthusiastic new members will want to move mountains immediately but, if the systems to do that are not in place, that will not happen, frustration will build up and we will go backwards. My fear is that, once the enthusiasm has been drained from those individuals, inertia will be created that it will be difficult for councils to overcome.

In 1995, there was a massive injection of new political leaders who wanted to drive forward the agenda in their areas. Some of them were successful, but others got frustrated and disappeared. Your point that there are opportunities as well as negatives is absolutely valid. I have highlighted the negatives, because they are an issue right now. However, come the summer, there will be new blood that will genuinely improve the quality.

12:00

**Susan Deacon:** I want to ask specifically about management or leadership capacity among officials. Your report talks about political governance, and we have talked a lot about the departure of elected members and the associated influx of new ones but, as you and the convener mentioned, there will also be changes among chief officers. By all means disabuse me of this notion if it is not correct but, as an interested observer of the situation for decades rather than years, I have detected that, although the pay and conditions for chief officials in local government are better than they were in the past, the competition for and interest in those positions are sometimes less. If

that anecdotal evidence is wrong, you can correct me.

I am sure that situations vary greatly throughout the country, but it strikes me that it is vital that we ensure that a wide range of people with various skills compete for senior management positions in local authorities. There will be a period of considerable movement in the coming months. What can your organisation, COSLA or the Scottish Executive do to catalyse the process that I have talked about? The work does not necessarily need to be heavy handed and to come from the top down, but it should encourage and support a meaningful process.

**Alastair MacNish:** The members of my team are now terrified about what my answer will be. I will not answer as the chair of the Accounts Commission; instead, I will give a personal view. I have a real concern about the ability of the new senior officers who will replace the existing ones. My concern is not about all those people; it is that the breadth of experience will be limited. I have a concern that too much experience will be lost to local government in the coming round of changes. It appears to me that sufficient expertise will not be available in that round unless we widen the net considerably. That is a personal view that I have held for some time. The issue must be considered carefully.

As Bob Black, who is sitting at the table, and I know, the days in the 1970s and 1980s when we had a system of Buggins's turn and whoever was next got the job—not that that was why we were appointed—have gone. We cannot afford to have such a system. COSLA has the main responsibility on that. We will try our best to highlight the issues, as we have done up to now. The question is valid and it needs a lot of thought. We need a lot of effort to get into a situation in which, come May or June next year, we are comfortable with the new set-up of senior officers, by which I mean not only chief executives.

Caroline Gardner will now rescue us and say that I did not really mean all of that.

**Caroline Gardner:** No. I will just add a small point of information. The Scottish Executive is beginning some exciting work on leadership development, which it is rolling out to people from various backgrounds. One reason why Barbara Hurst is not here is that she is taking part in a Scottish Executive leadership development course. That is great, but such measures do not work overnight. People develop over a period of time, and that development must be matched with experience. The challenge is to ensure that we make good appointments now and develop people in the years to come.

**Susan Deacon:** As a quick postscript, I add that I am conscious of the emphasis that has been placed on protocols in the transition. We had protocols in the Parliament in the early stages, and I am not convinced that they resolved some of the issues. I simply leave that sticking to the wall.

**The Convener:** I have a couple of questions, but I am happy to let Margaret Smith in now.

**Margaret Smith:** My question is on maximising income. Exhibit 14 in the report shows the percentage of council tax collected year on year from 1996-97 to 2005-06. The graph shows that the trend is going in the right direction. The amount of money is significant. How much scope is there for the trend to continue on that trajectory? I presume that it is getting harder for councils each year.

**Alastair MacNish:** There is still room for that, because councils are working hard at council tax collection. There is not a council in Scotland that is not pushing as hard as it can on that. It is a pity that that was not done earlier. The graph shows a significant improvement, but there is still some way to go. The councils at the top cannot go any further—there will always be the 1 or 2 per cent of people who will fight to the end not to pay the tax. However, I hope that the trend will continue to rise in the next few years. Given the systems that the finance departments now have in place, there is no reason to believe that that will not happen. It is vital to the councils to collect that money, because they can use it.

**Margaret Smith:** You said that £100 million extra in council tax had been collected this year.

**Alastair MacNish:** Yes. We have to take inflation into account but, given that it was only 3 per cent, we are still talking about £90-odd million.

**Margaret Smith:** That is about half the cost of personal and nursing care. That is the context.

**Alastair MacNish:** That was the in-year figure. When the year finishes, more council tax is collected, so the figure increases. However, a significant step forward has been taken over the past five or six years.

**Margaret Smith:** The overall trend for rent arrears is falling, which is good. However, you said that, in a third of councils, rent arrears are increasing. What is the background to that? What have those councils put the increases down to? Is there an on-going, year-on-year problem for them, or have there been blips for particular reasons?

**Caroline Gardner:** We can break down the statutory performance indicators for each council, but we do not have good information on the reasons behind them. We take the SPIs and feed them into the best value audit of each council. The best value audit team will home in on and try to

understand the reasons for rent arrears creeping up in certain councils. I am afraid that I cannot give you more information on that at this stage.

**Margaret Smith:** That is fine. Thank you.

**The Convener:** You took my council tax question, Margaret. Not to worry—I still have a few more.

The most interesting bit of information that you gave us was that the £100 million extra that was collected was a 0.6 per cent improvement. The improvement is marginal, but it represents a huge amount of money. The scale of the money involved is interesting.

You know the average, but is most of the improvement coming from the councils whose council tax collection percentage rates are in the mid to high 80s rather than those whose collection rates are 95 or 96 per cent? Where is most of the improvement being made?

**Alastair MacNish:** It is being made virtually across the board. Obviously, the percentage increases—and therefore the increases in money—are far smaller in councils that have high percentage rates of collection already. I am not aware of any council that is not really pushing the collection agenda as hard as it can. The lower a council's collection rate, the quicker it increases and the more income is created in-year. The improvement is being made across the board; it is not that three or four councils are doing remarkably well. There have been major successes. The trouble is that we have to limit the things that we emphasise. Council tax collection was considered important. It was a bit like reserves—the commission highlighted it on numerous occasions. There has been movement in the right direction. There is no doubt that the best value audits have helped with that.

**The Convener:** You have moved on to address my next point. You said that there are now stated reserve policies. Can we learn any lessons from them? Are councils sticking with them, or is it too early to say?

**Alastair MacNish:** The big plus is that councils now have a policy throughout Scotland. On scrutiny, elected members can check the policy against what is happening.

An important point is that many of this year's general unallocated reserves have been allocated to equal pay settlements. If authorities had not had those, they would have had an even greater problem. However, they have managed that situation well.

Where an authority's reserves are down to almost zero, policies are in place to correct that so that, in 2006-07, the authority is working back towards achieving the stated level. Moray

Council's reserves level is sitting way up at 9 per cent, but that is because it is about to develop a major flood prevention project. Authorities are taking a huge new approach to reserves and to knowing what is in their reserves and why it is there.

As you will remember, when we gave evidence to the committee last year, we kept highlighting the fact that the public have a right to know about their local authority's reserves. The media highlighted the huge reserves figure, which it was suggested could have been used to allay council tax increases. However, the real issue was that authorities had big problems sitting out there. Authorities are now able to earmark their reserves against a stated policy. That is a huge step forward, and it has come quicker than I anticipated. People have taken on board what we said. Again, I think that best value has not done any harm in moving that agenda forward.

**The Convener:** Personally, I think that communicating to people what the reserves are for is the key to allaying people's fears. The problem with the way in which the reserves figures were reported by the media in recent years was essentially due to the fact that it was unclear what the reserves were for. There has been a huge improvement.

Staying with financial issues, can you say any more about the equal pay and pensions issues, in particular the unfunded pension schemes, such as those that are provided for the police and the fire service? Looking forward, can you say that those are now becoming less of a concern? Certainly in previous years, the unfunded pension schemes have loomed on the horizon as serious issues.

**Alastair MacNish:** I will answer the question on police and fire service unfunded pensions and Caroline Gardner will comment on the other issues.

Unfunded police and fire service pensions are still a major problem, because they require joint boards to examine where they can save money to pay for the unfunded contributions. That is a real issue. Having accepted, for my sins, an appointment as an independent member of the parliamentary fire advisory group—if that is what it is called—I am aware that England has moved to funding the unfunded part of such pensions from the centre. I am sure that the Executive will consider doing the same, so that the burden is removed from joint boards. Funding the pensions centrally will not solve the problem, but it will mean that, when boards are looking at their resources for what they are required to do, they do not get hung up on the need to find X hundred thousand pounds more for unfunded pensions. Such a move might be a step in the right direction. I know that it is being considered at the moment, but it will take

some time to come out. There are still issues and problems with unfunded pensions.

**Caroline Gardner:** The main local government pension scheme is notable for being the only public pension scheme that is actually funded. Although the scheme has a shortfall, the most recent valuation shows that the shortfall has reduced slightly. Clearly, the issue is long term. The fact that contributions are rising brings its own financial pressures, but it means that, over the long term, the scheme will not have a significant problem. I think that the problems can be managed.

Equal pay and single status are probably more complex. One reason why the level of non-earmarked reserves is falling is that councils are making provision to compensate affected staff. The aim of such provision is to limit councils' liability in that area. However, until workforce structures and rewards systems are actually revised, there will still be risks. The priority is to ensure the proper implementation of single status, as that will cut out the risk of future claims building up over time. We have raised the issue in the report, because it represents a continuing risk for councils that is not easily managed in the meantime.

**The Convener:** I have one final question in this our final meeting of the Audit Committee in session 2. Given that we started the process of taking evidence from the Accounts Commission a number of years ago, and given that one or two of us will not return to the Parliament—I wish other members well in their efforts to be returned—does Alastair MacNish, as chairman of the Accounts Commission, want to comment on how in future we need to work at the relationship between local authorities and the Parliament on issues such as best value and understanding the problems of financing local authority services? In light of the work that you and we have carried out, what more might be done to ensure that we all work together to secure better value for the public?

12:15

**Alastair MacNish:** I have scribbled down some points on a page that I have headed "Thoughts of the departing chair", but I will not bore you by going through all of them.

I genuinely believe that our dialogue with the Audit Committee has been some of the most fruitful that I, as chair of the Accounts Commission, have had in any forum. The Parliament has to understand the commission's role; in turn, the commission needs to ensure that its interface with local government and the Parliament is as good as it can be. I welcome that activity and hope that my successor—whoever it

will be—takes it forward as far as they possibly can.

I welcome Professor Crerar's report on scrutiny, inspection and audit, which is due to be published in the summer, because changes are required in that respect. We need to tackle the paper mountain that has built up over the past few years, partly because of the Scottish Executive and partly because of the paperwork that we, among others, require from and create for organisations.

Given that the Parliament provides 80 per cent of council funding, it is difficult to resist its impulse to be more hands on with its scrutiny of local government. Some way of completing that circle will have to be found, because the issue will not go away. I will always argue for the Accounts Commission's independence, but in future there will need to be some role in interfacing between Parliament and local government. If the issue is not tackled and the situation is not sorted and improved, there will at some point have to be a face-off.

We also need a radical review of public services in Scotland. The public do not understand why there needs to be such a massive overlap in the services provided by the health service, children's services and social work. Such matters must be addressed, and I am reasonably confident that, with the new set-up involving the Parliament and local government, that will happen as soon as possible.

Those are some of the ramblings of a departing chair. As I have said, the Crerar report will help, as will more dialogue, not only between the committee and the Accounts Commission but between the committee and other parts of the public sector.

**The Convener:** Thank you. We have found it most useful to invite the Accounts Commission to come before the committee not only to answer questions on its overview report on local authority audits but to clarify working relationships and lines of accountability. After all, such matters are often not clear to parliamentarians, and even to councillors. If we are not clear about them, the media and, indeed, the public can become confused.

As I have said, these meetings over the past four years have proved particularly useful. I thank you for attending and for all your hard work.

**Alastair MacNish:** Thank you very much.

## Auditor General for Scotland Reports (Responses)

12:19

**The Convener:** Item 6 is responses to reports by the Auditor General for Scotland. There are a number of papers for the committee to consider. Members will recall that, for one or two reports by the Auditor General, we decided not to hold an inquiry or take evidence ourselves but to seek answers to certain questions.

The first response for us to deal with is from the Scottish Qualifications Authority. I feel that an issue that has been left hanging is the difficulty surrounding future income and expenditure. Attempts have been made to answer the point, but I do not think that it has been fully answered. Are there any other comments?

I assume that auditors will keep an eye on the matter. The Auditor General may tell us whether auditors are already on top of the matter.

**Mr Robert Black (Auditor General for Scotland):** Yes, I assure you that we will keep an eye on that issue. We are aware that the SQA receives income from a number of sources. The SQA's letter to the committee refers to a projected possible income shortfall relating to the national qualifications element, but we think that the issues go wider than that. We will be keeping a watch on the matter through the audit process.

**The Convener:** There are no further points in relation to the SQA. Do we agree to note the SQA's response?

**Members** *indicated agreement.*

**The Convener:** The next response relates to transport in Scotland. We have received a reply from Philip Rycroft. The committee has no points or comments on the subject, and we have no questions for Audit Scotland. Do we agree to note the response?

**Members** *indicated agreement.*

**The Convener:** We have received a letter from Dr Kevin Woods regarding "Planning ward nursing—legacy or design? a follow-up report". There are no comments on the letter. Do we agree to note the response?

**Members** *indicated agreement.*

**The Convener:** All those responses are noted.

## Committee Reports (Responses)

12:22

**The Convener:** Item 7 is responses to committee reports. We have received a response from Dr Kevin Woods, head of the Health Department, with regard to our report on the implementation of the consultant contract. I invite members' comments.

**Susan Deacon:** In a sense, I am loth to prolong debate on this issue, which we have been considering for some time. I have one comment in response to the reply that we have received. For me, the letter reinforces a view that I expressed at our previous meeting. Although the examples that are given of improvements in services and service design support the fact that the consultant contract has had a positive impact, they also reinforce the question why this professional group requires such substantial changes in conditions for good practice to be levered.

I will not take up the committee's time by going into detail, but I was interested, to say the least, to see the reference to the redesigned cataract pathway in Ayrshire and Arran. My colleague Ms Jamieson has left, but she might have a view on the matter and will know about the background. I am concerned that it required the changes that we have made to the consultant contract in order to lever such good practice. If the response answers one question, it raises more significant ones.

As I said at our previous meeting, other staff groups in the health service—and, indeed, people in other sectors—could rightly ask why change of this scale and expense is required to improve practice. I am all for rewarding the medical profession effectively. There was a need for a massive overhaul of the contract because of the impact that that would have on recruitment and retention, which are vital. However, I was struck by how much of the response gives yet more examples of improvements that have been levered by the contract. I apologise for repeating myself, but that raises the much bigger question why the change was required to lever those improvements.

**The Convener:** I think that Margaret Jamieson commented on that very example and I am sure that she would support your view. Your comments are well made. You talked about change across sectors; it could be argued that there are similarities with the way in which the Executive is trying to bring about change and modernisation through the teachers agreement, which is the subject of the next response that we will consider. Management to improve services should not

necessarily require renegotiated contracts such as this—or, at least, not on this scale.

Are there any points that the Auditor General wants to pick up on?

**Mr Black:** No.

**The Convener:** Can we agree to note Dr Woods's response, noting also that we are particularly pleased to read, in the paragraph on the lack of clarity in the response, how committed the department is to responding appropriately?

**Members indicated agreement.**

**The Convener:** Next, we have a response from the Education Department to our report on the teachers agreement. We had a question about the chartered teacher project, which has been answered by Colin MacLean. The committee has no points to raise on the response. Does the Auditor General have any points to raise?

**Mr Black:** No.

**The Convener:** Are we agreed to note the response?

**Members indicated agreement.**

**The Convener:** That ends item 7 and brings the meeting almost to a close.

This is the final meeting of the Audit Committee in this session of Parliament. Before I close the meeting formally, I will say a few words of thanks. We have today agreed a legacy paper, which will be published soon. The report details the work of the committee and what we think can be done to improve the work of the committee—and, through it, the work of the Parliament—in the next session. I hope that the next audit committee will take on board some of our arguments.

The legacy paper reviews all the reports that the committee has produced. Our first report was on individual learning accounts in Scotland and it considered issues concerning not just governance in Scotland but the relationship between Executive departments and UK departments. Our report on the 2002-03 audit of the Scottish Parliamentary Corporate Body was important in showing that the committee would examine all public departments, including the body that governs the running of the Parliament. The committee also produced reports on the accounts of bodies such as NHS Argyll and Clyde as well as on the overview of national health service finances, all of which helped to focus on the particular difficulties that are faced in the NHS and came up with recommendations on how to deal with those difficulties.

The committee has not only reviewed such things as value for money but considered section 22 reports. The one that springs to mind was on the National Galleries of Scotland. Before we were

even able to have a colourful evidence session on the subject, it was announced that the issue was being resolved and the funding problems were being tackled—we won the cup before scoring the goals. Another section 22 report dealt with the more serious matter of the financial problems of Inverness College, in which context it was appropriate and important for the committee to visit Inverness. I am confident that not just Inverness College but the whole of the further education sector has improved as a result of the work that was done by the committee and its predecessor committee.

12:30

Our recent work has included examinations of the consultant contract and the teachers agreement and there are still two reports to come out—no doubt there will be a great deal of interest in the relocation report and, possibly, the community planning report.

Those are just some examples of what we have done. From that, we can say that the committee more than pulls its weight in making changes even though they are not legislative changes but changes to do with scrutiny and accountability. I am a sceptic about the Parliament if ever there was one, but I can testify—and do so regularly—that that scrutiny is one of the Parliament's significant achievements. I hope that the Parliament is considerably strengthened in that.

I thank the Auditor General for Scotland, the deputy auditor general and the rest of the Audit Scotland team for the working relationship that we have enjoyed in trying to hold public bodies to account. I thank them for the briefings and information with which they have provided us and for the convivial manner in which that has been done on and off the record.

I also thank the parliamentary staff at all levels. I thank those who make the rooms available to us, the information technology services, facilities management, the cleaners and the security staff who look after us. Most important, I thank the clerks, who service us, keep us right, correct our grammar if it is required—perhaps I am just speaking from personal experience—and provide us with questions when we suddenly lose the ability to think, which happens occasionally.

We also need to thank the witnesses. Although they may be asked hard questions when they come before us, it is important that they know that, regardless of whether they are considered friend or foe—or, rather, whether they think that we are friend or foe—they will be treated civilly and with manners. Our task is to get to the truth of a matter, and witnesses are not treated in a partisan manner when they come before us, unlike the way

in which I have seen other committees work. This is a cross-party committee, which functions in a non-partisan manner.

I thank Susan Deacon and Margaret Jamieson, who is not here at the moment, for being ever present on the committee; I thank Margaret Smith, Mary Mulligan, Robin Harper and Andrew Welsh for being members of the current committee; and I thank Kenny MacAskill, Rhona Brankin, George Lyon and Eleanor Scott, who have also served on the committee.

The committee has worked tremendously well, and members who have come on to the committee at different times have probably been surprised at quite how interesting the Audit Committee can be. I have to say, I had the same experience myself when I came to the committee. In particular, I must thank committee members who had served on the previous committee, such as Margaret Jamieson and Andrew Welsh, for their good grace and the way in which they allowed us newcomers to learn as we went along, especially as I had to convene the committee without having been on it before. I have served on other committees and I see many other committees in action when I challenge Scottish statutory instruments and lodge motions to annul or amendments to bills, but I have found my time on this committee to be the most rewarding part of my time in the Parliament.

The committee can and should become far stronger. Other committees can learn from its governance procedures and the way in which it has brought bodies before it to try to make them more accountable. There is much talk of a bonfire of the quangos, but a little bit more scrutiny of quangos through committees could achieve a great deal without the need to close them down.

Those are my final words. It has been a tremendously successful period. I thank members.

**Susan Deacon:** Before you formally close the meeting, convener, it would be appropriate for us, as members of the committee, to put on record our appreciation of your contribution as convener. You have been colourful in more ways than one but have been very fair at all times and have often put to one side your strongly held opinions—some of us would regard them as totally unacceptable opinions. We are appreciative of the role that you have played and the contribution that you have made.

**The Convener:** Thank you very much. That is greatly appreciated. I look forward to sharing a drink and swapping a few ideas and stories with the next convener of the committee whenever he or she is appointed.

*Meeting closed at 12:35.*



Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice at the Document Supply Centre.

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the archive edition should mark them clearly in the daily edition, and send it to the Official Report, Scottish Parliament, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

**Tuesday 6 March 2007**

#### PRICES AND SUBSCRIPTION RATES

##### OFFICIAL REPORT daily editions

*Single copies: £5.00*

*Meetings of the Parliament annual subscriptions: £350.00*

The archive edition of the *Official Report* of meetings of the Parliament, written answers and public meetings of committees will be published on CD-ROM.

##### WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

*Single copies: £3.75*

*Annual subscriptions: £150.00*

Standing orders will be accepted at Document Supply.

Published in Edinburgh by RR Donnelley and available from:

#### **Blackwell's Bookshop**

**53 South Bridge  
Edinburgh EH1 1YS  
0131 622 8222**

**Blackwell's Bookshops:**  
243-244 High Holborn  
London WC1 7DZ  
Tel 020 7831 9501

All trade orders for Scottish Parliament documents should be placed through Blackwell's Edinburgh.

**Blackwell's Scottish Parliament Documentation**  
Helpline may be able to assist with additional information on publications of or about the Scottish Parliament, their availability and cost:

**Telephone orders and inquiries**  
**0131 622 8283 or**  
**0131 622 8258**

**Fax orders**  
**0131 557 8149**

**E-mail orders**  
**business.edinburgh@blackwell.co.uk**

**Subscriptions & Standing Orders**  
**business.edinburgh@blackwell.co.uk**

#### **Scottish Parliament**

**RNID Typetalk calls welcome on**  
**18001 0131 348 5000**  
**Textphone 0845 270 0152**

sp.info@scottish.parliament.uk

All documents are available on the Scottish Parliament website at:

www.scottish.parliament.uk

**Accredited Agents**  
(see Yellow Pages)

and through good booksellers