



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

PUBLIC AUDIT COMMITTEE

Wednesday 12 June 2013

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PUBLIC AUDIT COMMITTEE

9th Meeting 2013, Session 4

CONVENER

*Iain Gray (East Lothian) (Lab)

DEPUTY CONVENER

*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Bob Doris (Glasgow) (SNP)

*James Dornan (Glasgow Cathcart) (SNP)

*Mark Griffin (Central Scotland) (Lab)

*Colin Keir (Edinburgh Western) (SNP)

*Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

John Baillie (Accounts Commission)

Caroline Gardner (Auditor General for Scotland)

Fraser McKinlay (Audit Scotland)

Tricia Meldrum (Audit Scotland)

Gordon Smail (Audit Scotland)

CLERK TO THE COMMITTEE

Fergus Cochrane

LOCATION

Committee Room 1

Scottish Parliament

Public Audit Committee

Wednesday 12 June 2013

[The Convener *opened the meeting at 10:00*]

Decision on Taking Business in Private

The Convener (Iain Gray): I welcome members, the press and the public to the ninth meeting in 2013 of the Public Audit Committee. I ask everybody to switch off their mobile phones, please. We have no apologies and everyone is present.

The first item on our agenda is a decision on taking business in private. Do members agree to take item 5 in private?

Members indicated agreement.

“Commonwealth Games 2014 Progress report 2: Planning for the delivery of the XXth Games— Impact report and update on progress”

10:01

The Convener: Agenda item 2 is consideration of “Commonwealth Games 2014 Progress report 2: Planning for the delivery of the XXth Games—Impact report and update on progress”. I welcome the Auditor General for Scotland, Caroline Gardner, and Tricia Meldrum, the portfolio manager of the performance audit group in Audit Scotland. I ask the Auditor General to introduce the report.

Caroline Gardner (Auditor General for Scotland): The committee has already considered two reports on planning for the 2014 Commonwealth games, first in 2009 and most recently in March 2012. Given the committee’s request for a further update this year on planning for the games, I am pleased to bring the impact report on our 2012 audit to the committee today. It includes an update on progress against the recommendations and on the key risks that we identified in that report. Audit Scotland generally produces impact reports around 12 months after publication of our main reports; they are largely for internal purposes, but we publish them on our website.

It is important for me to be clear that we have not carried out an audit at this stage. Our comments on progress are based on reviews by the Commonwealth Games Federation, which members of the team observed, meetings with the strategic partners—the Scottish Government, Glasgow City Council and Glasgow 2014 Ltd—evidence produced by the partners and their written updates to this committee.

We found that the strategic partners have made progress against all the recommendations in our 2012 report. I will briefly highlight some of the main areas. First, the partners have improved how they assess and review the games budget, including the contingency budget, and those developments have contributed to improved management of the budget. Secondly, the partners have reviewed and clarified the terms of reference for the governance and working groups, including their delegated authorities to make decisions, and have integrated and streamlined some of the groups. The most recent Commonwealth Games Federation review stressed that the partners now need to review their arrangements again to ensure that they are fit for

purpose as the partners move into the very busy games delivery phase over the next 12 months. There will be a significant increase in the number of decisions that need to be made quickly and the number of staff and contractors involved, so everyone needs to be clear what their place is in that complex picture.

Thirdly, the partners jointly and individually have improved their risk management arrangements and, fourthly, the Scottish Government and Glasgow City Council have done a lot to develop their planning for evaluating the games legacy. There is now a lot more clarity about the outcomes and indicators that they will monitor, how that will be done and over what timescale. The Scottish Government is supporting a more co-ordinated approach to legacy planning across local authorities, and every local authority involved now has a legacy lead at strategic and senior level.

Finally, the partners are continuing to manage the four key risk areas that we identified in 2012. Having said that, they will obviously remain risks until the games are delivered. First, we identified risks of cost increases in the security budget. That budget was subsequently increased from £27.2 million to £90 million in December 2012, making the overall budget for the games £563 million, which represents a 7 per cent increase on the budget when we reported in 2012.

We also identified risks in delivering the athletes' village on budget and risks of delays and cost increases in installing a temporary running track for the games at Hampden park. Both projects are currently on track to be delivered on time and on budget—I apologise for the unintended pun. Finally, we identified that the organising committee needed to increase its staffing to ensure that it progressed at the required rate. In December 2012 it published a workforce plan; in May 2013, the number of staff was about 15 behind plan, with around 374 staff in place and a number going through recruitment.

Looking ahead, the Commonwealth Games Federation review in April 2013 concluded that overall progress is good but flagged up a number of areas for action as the partners move into the delivery phase, including the development of more streamlined, clearer and faster delegation and decision-making processes and more detailed transport planning. We will continue to monitor progress, particularly through observing the six-monthly Commonwealth Games Federation reviews, and we plan to carry out a further audit soon after the games have taken place next year. That is likely to be reported in spring 2015, but the exact timing will depend on when the games' final costs are known.

We are happy to answer any questions that members might have.

The Convener: Your report seems to be largely—indeed, almost entirely—positive, and progress has been made in some of the areas on which the committee previously expressed concern. I have one straightforward question about the general contingency fund, which the committee has discussed before and which, according to page 8 of the report, has dropped from £71 million to £42 million largely because of the transfer of money from the fund to the security budget. In all fairness, the committee had considered the security budget to be a bit of a risk and, as you have pointed out, it has been significantly increased. However, the contingency fund has dropped a lot as a result. Is a £42 million contingency budget commensurate with the continuing risks that you have identified as we get closer to the games?

Caroline Gardner: As you said, most of the shift relates to transfers to the security budget and the capital contingency budget. In any case, one would broadly expect the contingency to reduce as we get closer to the games and as it gets used in appropriate ways to meet certain costs. I ask Tricia Meldrum to indicate where we expect it to be at this stage.

Tricia Meldrum (Audit Scotland): The organising committee has obviously looked at progress against individual budget lines and has identified certain risks of going overbudget in three or four areas. However, even in the worst-case scenario, the total of those risks is still less than the amount available in the contingency fund. The organising committee and partners have made it clear that they would want to make savings elsewhere before they drew on the contingency budget but, even under the worst-case scenario that they have put together, the potential overspend on individual budget lines would still be affordable under contingency.

Mary Scanlon (Highlands and Islands) (Con): Paragraph 29 on page 11 of the report says:

“CoCom concluded that detailed transport planning is not as well progressed as it should be at this stage”.

I really do not know what you are trying to say there. Is the planning a week, six months or whatever behind? Is it a risk? Is it bad or good? You go on to say:

“This includes detailed requirements for public transport, procurement of buses and cars, and traffic and route management, including integration with Games events”.

I would have thought that transport to the games would be absolutely critical to their success, but I have to say that I do not find your wording very clear and I do not know whether we should be concerned. Can you give us some clarity and explain what you mean by saying that

“planning is not as well progressed as it should be”?

Caroline Gardner: Sure. We are reporting on the results of the most recent CoCom review and its focus on planning. The review certainly did not highlight planning as an area that is of significant concern, but it is one of the areas that the review picked up as needing to be further advanced over the period that we are now entering. Tricia Meldrum can give you more details about the specifics of the review.

Tricia Meldrum: CoCom was clear that it wants everything to be really locked down. It wants all the detailed planning to be locked down by the time that it comes back to do its next review in October, so October is the critical point. CoCom's point is that, because there are so many interdependencies, the planning has to be clear so that progress can be made.

CoCom recognised that the partners had made a lot of progress in the past six months and that, as regards staffing, priority has been given to getting people into the posts to move forward with transport planning. However, CoCom made the point quite strongly that it wants to see further progress and that the next few months are critical in ensuring that that happens.

Mary Scanlon: Are you saying that the traffic planning is behind schedule?

Tricia Meldrum: It is slightly behind schedule, yes.

Mary Scanlon: Do you feel that the planning will be on schedule when CoCom comes back to do its next review in October?

Tricia Meldrum: Yes, that is the expectation.

Mary Scanlon: That is what CoCom is saying. The report mentions some fairly big items, such as "procurement of buses and cars".

Are you confident that whatever slippage there has been in transport planning can be corrected in time for next year?

Caroline Gardner: We can tell you that CoCom is confident that it can be corrected.

Mary Scanlon: It is confident.

Caroline Gardner: In the context of saying that "overall progress is good", CoCom has highlighted transport planning as an area that needs to pick up pace and it has given a clear indication that it expects that to have caught up to schedule by October this year. We will keep a watching brief on that, but we are able to report its findings to you and that is what it believes the picture is just now.

Mary Scanlon: Will we get another report? Will the committee get an update in October, when the next review is done?

The Convener: We will get a Scottish Government progress report in December.

Mary Scanlon: Okay. We will look for it then.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I agree with the convener that the progress report is positive and it looks as though the project is being well managed. I have just one question, on paragraph 18, which is about private contract security. Of course, we all know about the London Olympics experience in relation to private contract security—it was totally shambolic. That is touched on in the report.

Is now the right time for the partners to be seeking to procure private contract security or are they running a bit late? It takes time to tender, to get the contract, and for the security company to recruit. We saw the shambles in London with recruitment, which extended over a period of months—there seemed to be no redeeming feature to that. Are we okay on timing?

Caroline Gardner: Overall, our sense is that the timing is okay and that there is a lot to do between now and next July. Again, Tricia Meldrum can give you a bit more detail on that.

Tricia Meldrum: In discussion with Police Scotland, the partners have highlighted the next three months as being critical for getting all that detailed planning done as well as planning for their security procurement. Again, we expect that to have really moved forward by September or October.

Colin Beattie: Is it recognised that having more than one provider of security raises certain risks to do with issues such as areas of responsibility and physical presence?

Caroline Gardner: I think that that is recognised. Clearly, there is a trade-off. With the London Olympics, we saw the risk of overreliance on one contractor. That risk can be managed by having a number of contractors, but that requires more co-ordination and clearer communication. The view that we have picked up from the organising committee and from CoCom is that those risks are understood but, as we say in the report, they will remain risks until the games are delivered.

Colin Beattie: On the question of getting more than one provider, I believe that the proposal is not to have one provider that is responsible overall with subcontractors, but to have two separate providers. Is that correct?

Tricia Meldrum: My understanding is that there will be more than one individual provider, given the London experience.

James Dornan (Glasgow Cathcart) (SNP): The report is very good. Everybody seems to be

working well together and moving forward timeously. I seek clarification on one issue. In appendix 1, on page 15, in relation to the recommendation on costing mitigating actions, you state:

“This is not in place for Glasgow City Council’s risk register as this is not their policy. They have previously made it clear that they will not be implementing this recommendation.”

Do we know why the council will not do that? Is there a possibility that that in itself will create a risk?

Caroline Gardner: I ask Tricia Meldrum to deal with the detail of that.

10:15

Tricia Meldrum: That has always been an issue. It is not to do with identifying mitigating actions—Glasgow City Council has done that and the actions are on the council’s risk register. The issue is the costing of mitigating actions. The council said to us right from the start that it was not its policy to cost mitigating actions, so it has not done so in this case. We made a change to make it clear that we were talking about mitigating actions that could have potentially significant financial implications. The council does not know what those could be. In terms of planning, that is a risk management issue.

James Dornan: I am at a bit of a loss as to what that means in practice. Is it possible that, because of the actions of Glasgow City Council, something that could cost money will not be registered? Would that have a knock-on impact on the other partners, or could it result in a delay in something happening in the run-up to the games?

Tricia Meldrum: I think that it is more the case that Glasgow City Council would be liable for additional cost, so the issue is more to do with the council’s financial management. If something were to go disastrously wrong, the council might have to spend extra money. It is a given that the venues must be ready and that the city must be ready to deliver the games.

James Dornan: So all the risk in question will lie with the council.

Tricia Meldrum: Yes, in terms of the areas for which it is responsible.

Tavish Scott (Shetland Islands) (LD): I would like to turn to one of the key messages in the report on legacy. The report says:

“There is no specific funding for legacy”.

From an audit—as opposed to any other—point of view, does that matter?

Caroline Gardner: I do not think that it does, fundamentally. The legacy could be achieved in a number of ways, including from the investment that is being made now in the facilities and in the wider awareness of the games. It is not a given that specific funding will be required. That is just a factual statement.

Tavish Scott: Indeed. I think that that is logical. Therefore, why does Glasgow City Council have a legacy risk register? The report mentions that in appendix 1.

Caroline Gardner: I ask Tricia Meldrum to pick up that one.

Tricia Meldrum: Obviously, the games will take place in Glasgow. As Glasgow is putting a lot of investment into facilities for the games and is providing 20 per cent of the overall public sector funding for the games, it will want specific legacy benefits to come through. There are specific Glasgow issues at stake.

Tavish Scott: Indeed. You might not have conducted an audit of Glasgow City Council specifically on legacy, but what risks has the council identified?

Tricia Meldrum: I think that a fairly high-level risk has been identified of the expected legacy benefits not being delivered. Mitigating actions have been identified and the council has developed legacy plans. It will carry out monitoring and produce progress reports.

Tavish Scott: Okay, but the legacy risk is not really an auditable risk, is it? I am struggling to see how there can be a financial audit of legacy, given that there are no figures and nothing that we as an audit committee can get our teeth into.

Caroline Gardner: I think that it is an issue that, at this stage, is not auditable, but it certainly should be after the games.

As we say, we think that the legacy planning has improved at this point in the run-up to the games. We expect that the outcomes and indicators that are being put in place by all the partners will start to be collected and measured, and the monitoring that they have set out will start to take place. After the games, it will be possible to make an assessment of the legacy. As you would imagine, the legacy will be long term, but by that point there should be a baseline against which it can be measured. That is the point that we are making; we are not necessarily saying that there is a specific financial aspect to that, although all the investment that is being put into the games should contribute to the legacy as well.

Tavish Scott: Will the baseline that you describe be financially auditable?

Caroline Gardner: I am not sure what it means to say, simply, “financially auditable”. We are auditing all the funds that are going into the games and we will be able to audit the outcomes and indicators that the partners agree for the legacy. We can pull the two together as the basis for an assessment of the legacy against the spend.

Tavish Scott: That is entirely fair. I see outcomes until I am blue in the face and a lot of them are written with wonderful rhetoric and waffle, if I may say so, rather than something that we can actually measure. In 10 years’ time, will the Public Audit Committee be able to look at the outcome and say, “Yes, legacy delivered, X, Y and Z”?

Caroline Gardner: Auditors are always wary of saying, “In 10 years’ time, X will happen.” However, our assessment at this stage is that the legacy planning has made good progress and there is clarity about how the partners intend to assess the legacy.

Tavish Scott: The paragraph in your report on legacy states:

“the strategic partners have aligned their existing initiatives to support legacy plans, and benefits are starting to be achieved”.

Are those benefits measurable, in your judgment?

Caroline Gardner: I ask Tricia Meldrum to pick up that question.

Tricia Meldrum: Some of the benefits are measurable. In our report last year, we tried to put in examples of the tangible benefits that are already being seen, such as the amount of money that is going to Scotland-based companies through contracts, and the number of apprenticeships and jobs that have been created.

Tavish Scott: The report states:

“In the current economic climate other public and private organisations may find it difficult to invest to achieve a long-term legacy.”

Do you have specific examples of that? Have some organisations in the public or private sector been unable to commit in the way in which, at an earlier stage, they envisaged might be possible? Is that what that sentence in your report is driving at?

Tricia Meldrum: No. I think that we were highlighting the risks for organisations, given the economic situation. Organisations have priorities other than the games legacy, so the approach that we have taken has tried to integrate that.

Tavish Scott: Therefore, the statement was a general economic observation, rather than a specific example of organisations that have not committed.

Tricia Meldrum: Yes.

Bob Doris (Glasgow) (SNP): Apologies—I was not being discourteous. I was not texting; I was trying to get a briefing paper from yesterday’s debate in Parliament on the Commonwealth games sporting legacy, because I thought that there were figures that might cross-reference with our committee work.

I will come back to the baseline for the legacy, but first I have a point about your comment that there is no budget specific to legacy. We are given figures all the time from the Scottish Government or Glasgow 2014. I will dig out some of the most recent figures. There is a £7.4 million capital investment fund for sporting facilities across Scotland for which communities can bid as part of a legacy programme. So there is a budget line. There is a £10 million budget for the active places fund for 2014 for which, again, communities can bid. There is a cluster of different budget lines and a flurry of good news stories on investment. As you would expect, the Government and Glasgow 2014 make a big play of those when they are announced.

That sounds like legacy to me, but it seems that, although we can identify sums that have been invested for legacy, that is not part of your audit process. Although it seems that money is being used to promote legacy, why does the report say that there is no specific budget line for legacy? I am a little confused about that.

Caroline Gardner: The starting point is that, as the report says, it is not a formal audit report such as those that normally come before the committee. We have taken the impact report that we produce for our internal use after each report that we publish and added to it information that we gathered from the CoCom review and other sources, so that, as requested last year, we could give the committee an update. After the games, we plan to pull all that together so that we can give the committee a broad picture that will answer both your question and Mr Scott’s. That is why the picture looks as it does at the moment—it is the nature of the work.

Tricia Meldrum might be able to give you a fuller picture.

Tricia Meldrum: There is no specific budget for legacy within the budget that we are looking at, which is the budget for delivery. The legacy work is integrated into the broader national priorities and outcomes for Scotland. Obviously, some things have been related to legacy. The approach throughout has been to integrate where possible and to try to have a national strategy that relates to legacy where it can.

Bob Doris: I find that helpful, because it shows that there is a delivery plan and a budget in place, and that there are legacy ambitions and

aspirations that come with that—I shall come back to the question of the baseline. Separately from that, there is other Government money, local authority money and lottery money, which should be working in partnership with the 2014 delivery vehicle to get legacy. The issue is how those two elements knit together.

Anyone looking on who was not aware of the work of the Public Audit Committee might think that there is no money for legacy. There is lots of money for legacy, but you are not considering that money as part of the current audit process. In a future report, will you look to see how those moneys—I have mentioned only two of the pots of cash—have been used?

Caroline Gardner: Yes. As you say, the progress report looks at the original games budget, how it has changed and how it is being managed towards July next year. Once the games have taken place, we will produce a report to look at the outturn against the original budget and to look at the bigger picture in terms of the objectives that were set for the games from the other funding streams that come into play. We will pick that up later, but for now the focus is on the budget that is in place to deliver the games, given the once-in-a-lifetime importance of getting that right.

The Convener: Presumably, you are saying that the funds might be branded as part of the legacy, but they are not linked in any formal way to the delivery of the games. Is that right?

Caroline Gardner: That is exactly right.

The Convener: So they do not form part of the audit that you have done. It does not mean that they are not a good thing.

Bob Doris: Absolutely, convener, but the recommendations refer to being better aligned with local authorities across the country in their attempts to deliver legacy. Those local authorities, together with the third sector and the voluntary sector, are bidding for all those other pots of cash. If they have to be better aligned and integrated with other pots of cash that you are not auditing, at some point, you will have to work to see how the two are knitting together, although you will not be auditing the individual spend. I am just trying to be clear about what you will or will not do.

Caroline Gardner: At this stage, our focus is very much on the games delivery budget. We all know that the importance of getting that right is very high indeed, and our focus is on ensuring that the risks are managed towards next July. We will return to the legacy issue later and will look at the other funding streams that are available for it, and at the extent to which the legacy that those streams achieve is matched to the plan for the games and the wider impact on Scotland.

Bob Doris: I need to be careful that I do not lurch back on to the territory of the Health and Sport Committee, of which I am a member and which is also looking at the legacy and other aspects of the games, so it can seem a bit like groundhog day on this committee.

There have been discussions about how we get a baseline. I would find it helpful if you elaborated a little on what you expect the baseline to be. For example, I asked the Minister for Commonwealth Games and Sport whether the baseline is the number of physically active young people across local authorities in 2008-09. That will continue to be tracked through to 2019, which is to be commended because, whatever baseline we pick, when the initial glow fades from the Commonwealth games, the legacy will still be tracked. What kind of baseline measures are you looking at?

Caroline Gardner: All that we can say is that we will be looking at the baseline measures that the Government, the partners and the local authorities across Scotland say that they want to achieve. It is not our role to say, "This is the legacy that the games should have", but it is our role to note that people were bidding for the money on the basis that they would increase participation rates and to ask what happened in practice and how much it cost. We will start with the measures and indicators that people said that they wanted to monitor and then look at the changes that have taken place.

Bob Doris: I recall Shona Robison MSP saying that the Government was still firming up the precise baseline measures and indicators. Is it also your understanding that those are not quite there yet, or have they now been established?

Tricia Meldrum: The Government has issued an evaluation framework that lays out in quite a lot of detail what the indicators will be for the different legacy ambitions and where the information will come from. Some of that information already exists, such as information on the percentage of people who do physical exercise, so there will be baselines from whenever the surveys of that were done. However, some of the information will be new and will need to be collected. A couple of weeks ago, there were survey results on the views of residents of the east end of Glasgow on the games legacy, which gives the partners a baseline against which they can monitor progress. The framework is based on the four legacy ambitions—flourishing, active, connected and sustainable—and it goes into a reasonable level of detail on the specific indicators under each of those headings.

10:30

Bob Doris: I am a little clearer about that. I am back on Public Audit Committee territory now. The things that you mentioned are the aspirational outcomes that we all want to see as part of the legacy. Agreeing the baselines tends to involve saying, "Okay, show me the data," doing a trawl of every swimming club, athletics club or other sports club via the national governing bodies, assessing the data and agreeing the criteria. I am trying to establish whether that is still in flux. I am interested not so much in what we want to measure but in the brass tacks of how we are going to measure it.

Tricia Meldrum: The framework has been worked out and it says where the information will come from, be it from published information that is already available or from surveys that have to be done and new information that has to be collected. The Scottish Government is working through that. Glasgow has been developing its own specific legacy framework, and the legacy ambitions there are slightly different. They track across, but they are labelled slightly differently. Glasgow's framework is going through the final approval processes.

Bob Doris: It is a good report. We almost have to seek out things to scrutinise to make sure that we do our job properly.

I have a final question. Mr Dornan asked a really interesting question about the risk register that Glasgow City Council has in relation to contingencies and mitigation should things go awry. It said that its policy is not to cost those matters. I thought that Mr Dornan might follow up on that point, but he did not. It was very restrained of him.

The Convener: Commendably restrained.

Bob Doris: Yes, convener. I consider myself discreetly chastised.

Is that normal practice for local authorities? Is it best practice? Have you compared Glasgow's approach with what other local authorities have done in the past with other major sporting events? Is it the done thing? Why would the council not do costings?

Caroline Gardner: We have not seen a sporting event on anything like this scale in Scotland, so I am not sure that there is such a thing as normal practice. We certainly believe that costing mitigation actions would be good practice, which is why we recommended that back in 2012. It is for Glasgow City Council to make its own decision, but we believe that, in the interest of properly managing risks and dealing with mitigating actions and the potential costs that are

associated with them, it would be good to include the costs in the register.

Tricia Meldrum: The organising committee has done that for the overall risk register, and at the last review the Commonwealth Games Federation recognised that as being good practice in terms of knowing what the potential financial implications could be.

Bob Doris: I will take a steer from the convener and leave it at that.

The Convener: In fairness, you could perhaps pursue that point in our next session, when we will look at the Accounts Commission report that covers internal audit across local authorities. That might be a time to follow it up.

Bob Doris: Perfect.

James Dornan: Can I come in—in a very restrained manner—convener? Tricia Meldrum said that the overall risk register takes everything into account, but it cannot do that if it does not have the information from Glasgow City Council.

Tricia Meldrum: The overall risk register contains risks that apply across all the partners. There are some things that would just be risks for individual partners, but the partners are looking at things that would apply across the piece.

James Dornan: Thank you for that.

Colin Keir (Edinburgh Western) (SNP): I am interested in the comments on strategic working on page 14 of the report. I note that the 2011 report stated that, although the overall governance was pretty well okay, the management structure underlying it was a bit fractured. The new report states:

"A flatter structure has been in place since December 2012".

How difficult was that to achieve? Having reviewed the work that has been done, are you convinced that we have a management structure underneath the overall governance that is fit for purpose?

Tricia Meldrum: A big point that came through from the Commonwealth Games Federation review was that we are now moving into a different situation and the arrangements that were fit for purpose at the planning phase are not necessarily the same that will be fit for purpose in the delivery phase, in which things are much busier, many more decisions have to be made rapidly, and many more people, contractors and agencies are involved.

The review recommendation was that the partners need to start thinking about what needs to be in place for the very busy delivery time, which starts around now. Tickets go on sale in August and the Queen's baton relay starts in

October, so delivery starts this year. The governance arrangements therefore need to be reviewed, and the partners should ensure that they are quick and responsive to the different situation that we are moving to. What is fit for purpose will be different in the new phase.

Colin Keir: How difficult has that been? Were there any problems in refocusing or reducing the groups? Were there any identifiable problems in how the structures had to be changed through the weeks and months?

Tricia Meldrum: We have not done a detailed audit at this time, but the partners did not say that the changes had caused any particular difficulties. They said that they have tried to adopt a fairly flexible approach so that, when particular pieces of work finish, for example, groups are disbanded and any outstanding issues pass on to another appropriate group. Therefore, there is flexibility. The partners have tried to take on board the issue of tightening up the terms of reference for delegated authorities.

Colin Keir: I simply wonder whether any practical stuff could be learned from a project of this size for any future project, and whether we could do something that might prevent friction at the crossover points.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I want to ask about the ticketing strategy, which is mentioned in the report. I am pleased to see that the prices range from £25 or less for two thirds of the tickets and that there are half-price tickets for under-16s and over-60s.

I also understand that no online booking fee charge is being applied for the Commonwealth games, and if that is the case I am delighted. Members may recall that someone who buys tickets online normally has to pay a booking fee per ticket for the events they attend, which is really annoying for many members of the public. I am pleased that that is not the case with the Commonwealth games tickets.

I think that Tricia Meldrum mentioned that the ticket sale starts on 19 August. Will the entire ticket sale be online or will tickets be made available through sports clubs, football clubs and other clubs throughout Scotland so that people can get them locally if they wish to do so? Do you have any information about that?

Tricia Meldrum: I am sorry, but I do not know about that.

Caroline Gardner: We are not aware of that. We can certainly find that out in our contact with the partners and come back to you on it, but we do not know about that at this stage.

Willie Coffey: That will probably be of interest to the committee, because the London experience

was that the online system almost crashed when everybody tried to get tickets on the first day. That will not happen with the Commonwealth games, as I understand that the booking period is more spread out.

Caroline Gardner: We hope that that will not happen.

Willie Coffey: I am keen to find out about the distribution and access arrangements.

Tricia Meldrum: A person will not have to be online within the first hour to get tickets. The process will be quite different.

Willie Coffey: It is important that the public are made aware of that. However, I am also interested in whether the tickets will be made available locally or whether 100 per cent of them will be available online.

The Convener: We will have a discussion later in private about how we will take things forward. It might be possible to pursue that issue.

Willie Coffey: Super.

I have a wee follow-up question on Mary Scanlon's point about transport. What will be different about the Commonwealth games transport pattern is that there will be huge numbers of individual journeys to Hampden rather than the busloads of supporters clubs that arrive for football matches. I am reminded of when Pope Benedict came to Scotland: the M77 was set aside as a car park to service Bellahouston park. That was absolutely essential on the day.

Anyone who knows Hampden will know that there is not very much parking in or around it for buses or cars. I hope that, when more work is done, the transport strategy will make such things clear so that people can conveniently get to and from Hampden, not just from within Glasgow but from elsewhere in Scotland, and there will be convenient drop-off points. I look forward to seeing more details on that as the strategy rolls through, perhaps in the autumn.

Tricia Meldrum: There is a focus on using public transport and integrating it with games ticketing. I think that one of the plans is that, when people get a ticket for an event, they will be given free public transport to get to it. Again, exactly how that will work and things to encourage the use of public transport are part of the detailed planning that needs to be worked through.

The Convener: Thank you for resisting the temptation to tell us again about your relatively recent visits to Hampden, Mr Coffey.

Willie Coffey: I am willing to ask a supplementary.

The Convener: I think that you will find that I have been there more recently than you have, although with less success.

James Dornan: I will welcome you all to my constituency the next time you want to visit Hampden. Let me know your plans.

The Convener: Thanks very much, Mr Dornan.

I thank the Auditor General and Tricia Meldrum very much. I suspend the meeting for a couple of minutes to allow a change of witnesses.

10:41

Meeting suspended.

10:45

On resuming—

“Responding to challenges and change: An overview of local government in Scotland 2013”

The Convener: Item 3 on our agenda is the report “Responding to challenges and change: An overview of local government in Scotland 2013”. We will receive a briefing from the Accounts Commission. I welcome John Baillie, chair of the Accounts Commission, and Fraser McKinlay, controller of audit, and Gordon Smail, portfolio manager, from Audit Scotland. We have received apologies from Douglas Sinclair, who is giving evidence to another committee and is unable to be with us.

Tavish Scott: He cannot be in two places at once.

The Convener: Indeed. I remind members that the performances of individual local authorities are outwith the committee’s remit, so the purpose of this session is to assist us with a series of joint Auditor General/Accounts Commission reports on national developments that we have been considering. I hand over to Mr Baillie, who will introduce the report.

John Baillie (Accounts Commission): Evidence sessions such as this one are now an established part of the Accounts Commission’s work, and we welcome the opportunity to discuss with the committee the challenges that councils face. Previous overview reports identified the pressures that local government faces. This year, our report focuses on how councils are responding and what more needs to be done.

Councils are managing their finances in challenging economic circumstances and, so far, they are coping well. Among the many changes that they face, councils are placing due importance on the significance of welfare reform and its implications for people and communities. There are good examples of partnership working, but there is a long way to go before the full potential of community planning is realised. Overall, councils face tougher challenges and more change in the years ahead.

Our report identifies key recommendations that the commission believes will make a real difference to councils’ prospects if they are implemented effectively. We set those out on page 4 of our report, grouped under four headings: “Leadership and governance”, “Working in partnership”, “Service changes” and “Performance information and management”. Achieving best value is crucial. As our reports says, and as we

have been saying for a number of years now, councils that place best value at the centre of all that they do are well placed to deal with the challenges and change.

We are happy to take any questions that the committee wishes to ask.

The Convener: Thank you very much. Paragraph 26 of the report comes at the end of a short section on welfare reform as one of the key challenges that local government faces—you mentioned that in your opening remarks. It states:

“It is difficult to overstate the potential implications of welfare reform on people and communities, on council services and their policy objectives, and on council staff.”

Accepting that it may be difficult to overstate it, are you willing to make some sort of statement about the potential implications that you believe local authorities might face? The section does not really elaborate on them; it just goes through some of the changes that will have an impact. Do you have any sense of the scale of the challenge?

John Baillie: I will ask Gordon Smail to comment on the detail behind your question. It is fair to say that councils have tried hard to address the challenges that welfare reform presents.

Gordon Smail (Audit Scotland): In the report, we have been up-front in flagging up welfare reform as one of the major issues that is critical that local government deals with over the next few years. It is certainly up there as one of the biggest changes that local authorities have faced in the past 10 years or so.

We have been monitoring the area closely, and Audit Scotland has been reporting to the Accounts Commission on the progress that is being made. We have found that councils are taking the issue very seriously and are working well together and with the Convention of Scottish Local Authorities to find ways of dealing with the known part of it. One of the challenges for councils is the fact that some of the detail is still to unfold and is not clear to them. That is a particular problem.

There are specific issues, such as in relation to council staff. What is to be expected of councils and their role in managing and overseeing the new arrangements and helping people to get through them? Part of the problem is the unknown. As Mr Baillie said, councils are aware of what they need to do just now, but there is some uncertainty around what they will be expected to do as the years go by.

There are also quite far-reaching implications that go beyond the implications for the communities that councils serve to some of the management issues that councils face with, for example, council house building programmes. They might have to reassess some of their plans

and look at building smaller, one-bedroom units, which will fit more with what people will be looking for and will be better for them under the new arrangements in relation to the number of bedrooms in properties. The overall picture is one of far-reaching consequences, but there is still quite a bit of uncertainty for councils about what the welfare reform changes will mean.

The Convener: I accept that a lot of the changes are just coming in or have not actually come in yet, so it might be difficult to work out the scale of the challenge and how well the response is working. What plans does the Accounts Commission have to monitor and report on the effect on local government of the changes?

John Baillie: This is a big-ticket item, if I can put it that way. We will be monitoring the situation in conjunction with Audit Scotland fairly regularly. It is just too important not to keep our eye on the situation as it develops. As you said, convener, there are a lot of uncertainties and we need to monitor the situation regularly.

The Convener: When do you envisage being able to make some kind of public assessment of the position?

John Baillie: Funnily enough, we will discuss that in the not-too-distant future. I would say that, by this time next year, we should have a fairly clear idea of the initial effects of the arrangements. I suspect that it is one of those issues that, for every question that we ask and get information about, several others will be begged. It is going to be that kind of exercise.

Fraser McKinlay (Audit Scotland): As Gordon Smail mentioned, we have already done a bit of baseline survey work to assess councils' preparedness for the changes coming in. That survey work went to the Accounts Commission and was on the website a couple of months ago. It gave us a pretty positive picture of where councils are with their planning and preparedness, and, as Gordon Smail mentioned, the seriousness with which they are taking the situation. I expect that work to continue to figure in the annual report, and it might be that it will get a bit more coverage over time and we will be able to say more about the actual impact.

As well as that, we are supporting the Accounts Commission and the Auditor General as we look forward to the performance audit programme in 2014-15 and beyond. Welfare reform is a strand in that and we have to think about how best to tackle it, because we could look at either the impact of the welfare reform or the implications of welfare reform through individual policy areas and services. Welfare reform is very much at the centre of our thinking and we need to figure out how best to get at it and report it.

The Convener: Thank you.

Colin Beattie: I am a little concerned about the comments on community planning partnerships. Paragraph 37 states:

“there is a long way to go before the full potential of community planning will be realised.”

The third bullet point in exhibit 6, over the page, states:

“Community Planning Partnerships (CPPs) are not yet able to demonstrate that they have had a significant impact in delivering improved outcomes across Scotland.”

I have seen that finding in previous reports that have come before the committee. Is there any indication at all that the situation will improve? The CPPs are major initiatives and we cannot show whether they are actually delivering.

John Baillie: For a long time now, community planning partnerships have not been able to demonstrate delivery. It is only in the past two or three years that there has been a much greater focus or emphasis on the need for CPPs to be the core of delivery to the community. It is in that context that the findings that you see in exhibit 6 are made.

As you know, we produced some work on the issue not so long ago. It is fair to say that our observations, findings and recommendations have been accepted by, for example, the national community planning group that oversees the progress on the improvement towards the much better delivery of all the services that community planning partnerships are required to oversee and ensure are delivered.

We are at the start of a journey. Some very specific aspects of CPPs stand out a mile as needing to be addressed. As our report makes clear, for example, because everything is a priority to CPPs, nothing is a priority. We therefore need to reduce the number of priorities. Likewise, we need a greater definition of the roles and responsibilities of members of communities and, within that, members need to be able hold each other to account in a proper and robust way instead of thinking, “This is not my day job” and then simply going back to base and getting on with whatever that is.

I am sorry—I realise that I am going on too long but that is what we mean when we say that there is still a long way to go.

Colin Beattie: That is helpful, but I have no feel for how long the journey is going to take and how long it will be before we start to understand whether CPPs are actually fit for purpose and delivering. We might be at the start of a journey but, as you have said, things have been sort of moving forward for the past two or three years

now. Are we saying that it is going to take years before we know whether they are delivering?

John Baillie: Our audit programme envisages another four or five audits in the next year, and they should give us a pretty good critical mass to consider what community planning partnerships look like. All the while, the national CPP group—which, as you know, is a joint exercise by the Scottish Government and COSLA—is looking at how to engage with specific partnerships, address their particular issues and help them to improve via the Improvement Service. A lot of activity is going on under the water.

I think that Fraser McKinlay might wish to add a few comments.

Fraser McKinlay: The next couple of years are going to be absolutely key in seeing whether the step change in community planning performance that everyone has agreed is required and to which everyone is committed is actually taking place.

As John Baillie has pointed out, the Scottish Government and COSLA have genuinely set out a pretty bold vision for community planning in the statement of ambition, which came out at the start of 2012. The new guidance for single outcome agreements that was issued in December 2012 sets out the very clear expectation that that bit of the process really needs to move on.

As Mr Baillie has made clear, over the past year or two there has been a real upping of the game with regard to expectations in community planning. We will be continuing our audit work in this area and we expect differences to start coming through in the next year or two. I am not saying that outcomes will be transformed in the next two years, but we absolutely expect to see a difference in the operation of community planning in the next couple of years.

Colin Beattie: What concerns me is that we seem to be talking about years. For example, you talked about improvements over the past two or three years and you suggested that we might see significant changes over the next couple of years. It seems like a heck of a long time before anything actually comes through.

Fraser McKinlay: We agree. Indeed, in our recent report on community planning, we noted that it has been around for a long time—it has been a statutory duty since 2003. We report on it particularly through best-value audits. Given that CPPs are not a new thing, it is reasonable to expect them to have been further on than they are.

I guess that we are now seeing a re-energising of the process and a quite different approach to how they might move on. However, if no real evidence of progress emerges in the next couple

of years, we will need to start asking some pretty fundamental questions.

Colin Beattie: Finally, paragraphs 67 and 70 refer to lack of “consistent data”, which seems to be a recurrent theme in many audit reports. Is there any sign of improvement in that respect?

John Baillie: The issue of the data is one of the major points that we made in the other report to which Fraser McKinlay referred. I cannot honestly say that there has been a lot of improvement as of yet, but I know that a lot of work and activity is going on under the surface to get performance measurement much more ably introduced and embedded in CPPs. The Improvement Service is engaged in that.

Let me say something as an aside—I think that it is relevant. Members may know that we worked with the Society of Local Authority Chief Executives and Senior Managers to introduce a suite of performance measures for councils to ensure better comparison around Scotland. I cannot commit to a date, because I do not know how long they will take and they could take some time, but the hope is that in due course something similar might eventually be available for CPPs.

11:00

Colin Beattie: Convener, I wonder whether the committee could return to the issue of CPPs, which are a big initiative and a major piece of what is happening in local government.

The Convener: To a degree, the issue is on our agenda. It is something that we have raised with Audit Scotland before, although in terms of a significant piece of work on it, we are in the Auditor General’s hands.

Colin Beattie: I am just worried about the timescales for seeing something come through.

The Convener: I think that some follow-up to some of the previous reports might be due at some point. Perhaps we can write to the Auditor General for clarification of that. When the report came through, there was a lot of concern that it was not possible to find any evidence that CPPs have been effective. Let us follow that up.

Tavish Scott has some questions.

Tavish Scott: On the same theme, is the basic problem with community planning partnerships not that they are called that rather than community delivery partnerships, which means that members of CPPs take a particular attitude? In fairness, I think that Mr Baillie hinted at that. Secondly, elected members feel aggrieved by the fact that they sit on a CPP under the principle of democracy but that everyone else on the CPP is an appointee of some organisation or other and as

such they have no democratic legitimacy whatsoever. Quite understandably, elected members think “Well, okay, but I carry the can here, because I’m accountable to local people.” Is that not the inherent difficulty and challenge of the bodies?

John Baillie: There are a number of issues around who does what and when, and who is responsible. One of the big issues is whether people have a budget and can contribute to the planning partnership rather than to their base back home, whether that is health, social care or whatever. That issue was discussed at the most recent meeting of the national group. There is a long way to go to get any solid agreement on it, but a lot of discussion is going on under the surface.

Do you want to add anything to that, Fraser?

Fraser McKinlay: The point about planning is well made. The experience of the first 10 years of community planning partnerships is that, at best, people try to align their plans as individual partners. One thing that has changed in terms of expectations is that there needs to be a much more genuinely integrated plan for the place, with all the partners being involved from the roots up, if you like, in planning and arranging delivery of the plan. I do not think that there is an expectation that the community planning partnership at the top level will be the delivery agency. However, the statement of ambition is clear that it needs to provide an overarching framework for the delivery and that everyone needs to be heading in the same direction to deliver the outcomes for the community.

Mr Scott’s point about elected members touches on a core matter that we mention in the report and in other places, which is the accountability of partnerships. The people round the table have different accountability mechanisms, and they are sometimes not easy to reconcile. The Scottish Government has said that it will look to bring in new legislation around accountability and statutory powers for different partners and the partnership itself, which will move it along a bit from a power around participating and planning to something around a duty to deliver outcomes for the local community. The expectation is that that will come through in bits of legislation in the next 18 months or so.

I think that the Government recognises that issue. In the meantime, the expectation is that CPPs should be doing things differently.

Tavish Scott: Indeed. When I was a councillor, which was not yesterday, the debate was about a power of general competence and all-purpose authorities. Have we not completely reconfigured local government? It is now seen by national

Government as an equal partner of all the other agencies that—I repeat—do not have any democratic legitimacy. Elected members and councils that are elected to be there see themselves being diminished and their central role in their areas being, in effect, dumbed down by the CPP process. Not unsurprisingly, members kick back at that. Is that not the reality?

I share Colin Beattie's concerns, because the CPPs are not working. They are not seen as the number one job of an elected member, which is the full council meeting every six weeks and not the CPP—that is the case even for senior members. I do not think that the situation will change until that central issue is grasped.

John Baillie: That is why I concentrated on the money. Attention will follow the money, and if it is firmly committed to something, a lot of things follow from that. I entirely take your point about local democracy, parity of esteem and all the things that go with that, but the essence of it is trying to get people to work together almost regardless of that. I guess that that is part of your point—how difficult is it to get them to work together when the formal structures, in effect, set them apart a little?

Tavish Scott: I appreciate that it is not your job to make policy. Let me put it the other way round. Would it not be fair to say that, until money is on the table of whatever CPPs are to be called or become, the situation will continue and we will meet annually to discuss it? Is that not the reality of the situation?

John Baillie: Lots of people in CPPs and those who are responsible for trying to improve performance recognise the importance of money as a key point. Once that is resolved in whatever way, things should flow much more fully as a consequence. I would go that far with you, if you like.

Tavish Scott: Would it be fair to say that, if we went down that route and policy was made in that way, it would be perfectly legitimate to audit that? If Government changed the manner in which CPPs operate so that some budgets were aligned directly with them, there would be no problem auditing that, would there? There would be perfectly clear audit lines.

Fraser McKinlay: To a large extent, the policy is set around that, because the statement of ambition is clear that partnerships should be looking at "the totality" of their resources that are available in the area. That expectation has been set out clearly. As I said to Mr Beattie, one of the big tests for us in the next 12 months will be to see whether there is any evidence of that happening. I agree that, if they are to focus on one thing that will really make a difference, it needs to be the

money. That is the point on which minds are really focused. Really importantly, it must be money not in a sterile, "What does your budget look like?" way, but in terms of what it means for our collective resources, people and buildings, and how we use them in the community. That is the conversation that partnerships have not been having, and they really need to have it. To that extent, the policy is clear. Our job, the Accounts Commission's job and the Auditor General's job—because this includes health and other partners, too—is to hold the mirror up and ask, "To what extent are you actually achieving that?"

Colin Keir: My question is based on paragraph 106 of the report and it concerns workforce-related financial pressures. Equal pay is a rather long-running chestnut in local authorities. Have you managed to identify, through issues of best practice and the like, whether local authorities are managing that problem in the best possible way? It is obviously a huge issue for them.

John Baillie: I ask Gordon Smail to take that up.

Gordon Smail: It is a big issue and, as Colin Keir points out, it is not going away. It is something that we have monitored for a long time and the figures that are involved are quite substantial; so far, councils have paid out or are planning to pay out something of the order of £600 million.

Our job as auditors is to look at how things have been accounted for. There is a long-running history of single status and equal pay, and how that has come through. We look closely at that as part of our individual audits of councils. In practice, that involves auditors asking councils whether they have identified a figure for what they believe they still have to pay out or, where they will be exposed to further claims, ensuring that they are properly recorded through the accounts. That involves auditors challenging people such as legal people in councils and asking them how they make the assessment, how up to date it is, whether they are aware of any continuing legal cases and what the implications are for the council's finances.

In short, we continue to monitor the area though the accounts and we make sure that there is proper accounting and disclosure is made in the annual accounts.

John Baillie: I might add that we will produce a report later this year on workforce capabilities and movements that—I think that I am right in saying this—will also touch on the equal pay issue.

Gordon Smail: Yes. That report will acknowledge that equal pay has been a big issue. It would not be possible to produce a piece of audit work on workforce and workforce planning without reflecting on equal pay. However, the report will not go into the kind of detail that people

might expect, as we have been interested in ensuring that the public information that is available on the accounting and disclosure of the issue is as good as possible.

Colin Keir: Is it possible to identify which councils are handling the issue better and which have the best method of accounting for such problems? How easy is it for you to identify who is doing a decent job and who is having problems?

Gordon Smail: The short answer is that it is difficult for us. The experience has been that some councils that were reportedly first to have resolved the issue have found that problems have come back to them because on-going legal cases have resulted in the redefinition of things by the courts. The short answer is that it is difficult for us to get a grasp of who is doing things well, as the situation seems to be shifting. I suspect that there is a lot more to come on this.

Fraser McKinlay: As it happens, we will have a meeting with all local government auditors this week—we meet them twice a year. As you know, the process is that all auditors report to me as controller of audit in October, and I then report to the Accounts Commission about issues that have come up. Auditors will always look at equal pay, but I will say to them on Friday that we need to look at it closely again. Our sense is that we are now at a point where the councils have just about been managing to keep a lid on the issue. However, the extent to which equal pay and single status have done what they were originally designed to do—which was to modernise pay and grading—is a different question.

To answer Mr Keir's question, the extent to which councils are doing things well depends on what we mean by that. If we mean whether they are managing the problem of equal pay, I think that councils are just about managing the issue, although some are doing that better than others. If we mean to what extent single status and equal pay have modernised arrangements for workforce management, that is a different matter. However, equal pay is part of our regular conversation and I think that we are now in a place where we can think about how we can move things on a little bit.

Colin Keir: Can we assume that the issue will go on for several more years?

Fraser McKinlay: As Gordon Smail mentioned, one issue is that the continuing case law and precedent can significantly change the landscape for all councils across the United Kingdom. The issue is a big and complex legal area that continues to shift and move on. Just when you think that you have dealt with one thing, something else crops up and a different set of issues needs to be dealt with. The issue is difficult to keep track of.

Mark Griffin (Central Scotland) (Lab): I have a question about reserves. I note that the report states that reserves have been increasing, but it also states:

"Further pressures are likely as the new administrations strive to deliver manifesto commitments"

following the elections. Is there any indication that reserves have been squeezed over the past year to meet such commitments?

Gordon Smail: We have tracked reserves closely over a number of years and, as you say, the overall position is that they have increased again. Reserves have increased for a number of reasons, such as elements of underspending and councils seeing the benefits of staff reductions coming through a bit more quickly.

On your specific question, there is no evidence that reserves have been squeezed as a consequence of election manifestos. In other words, we cannot make a link between one and the other.

Mark Griffin: The report also notes:

"In some cases, councils have not reviewed reserves policies for many years".

Will you be in touch with councils to give them advice on that, particularly given the impact that welfare reform will have on councils' ability to generate income through council tax receipts and rents?

11:15

Gordon Smail: The point about policies is important. In fact, the commission's work over the years has got the issue of reserves up front in people's minds and we now have much better information on that than we ever had before. One consequence is that all councils now have written policies, although there is a question about how up to date they are and how well they reflect current circumstances. That situation is because of the commission's interest in the issue and because, when our local auditors speak to councils each year, as Fraser McKinlay said, they continue to press to ensure that policies are up to date.

Part of the story is that there is more transparency on the reasons why councils have reserves and what they are going to do with them. However, more grounds are still needed. In an environment with many pressures on finances, an explanation is needed—for councillors and the public—as to why reserves have continued to increase.

Willie Coffey: The report briefly mentions the shared services agenda and states that you do not expect

"significant savings in the short term"

from that agenda. Exhibit 8 on page 12 shows a mixed picture. Some councils have decided not to proceed with the shared services agenda, perhaps because of political differences or perhaps because of administrative gain issues. Are councils doing enough to progress the shared services agenda? New burdens and obligations are coming down the line from changes such as the integration of health and social care, police and fire reform and welfare reform, and perhaps even community justice changes—it is proposed as an option that the responsibility for community justice could go to local councils. When new burdens arrive, are councils doing enough to develop a shared services agenda from the start, which might yield the savings that are not coming through integration of services that have existed for a long time?

John Baillie: Any time that I think of shared services, I take one step back and think of option appraisal. As you well know, sharing services is one choice that is available to councils in delivering a service. The commission is on record as saying that the first stage is to consider whether that is the right choice to make. If it is, it should be considered, and then off we go. It is fair to say that throughout the country a lot of effort has been put into considering the possibility of sharing services in various ways.

We have examined what is causing the agenda to progress far more slowly than anyone could reasonably have expected. A lot of that is down to ceding control. If someone has a nicely run operation, why would they cede some of the control of it to somebody who perhaps does not have the same reputation? It might just be human nature: “I do not want to share this because I’m in control of it and if I lose control, we’re back to budgets again.” For that reason among many others, there is a general issue about a genuine willingness to consider shared services. There are many other complications.

Gordon Smail might want to add to that.

Gordon Smail: As I said, one of the advantages of the overview reports is that we can track an issue over time and repeat messages. The issue of shared services has been in the reports for a number of years. It is right that we flag up the lack of progress on some of the large-scale shared services that have been attempted, some of which are highlighted in exhibit 8. From what we see, our sense is that many barriers are put up to large-scale shared services. In fact, the commission and the Auditor General made a submission to the Local Government and Regeneration Committee’s inquiry on the issue back in January, in which they identified three areas in which there are barriers: financial aspects, workforce aspects and

organisational matters, to do with things such as leadership. That is where the barriers are.

However, to move away from large-scale shared services initiatives, there are positives when we consider how things can work well at a lower level. The report talks about a move away from “economies of scale” towards “economy of skills”. That captures the issue well, because we see good examples, particularly with some of the specialist professional services, of councils linking up together, perhaps not in a formal sense but in a way that allows them to share expertise. Some of those areas are the ones that are being squeezed the most, because they do not involve social work or education. In some of the regulatory areas, there is some joining up in a loose way without all the formality or a direct interest in that working well.

Willie Coffey: I get the impression that more could be done in that regard. For example, I think that we have about eight community justice authorities at the moment, and surely to goodness we are not going to get 32—that would be unthinkable. There must be some planning and thinking going on right now around the possibility of sharing provision among authorities for that service, which will be a new burden on councils in the next couple of years.

John Baillie: I do not know—perhaps Fraser McKinlay can say something about that.

Fraser McKinlay: There is a lot of thinking going on regarding the future of community justice and community justice authorities, which I am not that close to. In the wider sense, there is an interesting debate to be had about whether service delivery should be more decentralised or more centralised. There is no right model for everything, so things should be considered on a horses-for-courses basis. I would expect that to be part of the discussion about CJAs and other elements of services.

John Baillie: Going back to Gordon Smail’s point, we have observed councils trying quite hard on many occasions to group together services with another council or a series of councils, and it seems that in a sense they address all the barriers—as they have to—at the start of the process, before there is any genuine working relationship or trust. That makes it more likely—although not inevitable—that they will run into difficulties as a consequence. If they start small and grow, and build the trust as they go, they will have much more chance of succeeding.

Willie Coffey: That aspect is probably of more interest to our Local Government and Regeneration Committee colleagues, convener.

I have a brief second question on the prudential borrowing framework, which is mentioned at the

end of the report. Do you have a view on whether it has been used to best effect in local government? One would imagine that now is the best time ever, given the interest rates, for councils to borrow for capital investment. Are we using that framework as effectively as we could do?

John Baillie: As you know, the prudential code says in essence that if councils can demonstrate the sustainability of interest and repayments, everything is acceptable. We are just a little concerned that the prudential code may need to be revisited and made clearer and more specific.

On your point about interest rates, that would be true as long as today's rates remain in force. If you can get creditors to agree to keep today's rates for 10 or 15 years, councils would bite your hand off, but I am not sure that you could necessarily get such an agreement today.

Gordon Smail: Willie Coffey makes a good point, which we have highlighted in the report. The prudential code was introduced in around 2004, and the world has moved on substantially since then. We have undertaken a high-level analysis for the report to give a sense of how things have shifted across the 32 councils, and there is wide variation.

The time is right to look back and ask whether the code is still fit for purpose. It might well be, but it would be good if we looked at it so that we could have confidence that it is. Councils—from officers to members—make many decisions on a daily basis with reference to the indicators in the code, so we should ensure that those indicators are fit for purpose in the current environment.

Willie Coffey: Are councils asking for more flexibility in the code to allow them to borrow?

Gordon Smail: They are looking at the parameters that the code provides. Whether or not the indicators indicate that something is sustainable and affordable, some of the boundaries are being pushed a wee bit as councils seek to drive on some of the capital projects that they need to undertake, or as money falls short in other areas. That is why it is crucial at this stage in local government finance that the code is re-examined. The Accounts Commission has started to put that work in train through the report, and Audit Scotland will progress it with organisations such as the Chartered Institute of Public Finance and Accountancy.

James Dornan: One thing that comes across loud and clear from the report is that the job of councils has changed over the years, and is changing still and becoming much more complex.

Given some of the issues that the report mentions, such as welfare reform, CPPs, the

economic difficulties that we face just now and the relationships with arm's-length external organisations, do you think that a message could be sent out to councils—perhaps by COSLA and SOLACE together—about the importance of adequate training?

I know that training is available and that many councillors are very good at going and doing all the training. However, senior councillors in particular—I say this as someone who was a council group leader—are often selected on a political basis rather than because of their ability to do the job. That does not mean that they will not be able to do the job, but there is perhaps a need to sell to councillors the importance of adequate training. Such training is available in almost all councils—it is certainly available in Glasgow City Council, where I was a councillor.

John Baillie: I could not agree more: training and development are absolutely essential. As you say, the role of councillors is now so broad and busy that at times it seems almost to be a 24-hour job.

Councillors need time to scrutinise things properly, and they have to know the subject matter, but within that they also have to look at things in depth to be able to eke out the real story. That takes time—there is no way around that. The ability to manage time is just one thing that councillors would benefit from, because it is a very difficult job.

Every bit of training that is available should be taken up, and a lot more should probably be done, but again time is the issue. How do councillors break the circle of daily business and take time out for training? That is a difficult issue to address, but we would support any encouragement of training and improvement.

James Dornan: I wonder whether, as I said, the correct method would involve getting COSLA and SOLACE to sell the importance of training. For a senior councillor role in particular, it may well be that if someone is selected for that job, they should be taken away from some other work and given time to do the training. I can think of some instances in which—I would suggest—the person who took a major office was not ready for it at that time.

John Baillie: There are two aspects to that. One is the need for a detailed individual development plan, and the other concerns the extent to which officers can support the development of councillors. If those two things were done together to a much greater extent, that would bring about a benefit.

Gordon Smail: One organisation that is involved in such work is the Improvement Service,

which has set up some good web-based training for councillors.

To link that theme to the original question, some areas that councillors deal with are very complicated. Local government finance is, by its nature, very complicated, and it is vital that councillors are able to ask the right questions as part of the scrutiny process. That involves not just asking the top-line question about why something is going up or down, but having a knowledge of the subject matter in order to ask a supplementary to follow up. Good council officers welcome scrutiny because it makes the decision-making process more robust and gives the council officers and members the ownership that they need as things are taken forward. It is vitally important.

Mary Scanlon: With regard to the “Action points for councillors” in appendix 1 to the report, do you ask in your monthly meetings with councils how well those are being implemented? What assurances do you have that they will lead to better training and so on?

Fraser McKinlay: As part of our processes when we publish an overview report, we always send out local audit teams to pick up on the recommendations. We expect the report to go to the relevant council committee, which is usually the audit or scrutiny committee.

At the end of the audit year, we look at the extent to which those points are being considered and implemented. We gather all the information from the 32 councils, and that informs the subsequent overview report. There is an annual follow-up cycle in place to help us keep an eye on things.

Mary Scanlon: I am pleased to hear that. I appreciate that the report is an overview, and that—as Willie Coffey said—many of the questions are for local government. However—boringly—I went through the report and found that I could not tell whether quite a few of the issues that were mentioned were a problem or not. I also looked at the recommendations, which were very general: they could apply pretty much to any time, any place or any year.

11:30

If you will forgive me, I will go through the points that I picked up. Paragraph 45 states that

“Reviews need to include discussions with local partners to identify areas for improvement.”

It adds that the first key question that should be asked is:

“Is there a need for this service?”

Are you implying that councillors provide a service without determining whether there is a need for it?

Otherwise, why is the service there? Surely no services are being delivered for which there is no need.

Fraser McKinlay: I am not sure that we would be wholly confident that that is the case.

Mary Scanlon: Are you saying that some services are being delivered when no need for them has been identified?

Fraser McKinlay: No, that is not what we are saying; we are saying that councils should ask themselves the question. The answer may well be that the service is needed, but they should ask themselves the question.

Mary Scanlon: Are you saying that councils do not currently ask themselves that question? Are you saying that they gaily deliver services without asking whether there is a need for them?

Fraser McKinlay: In the past couple of years, councils have started to ask themselves those questions. Despite what has happened to funding over the past 10 years, services have increased. The issue might not be the service itself, but the way in which it is delivered or the extent to which it is delivered. It is unlikely that local authorities do an activity that they would want to cut completely, although in recent months, a couple of councils have taken such decisions.

The financial pressure that councils have faced over the past few years has taken them to a place where they are asking more fundamental questions. One chief executive whom I spoke to in the run-up to the publication of last year's overview characterised the situation as one in which things are now being brought to the table at budget time that would never have been brought to the table before. We think that it is a good thing that more fundamental questions are being asked, but I would not go as far as to say that there are services out there that should not be delivered.

Mary Scanlon: It is quite incredible that the Accounts Commission has to recommend in a report that councillors and council officials ask themselves whether there is a need for a service.

My second question relates to effective risk management. In relation to the changes that are taking place, paragraph 80 of the report states that

“These require a shift in the culture and attitude to risk.”

I do not know what you mean. What is wrong with the culture and attitude to risk in councils? That is not clear.

Gordon Smail: One thing that we try to do in the report is paint the overall context. In the report, we suggest that people should be risk aware, not risk averse. The view may be taken that at times when more money has been around, the question of risk has perhaps not been at the forefront of

people's minds. In other words, they have been slightly risk averse.

We are suggesting that people must look at different things—things that they have not looked at previously—that may be more risky. From our point of view as auditors, the issue is to ensure that people identify risks and work out the types of risk that are acceptable to a council and those that are not.

Mary Scanlon: And that requires a change of culture.

Gordon Smail: It leads to situations in which people look at options. The report refers on a number of occasions to option appraisal. That means looking at options that, in the past, have not been particularly appealing for whatever reason. One reason might be that the option is relatively risky. A shift of mindset is required whereby councils start to consider things that in the past were perhaps considered unacceptable, whether politically, financially or from the point of view of risk.

The Convener: Excuse me, but I think that Mr Keir has a supplementary.

Colin Keir: My point is on a slightly different issue; it is about ALEOs.

The Convener: If it is not a supplementary, we will carry on.

Colin Keir: It is not a supplementary.

Mary Scanlon: I took my question on ALEOs off my list.

I will lump together the points that I want to raise about pages 22 and 23 of the report to get through them more quickly.

The Accounts Commission states that local government has carried out some work on sickness absence. Exhibit 16 indicates that the figure for the highest sickness absence per employee is 16 days. That is more than three weeks of sickness absence. I know that the average is about 10 days. How do those figures compare with the rest of the public sector and the private sector? Is local government doing enough on that issue?

Paragraph 123 refers to the roads maintenance budget. We are always told that our roads are in a terrible state, yet the roads maintenance budget has reduced by 21 per cent in the past two years. You say that there is a huge backlog of roads maintenance, but I do not know how big it is. I think that Audit Scotland has said that 66.7 per cent of council-maintained roads are of an acceptable standard, which means that one third of them are not. Is that a cause of concern?

John Baillie: On sickness absence, paragraph 110 compares the figures to the figures in the teaching profession and the fire and rescue and police services. We can write to you with further information, if you wish.

Mary Scanlon: Okay.

John Baillie: On roads maintenance, we produced a roads maintenance report last month that updated those figures. It showed that there has been a marginal improvement, and that something like 67 or 68 per cent of roads are of an acceptable standard. There has been an improvement.

Mary Scanlon: Of 0.5 per cent.

John Baillie: Whatever it was, it was not very much.

Mary Scanlon: There has still been a drop in the budget of 21 per cent in the past two years.

John Baillie: Whatever the figure was, like a lot of people around the country, I was surprised that it had gone up at all. At this point, we have to look at the definition of "acceptable". I cannot quote it to you just now, but I expect that the engineers' definition of "acceptable" is "safe".

Mary Scanlon: So that means that one third of our roads are unsafe.

John Baillie: Gordon Smail can talk further about that.

Gordon Smail: I think that the phrase that is used is "acceptable condition".

Fraser McKinlay: The roads issue is a good example of the difficult decisions that councils are having to make. All councils know that, as a result of many years of underinvestment, the condition of the roads is not what it should be, and they are trying to do something about that, at a time of reducing resources. They are struggling to balance spend on roads with spend on schools, social work, care for vulnerable people and everything else that they have to do.

Mary Scanlon: Mark Griffin asked about reserves; I would like to ask about council debt. As a member for the Highlands and Islands, I am aware that Highland Council's debt was around £600 million and that its housing debt was around £150 million. I see that the current situation is about the same, with total debt approaching £750 million.

Exhibit 19, which covers the period from 2003-04 to 2011-12, shows that there has been an increase in the net indebtedness of the City of Edinburgh Council.

Has there been any significant change in debt that councils hold in recent years? Are you

concerned about that debt? Are you concerned about councils' plans to repay that debt—if, indeed, they have such plans? What is happening in Edinburgh?

John Baillie: I will deal with the Edinburgh question first, just to get it out of the way. It is relatively straightforward. Edinburgh's trams project, which represents an enormous amount of debt—was it around £700 million or £800 million or so at the last count?—and the purchase of the council's headquarters at Waverley Court contributed hugely to the increase.

We constantly monitor and ask questions about the debt issue that you raise. The prudential code that we discussed earlier is part of that. As you have suggested, borrowing is fine but it clearly becomes a matter of concern if all you are doing is saddling future generations with liabilities. We monitor borrowing very closely; it needs to be backed up with assets and a demonstration that it is sustainable with regard to interest payments and indeed capital repayments.

I do not know whether my colleagues have anything to add.

Gordon Small: With regard to the Edinburgh example, it is always important to bear in mind that big councils are indeed big and that by dint of that the numbers are going to be big. Edinburgh spends of the order of £1 billion to £1.5 billion and has assets of, I think, about £4 billion, and the issue always needs to be seen in that context. Mr Baillie has flagged up a couple of reasons for why Edinburgh's debt, in particular, has gone up over the past 10 years.

I think that the general issue needs to be looked at. Indeed, it all ties in with Mr Coffey's earlier question about the prudential borrowing code. In pulling things together in a way that covers all indebtedness, from straightforward traditional borrowing to liabilities as a result of, say, public-private partnerships, we can see that the variation across the 32 local authorities is quite stark.

I temper that comment, however, by saying that the exhibit shows only the overall picture and that reasons for the variation begin to emerge if you look at individual councils. For example, some councils have had housing stock transfers, and the fact that they no longer have any housing stock has a significant bearing. We felt that, for the purposes of this report and given the fact that local government finances have been under a lot of pressure—and are likely to become more so in the next few years, particularly from 2014-15 onwards—the issue needed to be highlighted to ensure that people ask the very questions that you are asking this morning.

Mary Scanlon: I do not have the figure in front of me—it is in an answer to a parliamentary

question—but I note that the interest that councils pay each year, which runs into millions and millions, is money that cannot be used to deliver public services.

John Baillie: Yes. In fact, we are talking about not only interest payments, which you are right to point out, but PPP payments and any other long-term fixed cost that ties a council's hands behind its back.

Bob Doris: I thought that Mrs Scanlon made an interesting point when she talked about local authorities doing all these things that they do not need to do. I simply point out that they have statutory obligations that they need to meet; essential things, whether or not they be statutory obligations, that they need to do; and desirable and beneficial things that they will want to do for their community. I understand why Mary Scanlon has made her comment, but I think that she framed the point in a rather one-dimensional way. I do not want local government to disinvest from our communities; instead, I want it to be proactive and involved in them.

It is not yet a statutory obligation for local authorities to integrate health and social care, but it soon will be. Because some local authorities and health boards cannot work in partnership, the Scottish Government has felt it necessary to take that action. As part of that, we assume that there will be a single accountable officer who will be responsible to the health board and the local authority and that, for scrutiny purposes, there will be a single budget rather than aligned budgets—

Mary Scanlon: You are answering questions now.

Bob Doris: No—I am actually about to ask a significant question.

I assume that local authorities have undertaken a degree of planning on this matter. To what extent has there been such planning and do you have any concerns about how local authorities are getting ready to deal with a significant increase in responsibilities and a fundamental change in the way they do their business, which will take up a significant part of their budget?

John Baillie: I will start with a very general point and then invite Fraser McKinlay to answer your question.

Going back to CPPs in order to provide some context, I should say that we are concerned that health boards in particular are not as actively engaged in CPPs as other parts are. Of course, health and social care partnerships are part of that whole *mêlée*.

Fraser McKinlay: My sense is that local authorities are pretty well prepared and are planning carefully for the change. The Public

Bodies (Joint Working) (Scotland) Bill came out only last week, so councils and health boards are getting their head around the detail, but that is not to say that they have not done anything while they wait for it to be passed. Indeed, some shadow boards are in operation and some council areas have effectively integrated health and social care. There is a mixed picture across the country.

11:45

It is clear that people are trying to figure out—to use Bob Doris's phrase—the brass tacks of how the integration will work. For example, Dundee City Council has a social work department, which covers children's services all the way through to adult and older people's services. However, the neighbouring authority in Perth and Kinross has an education and children's services department, so its children's services are separate from the adult and older people's services. Given the two different starting places, the question for Tayside NHS Board is how to create a community healthcare partnership that works for those two communities. Although I said that the bodies are thinking about and preparing well for integration, I do not underestimate the challenge of making that work in practice.

Bob Doris: I was not sure what answer I would get, so I find that response reassuring. I genuinely did not know the level of preparedness—I was looking at the action points for councillors in which you ask them whether they are prepared. I was not sure if you knew whether they are prepared, but I am delighted that it appears that there is lot of good work going on.

You said that integration is patchy across the country. If there are examples of good practice in parts of the country, the converse must be true. Will you continue to monitor the situation? What will your monitoring role be?

Fraser McKinlay: We will monitor a variety of things. Locally, auditors will be interested in how integration arrangements work. That forms an important part of our consideration for the performance audit programme, and we will want to look at how implementation has gone. In addition, there is a whole series of things that we can do to keep an eye on how the planning and delivery of the integration are going. There are colleagues in Audit Scotland whose job it is to keep an eye on community health and care, so we will monitor that closely.

Integration is up there with the biggest of the policy and public service reform initiatives that are out there, so it is very much front and centre for us.

Bob Doris: Thanks.

The Convener: Mr Keir, you wanted to come back in. Is it a quick question?

Colin Keir: Audit Scotland has talked before about the relationship with ALEOs. Will you provide a quick update on your work on that?

John Baillie: A paper is going to the commission's meeting next week. Our interest—"concern" would be too strong a word to use—in the issue is the extent to which there is public accountability for public money in ALEOs. There is financial accountability, but accountability for performance is another matter.

Colin Keir: I am quite happy to wait until next week.

The Convener: That draws our questions to the panel to a close.

I am open to suggestions on how to take forward the issue of community planning partnerships, which we discussed earlier, but I remind you that it was not that long ago that we looked at the "Improving community planning in Scotland" report, which Audit Scotland prepared for the Accounts Commission and the Auditor General. We pursued some of the concerns with the Scottish Government, and its correspondence set out that the statement of ambition and the forthcoming community empowerment and renewal bill are the vehicles to improve things. The committee noted that that was the case and assumed that we would take a watching brief as the situation develops. That is where we are on the issue.

Colin Beattie: I am concerned about the timescales—it could be years before something comes through. We are sitting with something that has been in place for 10 years, but we do not even know whether it is fit for purpose or whether it is delivering.

We have heard today that, even with improved reporting and processes, it could be another couple of years before we have any indications on that. That seems an awful long time for such a key issue to be out there.

The Convener: I do not disagree. However, the Scottish Government's response to the concerns was to set out what it was doing, which is the statement of ambition and the programme that flows from it, and the legislative change through the community empowerment and renewal bill. We have not seen that bill, so we do not know what is in it. I am therefore open to any suggestion that we do something else but, if we take up the issue with the Government again, we will get the same answer. Perhaps we should make a note for ourselves that we need to look at the bill when it appears to satisfy ourselves that it is the vehicle to address some of the concerns; if it is not, we can

take that up. I think that what Mr Beattie raised is very much what we raised a couple of months when we looked at the joint report.

I thank our witnesses from the Accounts Commission and Audit Scotland.

Landfill Tax (Scotland) Bill (Correspondence)

11:50

The Convener: Item 4 is correspondence on the Landfill Tax (Scotland) Bill. We wrote previously to both the Scottish Government and Audit Scotland, asking a number of questions about the audit arrangements around the new landfill tax and about revenue Scotland, which is the new body that will be responsible for the tax. The question is the degree to which the Auditor General is satisfied that the audit arrangements emerging would allow her to audit the new tax properly. The correspondence is in front of members and I invite members' comments.

Tavish Scott: I want to pick up on a point in Mr Swinney's answer to your letter, which I think is broadly fair. However, at the top of page 2, the answer to the committee's question about the publication of annual performance information does not use the word "annual". Had it done so, or had it referred to any other timescale, I would have been perfectly relaxed about it. I am sure that the answer is implying "annual", but I think that it is important that we nail down the timescales in which we should expect information to be provided. After all, the Scottish Environment Protection Agency provides an annual report that includes its accounts and which is audited by Audit Scotland, and so on. I think that we require clarification on the timescale from the Cabinet Secretary for Finance, Employment and Sustainable Growth.

The Convener: I am happy to write again to ask for that clarification. I thought that the response was fair and that it addressed all the questions, and the correspondence from the Auditor General seemed quite reassuring.

James Dornan: On the point that Tavish Scott raised, I take it that we will just ask when the agreement to which Mr Swinney referred will be established, which will surely give us the information that Tavish Scott is looking for.

The Convener: I think that Mr Scott wants us to write to ask for reassurance that the agreement will ensure that SEPA will publish information at least annually, which I think is slightly more than what you are suggesting, Mr Dornan. However, I imagine that annual publication will be contained in the agreement.

Does the committee agree to note the correspondence?

Members indicated agreement.

The Convener: Thank you very much. We will now move into private session. I ask any members of the public present to leave.

11:53

Meeting continued in private until 11:58.

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