

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	29 June 2011
LEAD OFFICER	Chief Executive
TITLE OF REPORT	Accounts Commission Findings – progress
REPORT NUMBER:	OCE/11/006

1. PURPOSE OF REPORT

At its meeting on 15 December 2010, the Council heard an oral report by the Chief Executive providing an update on the actions taken by the Leadership Board to address the findings and recommendations of the Accounts Commission for Scotland on *Aberdeen City Council: Reports by the Controller of Audit on the Audit of Best Value and Community Planning and the Property Sales Investigation*.

The Council resolved:-

- i) to note that a report would be submitted to the Council meeting on 29 June 2011 on the Council's progress since the publication of the Accounts Commission's follow up report in July 2009; and
- ii) to note that the Leadership Board would now be stood down, and that Group Leaders would meet once per committee cycle instead to review forthcoming Council business and any other matters of significance.

This report provides the progress update requested by the Council.

2. RECOMMENDATION

That the Council notes the content of the report and requests that the Chief Executive provides further reports as and when required to future meetings of the Council.

3. FINANCIAL IMPLICATIONS

There are no specific financial implications arising from this report, but its subject matter relates directly and indirectly to all the arrangements made by the Council to ensure a sustainable financial future for the organisation and the services it provides.

4. OTHER IMPLICATIONS

There are no other specific implications arising from this report, but its subject matter touches directly or indirectly on all aspects of the Council's policy statement and the Single Outcome Agreement.

5. MAIN ISSUES

The Findings and Recommendations of the Accounts Commission on *Aberdeen City Council: Reports by the Controller of Audit on the Audit of Best Value and Community Planning and on the Property Sales Investigation* were before the Council at its meeting of 16 June 2008.

As reported to the Council at its meeting on 19 August 2009 (report number OCE/09/002), on Thursday 30 July 2009, Audit Scotland published its progress report on the Council's arrangements for best value and community planning. The report includes the Accounts Commission's findings and is available from the Audit Scotland website at <http://www.audit-scotland.gov.uk/>. Elected members each received a copy of the report at that time.

The Accounts Commission's findings were as follows:-

- i) When the Accounts Commission published its findings on the Best Value audit on Aberdeen City Council in May 2008 following a public hearing, it requested a further report from the Controller of Audit in 12 months' time. The Commission accepts this report as fulfilling that requirement. We recognise that the report gives a broad picture of the council's performance based on the work of Audit Scotland and service inspectorates and does not attempt a comprehensive review of all service delivery. We acknowledge the co-operation and assistance given to the audit process by elected members and officers of the council.
- ii) The Commission is encouraged by the prompt and decisive action taken by the council, and taking into account the timescale, commends the council on its progress across a range of activity. We welcome in particular the steps taken to establish new management structures and a new senior management team, the early signs of changes in organisational culture and the progress in implementing a corporate performance management process.
- iii) We are also pleased to note that the council has started to improve budget setting. It now needs to build on this to establish robust and sustainable financial management and monitoring, which will be vital in addressing the challenging financial position it continues to face. This is a key issue in any circumstances and will be all the more challenging for the council given the recession and the financial pressures facing local government.

- iv) In aggregate, the council has made a good start in addressing our findings on the initial Best Value audit report, and we believe that there is a very promising base for further improvement. Inevitably at this stage the council still has much to do and it needs to ensure that the progress is sustained and supported throughout the organisation. In doing so, it needs to mitigate the risks to its ambitious improvement programme arising from dependence on a small number of elected members and officers. The council also needs to maintain a broad consensus to support the overall direction of travel and pace of change.
- v) As part of the streamlining of scrutiny that the Scottish Government has asked the Accounts Commission to be involved in, Audit Scotland is currently working closely with other scrutiny bodies to deliver a shared risk assessment of councils. The Controller of Audit's report and these findings, showing a picture of encouraging initial progress but with some way to go, will feature in the next risk assessment of Aberdeen City Council which will, in turn, inform the nature and timing of future external scrutiny.

The relevant statutory provisions required the Council to consider the Commission's findings at a meeting of the Council within three months of receiving them. This duty must be discharged by the full Council and not by a committee, sub-committee or officer. After the Council has met, the Commission must be notified of any decisions made.

The Council meeting on 30 September 2009 considered a report by the Chief Executive on behalf of the Leadership Board (report number OCE/09/008) and agreed a response to the Accounts Commission, copied to the Cabinet Secretary for Finance and Sustainable Growth, based on the Leadership Board's consideration of the following matters. A progress update is now noted below each bullet point:-

- **new management structures**

The Council meeting on 30 September 2009 marks the end of the first cycle of meetings of the Council's new committee structure, introduced to clarify relationships, responsibilities and accountabilities within the Council. Work continues on the development of new Standing Orders, Financial Regulations, Schemes of Delegation and Codes of Conduct to underpin the new management structures and the Council has agreed that a review should be undertaken following the first six months of operation of the new committee structure.

update

In the intervening period since August 2009, the Council's Standing Orders, Financial Regulations, Schemes of Delegation and Codes of Conduct have been reviewed and updated; a

refreshed Local Code of Corporate Governance has been adopted and the envisaged review of the committee structure was reported to the Council meeting on 24 March 2010 (report number CG/10/031). All these matters remain under review and wherever necessary proposed improvements will be brought forward to the relevant committee for decision. The Chief Executive is in the early stages of giving consideration to revised decision-making structures to continue the improvements made in streamlining the work of the Council.

- **new senior management team**

The Director of Corporate Governance took up his post with the Council on 1 September 2009 completing the appointment process for the Council's new Directors. The Chief Executive and the Directors are now working jointly to agree and bring forward to Council recommendations for the sub-structure of Heads of Service across the five Directorates and the Office of Chief Executive. The Chief Executive will liaise directly with the Leadership Board and elected members to discuss the rationale behind the sub-structure as it is developed. The Council has agreed that the number of Heads of Service posts will be reduced from the current 25 to a maximum of 21 and that the posts will be advertised externally. It is envisaged that appointments will be made during November and December 2009.

update

In the intervening period since August 2009, the Council's Head of Service structure was finalised and agreed at the Council meeting on 18 November 2009 (report number OCE/09/012) with the resulting 16 posts being advertised externally and filled during the first half of 2010. At the Council's Budget Meeting on 10 February 2011, it was resolved that the Chief Executive be instructed to initiate a review of the Council's management structure in the context of the priority based budget options for the period 2011/2016. The Chief Executive will bring reports back to the Council at the appropriate time.

- **changes in organisational culture**

The Chief Executive and the Directors acknowledge the importance of setting and maintaining the Council's 'cultural tone' (as it is described in Audit Scotland's report). Work continues at both a corporate and directorate level to develop and actively make use of a range of communication tools to ensure that the Council's organisational culture is a positive influence in ensuring that the Council delivers the desired outcomes for those it serves. The structure agreed by the

Council at its meeting on 25 March 2009 saw communications transferred to the Office of Chief Executive, a clear indication of the importance of this work as the Council moves forward. A survey of all Council staff is due to take place in the coming months; this will establish a new baseline on staff views and opinions and indicate where work should be concentrated in order to enhance a positive cultural tone within the organisation.

update

The results of the 2010 staff survey were published in March 2011 along with an outline of the actions to be taken as a result of the feedback that the survey provided. In addition, the Council's draft five year business plan which is also on the agenda for today's meeting explicitly sets out the importance to its successful delivery of communication, community engagement and employee engagement. The Chief Executive is personally committed to a proactive and ongoing programme of staff visits across the Council. Directors and Heads of Service across the Council have held numerous staff briefings, workshop sessions and other fora to engage actively with staff.

- **corporate performance management process**

Given the centrality of clear responsibility and accountability in the Council's new organisational structures at both Committee and Directorate level, and given the fundamental requirement for robust self-assessment as national scrutiny arrangements are transformed the importance of the Council's corporate performance management processes are fully appreciated both by elected members and officers. In seeking to deliver against timescale and within budget the priorities enshrined within the Single Outcome Agreement and *Vibrant, Dynamic and Forward Looking* it is recognised that performance management arrangements within the Council must be kept continually under review. Each of the new Committees, the Corporate Management Team and each of the new Directorates will regularly receive, analyse and act on robust performance information.

update

Each of the service committees of the Council receives regular performance reports with the aim being that timely, relevant and robust information is presented to elected members. The system in place continues to be kept under review and proposed improvements are reported to the appropriate committees for decision. In addition, the How Good is Our Council model of self evaluation has been adopted as a means of supporting performance improvement.

- **improved budget setting**

The Finance and Resources Committee on 17 September 2009 received a report by the City Chamberlain on the proposed arrangements for setting the 2010/2011 budget. The intention is to ensure that the improvements noted by the Accounts Commission in the findings are secured and built upon.

update

At the Council's Budget Meeting of 11 February 2010, it was resolved that the 2011/2012 budget process should be undertaken on a priority based approach using zero based budgeting principles to provide the foundation for a fully-costed five year business plan for the council for 2011/2016. The subsequent priority based budget options were reported to Council at its meeting on 15 December 2010 (report number CG/10/202) with further decisions being taken at the Council's Budget Meeting on 10 February 2011.

- **robust and sustainable financial management and monitoring**

It is recognised that the quality of budget setting within the Council will be enhanced both by augmented to day-to-day financial management and monitoring and by improved medium to longer term financial planning. Work is underway on both. In particular on the former, the roll out across the Council of the Collaborative Planning tool will afford budget holders and those they report to at both officer and elected member level a much clearer insight into the operation of the budgets for which they are responsible and earlier opportunities to deal effectively with variances as they begin to occur.

update

The Corporate Management Team now receives a monthly finance performance report which provides a regular overview of the Council's financial position enabling discussion and action as appropriate. The report incorporates updates on revenue, capital, and treasury and savings information and provides for improved financial management and monitoring across the Council. The reporting of financial information to Committee has been similarly revised. The Council's draft annual accounts for 2010/2011 are also on the agenda for today's meeting. The Council has been an early adopter in publishing the revised annual governance statement and in terms of monitoring, the period since September 2009 has seen a significant shift in

focus for the Council's Internal Audit activity in order to ensure it more effectively supports the delivery of the Council's priorities.

- **progress to be sustained and supported throughout the organisation**

The Leadership Board, on behalf of the Council welcomed the Accounts Commission's findings when they were received on 30 July 2009. The Leadership Board, the Chief Executive and the Corporate Management Team are united in seeking the means by which the progress to date is built upon and owned throughout the Council in order to ensure that appropriate outcomes are successfully delivered to those the Council serves.

update

As noted above, at its meeting on 15 December 2010 the Council took the decision to stand down the Leadership Board. The Group Leaders now meet once each committee cycle to review forthcoming Council business and any other matters of significance. The most recent shared risk assessment: assurance and improvement plan for the Council produced by Audit Scotland on behalf of the Local Area Network (LAN) of inspection bodies notes:- "Evidence now shows an improving managerial leadership and performance picture although the council still faces some important challenges, notably that of making significant financial savings and maintaining improvement momentum at a time of considerable organisational change and in a highly charged political environment which presents risks to the efficient and effective conduct of business." Audit Scotland and other LAN colleagues will continue to monitor the situation as part of their ongoing engagement with the Council.

- **mitigate the risks of dependence on a small number of elected members and officers**

The establishment of the new committee structure with Conveners, Vice-Conveners, Group Spokespeople and committee members all with clarified responsibilities and accountabilities for a defined range of services assists in mitigating any risk there may have been in this regard. Similarly, with the new Director group now complete and working to a shared corporate agenda with the Chief Executive any risk on the officer side is nullified.

update

Appointments to the Heads of Service structure were completed during the first half of 2010 and subsequently each Directorate has revised its third tier structure. The priority based budget options and the draft five year business plan together provide the revised corporate agenda to be delivered by the Council on behalf of the people served in the City.

- **maintain a broad consensus to support the overall direction of travel and pace of change**

The Leadership Board was established by the Council to work on its behalf to own and drive forward the Council's improvement programme. The Board continues to fulfil this role.

update

As noted above, the Leadership Board has now been stood down with the Group Leaders taking on a role in relation to Council business and other significant matters. In agreeing the revised Local Code of Corporate Governance at its meeting of 25 November 2010 (report number OCE/10/021 the Corporate Policy and Performance Committee agreed that it would be helpful for the Council to work to the guidance contained in the Audit Scotland report *Roles and Working Relationships – are you getting it right?* It is intended that work on this is undertaken during the coming recess period.

6. IMPACT

As at paragraph 4 above.

7. BACKGROUND PAPERS

Aberdeen City Council: Reports by the Controller of Audit on the Audit of Best Value and Community Planning and on the Property Sales Investigation - Audit Scotland, May 2008

The Audit of Best Value and Community Planning, Aberdeen City Council Progress Report – Audit Scotland, July 2009

Roles and Working Relationships – are you getting it right? – Audit Scotland, July 2010

Shared Risk Assessment: Assurance and Improvement Plan 2010/2013 – Audit Scotland, July 2010

Shared Risk Assessment: Assurance and Improvement Plan 2011/2014 – Audit Scotland, May 2011

8. REPORT AUTHOR DETAILS

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