

The Audit of Best Value and
Community Planning

Argyll and Bute Council

Follow-up audit

The logo for the Accounts Commission, featuring a stylized 'A' with a checkmark inside a circle.

ACCOUNTS COMMISSION

Prepared by Audit Scotland
July 2014

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Contents

| | |
|--|-----------|
| Commission findings | 4 |
| Part 1. Introduction | 5 |
| The statutory report and Accounts Commission findings | 5 |
| The follow-up audit | 5 |
| Part 2. Summary | 7 |
| Part 3. Audit assessment | 9 |
| The council has responded constructively to the Accounts Commission findings and is making progress on improvement work. It is too early to judge the effectiveness of many of its actions | 9 |
| The leadership and political dynamics of the council are more stable but the situation remains fragile..... | 11 |
| New political management arrangements provide a foundation for improved governance | 17 |
| Areas for improvement | 23 |
| Appendix | 24 |

Commission findings

- 1. The Commission accepts the Controller of Audit's report on Argyll and Bute Council.**
- 2. The Commission is encouraged that the council is making progress against our previous findings of October 2013. But we note in particular the Controller of Audit's view that it is too early to assess the effectiveness of plans being implemented. We conclude that there is still much work to be done by the council to secure the improvements that we required in our previous findings.**
- 3. The Commission therefore requires the Controller of Audit to report on progress by the end of 2015, with particular focus upon the effectiveness of the following:**
 - **Political management arrangements.**
 - **Scrutiny.**
 - **Roles and relationships, including between members and officers.**

Part 1. Introduction

The statutory report and Accounts Commission findings

1. Between May and August 2013, Audit Scotland undertook targeted audit work at Argyll and Bute Council in response to a scrutiny requirement identified in the [Assurance and Improvement Plan for 2013-16](#). The work focused on the effectiveness of councillor to councillor and councillor to officer working relationships.
2. In October 2013, the Controller of Audit presented a statutory report to the Accounts Commission, under Section 102(1)(b) of the Local Government (Scotland) Act 1973. The Commission made findings on the report and [the statutory report and the Commissions findings](#) were published on 29 October 2013.
3. The Commission's findings from 2013 are set out in full as an appendix to this report. They reflect a number of concerns and expectations expressed by the Commission, and are summarised as follows:
 - Serious concern about substantial risks to the council caused by the instability of elected member leadership.
 - The quality of leadership of the council has been inadequate.
 - Elected members need to achieve a more effective balance between focusing on local issues and priorities and the longer term strategic objectives of the council.
 - The role of the Monitoring Officer needs to be afforded trust and respect and members must have confidence in the comprehensiveness of information provided by officers.
 - The council's current political management arrangements are not fit for purpose.
 - Elected members and officers must work together to ensure fuller use of training and of external support.
4. Argyll and Bute Council considered the Commission's findings on the statutory report at its meeting in November 2013. In January 2014, the council, with a majority of 31 to three votes, agreed an action plan in response to the statutory report and that it be submitted to the Commission. The [council's agreed action plan](#) and its [summary of the recommendations](#) are available on the council's website.

The follow-up audit

5. In its 2013 findings, the Commission expressed the need for urgent progress and requested a further report by the Controller of Audit. This follow-up audit report responds to the Commission's request. The follow-up audit work reviewed progress made by the council over the six-month period between the publication of the statutory report at the end of October 2013 and April 2014.

6. The audit work took place in April and May 2014 and therefore this report reflects the position at that point in time. During the onsite work the team interviewed ten councillors individually, four council officers, the independent (external) chair of the council's Performance Review and Scrutiny (PRS) Committee and one of the local MSPs. The team held two focus groups with councillors, one with a group of middle managers and observed a full council meeting.
7. I gratefully acknowledge the cooperation and assistance provided to the audit team by the Chief Executive, Sally Loudon, the Leader of the council, Councillor Dick Walsh, the chair of the Performance, Review and Scrutiny Committee, Mr Ian Ross, as well as the other councillors and staff who met with members of my team as part of the audit.

Part 2. Summary

Argyll and Bute Council has responded constructively to the Accounts Commission findings on the 2013 statutory report and it is making progress with improvement work. It is, however, too early to assess the effectiveness of the actions and plans being implemented.

The leadership and political dynamics of the council are more stable but the situation remains fragile. The risk to the council is currently reduced but there are difficult circumstances ahead and tough decisions to be made that will prove challenging to political management and ongoing stability.

New political management arrangements provide a foundation for improved governance. The council needs to ensure councillors and officers have a shared understanding in practice about the roles and responsibilities as well as effective links within and across the new arrangements to ensure they meet their potential.

Scrutiny still needs to improve. In particular, the council needs the commitment and engagement of councillors in the work of the Performance Review and Scrutiny Committee and the Audit Committee, if these are to make an effective contribution to governance and accountability. The role of senior management will also be crucial.

8. Overall, councillors and senior officers demonstrate a good level of understanding and acceptance of the Accounts Commission's findings and the 2013 statutory report. The council has agreed an improvement action plan that responds to the concerns raised following previous audit work. The council is making progress with its actions in line with its planned timetable.
9. The political leadership of the council has a firm focus on ensuring political and financial stability. The political dynamics of the council are more stable than before, although given the nature of the circumstances in Argyll and Bute Council, the situation is fragile, with some underlying tensions evident. Cultural and behavioural issues are complex and difficult to address, and will take time and sustained effort to change. Given the relatively short period since our previous report, we did not anticipate these issues would be fully addressed yet.
10. In February 2014, the council approved a budget that intends to provide two years of financial stability. During that period, the council plans to address the financial challenges it faces in the future, including significant reductions in funding. This more challenging environment will require it to make tough decisions and the natural tensions and stresses involved in this are likely to test the stability established so far.
11. The council continues to conduct day-to-day political and operational business. It now needs to use the relative stability and improvements in political management arrangements to make further progress with planning its strategies, monitoring its performance and delivering results.
12. Senior managers feel that with better political stability they have had more time to get on with improvement work and other council business. This includes making progress on arrangements for training and development for councillors, although further improvement in the level of engagement by councillors is required.

13. While the council has listened to the Commission and responded constructively to its findings, it is too early to judge the effectiveness of many of the actions the council is taking, at this stage. For example:
 - At the time the audit work took place, the council had not yet fully implemented changes to the political management arrangements. The planned arrangements, however, provide the potential for significantly improved governance.
 - The new arrangements include increased financial and local policy responsibilities for area committees. The effectiveness of these changes has not yet been tested but they offer the opportunity to support a better process for integrating strategic and local priorities.
 - The Policy Leads system has the potential to play a significant role in the political management arrangements, but again, it is too early to assess the impact of these roles.
14. Scrutiny still needs to improve. In particular, the council needs the commitment and engagement of councillors in the work of the Performance Review and Scrutiny Committee and the Audit Committee for these to make an effective contribution to the council's governance and accountability arrangements. Current activity, including the implementation of new committees, training for councillors, development days to plan forward work programmes for committees and redevelopment of the committee report template, all have the potential to contribute to wider improvements in scrutiny.
15. For the new political management arrangements to function effectively the council needs to ensure there is clarity and shared understanding in practice about the roles and responsibilities of each committee, subgroup and individual role (such as policy lead and shadow lead) within the arrangements. How well each of the parts of the new arrangements works and interacts with others will be equally important. Good intelligence about common issues and information flows across the committees, groups and lead roles, is fundamental to the new structure meeting its potential as an effective and transparent governance framework. In recognising these issues, the council has made provision for additional staff to support the new arrangements, although it is too early to assess the effectiveness of this.
16. There is evidence of a common determination to move forward and ensure that the council delivers more effective local government for Argyll and Bute. The council faces some difficult decisions over the next two years as it identifies and manages the reductions in spending it will need to make. It is essential that it continues to improve its culture, that there is agreement on what kind of council it wants to be and that improved behaviours are sustained. This will allow Argyll and Bute to move forward from a focus on stability to a position where there is effective community leadership and a unified position on delivering the council's priorities for its communities. The role of senior management in supporting elected members and in ensuring the delivery of high quality services to local people is crucial.

Part 3. Audit assessment

The council has responded constructively to the Accounts Commission findings and is making progress on improvement work. It is too early to judge the effectiveness of many of its actions

17. Councillors and senior officers show a good level of understanding of the issues in the 2013 statutory report and the Accounts Commission's findings. It is clear from discussions with councillors that the messages in the report and the findings were difficult to hear but that there is a good level of acceptance.
18. The council discussed the Account's Commission's findings on the statutory report at its meeting in November 2013. Councillors responded constructively and agreed to develop an action plan to address all of the issues raised in the audit report and findings. The [council's action plan](#) and its [summary of the recommendations](#) were developed with the input of councillors at seminar sessions facilitated by the Improvement Service. Twenty-seven of the 36 councillors who represent the people of Argyll and Bute participated in the session. At its meeting in January 2014, the council, with a majority of 31 to three votes in favour, approved the action plan and agreed that it should be submitted to the Commission.
19. The plan sets out clearly the 33 actions, the responsible officer for each action and timelines for completion. The timeline for the plan ranges from actions being completed at the end of 2013 to actions due for completion at the end of 2015.
20. The council is making progress against the timeline for implementation of its action plan. However, it is too early to make judgements about the effectiveness of most of the actions, given some are still being worked on and others need time to demonstrate results. The council has set two review points to consider progress and identify any further improvement actions required for each aspect of the plan.
21. [Exhibit 1](#) sets out the main content of the plan, with related actions summarised for simplicity. The [council's action plan, set out in full](#), is available on the council's website.

Exhibit 1

Argyll and Bute Council Action Plan – summary of actions

| Issue and summary of actions | Timeline for actions and progress |
|--|--|
| Standards | Review planned for December 2014 |
| <ul style="list-style-type: none"> • Training for councillors on standards | seminar took place in March 2014 |
| <ul style="list-style-type: none"> • A monitoring officer protocol | approved by council January 2014 |
| <ul style="list-style-type: none"> • Guidance and training for officers | development session took place March 2014 guidance due for issue in April 2014, had not yet been produced at the time of the audit |
| <ul style="list-style-type: none"> • Councillors collectively reinforcing discipline | ongoing activity |
| Governance structures and processes | Review planned for December 2014 |
| <ul style="list-style-type: none"> • Revision of the political management arrangements, ensuring clarity of purpose, roles, responsibilities and terms of reference within the arrangements | approved by council in January 2014, came into effect April 2014 |
| <ul style="list-style-type: none"> • Clarity on roles of committees | in April 2014, terms of reference incorporated into the constitution and development days scheduled for each committee. These are due for completion by the end of August 2014 |
| <ul style="list-style-type: none"> • Aligning councillors to committees and roles | majority of appointments completed January 2014, some refinements ongoing |
| <ul style="list-style-type: none"> • Establishing staff resources to support the new governance arrangements | due for completion April 2014, some recruitment still active in May 2014 |
| <ul style="list-style-type: none"> • Revision of the report format to address councillor feedback | due for completion March 2014, issued to managers May 2014. |
| <ul style="list-style-type: none"> • Re-establish Chief Executive appraisal process | implemented December 2013 |
| <ul style="list-style-type: none"> • Monitoring of staff morale | staff survey due to take place June 2014 and report November 2014 |
| <ul style="list-style-type: none"> • Broaden/improve engagement with local communities through social media | due for completion December 2014 |
| <ul style="list-style-type: none"> • Review of local community planning arrangements | due for completion October 2014 |
| Training and development | Review planned for December 2015 |
| <ul style="list-style-type: none"> • Improving the councillor development programme, including Improvement Service | development and sign up of all councillors due for completion November 2014 |

| Issue and summary of actions | Timeline for actions and progress |
|---|---|
| programme, peer mentoring programme, competency based training, scrutiny training, 'master-classes' on key strategic issues | |
| Policy development support | Review planned for December 2015 |
| <ul style="list-style-type: none"> Programme of seminars | planning due for completion August 2014, dates of sessions agreed to April 2015, planning ongoing |
| <ul style="list-style-type: none"> Working groups to examine long-term strategic challenges | ongoing. A new short life working group was agreed by the council in January 2014 to look at the specific needs of island communities |
| <ul style="list-style-type: none"> Developing the corporate and service planning framework around the SOA | ongoing due for review March 2015 |
| <ul style="list-style-type: none"> Chief Executive and Leader's briefings – meetings for the Chief Executive (and where appropriate other members of the SMT) to discuss current issues with Leader, Deputy Leader and Opposition Leader | ongoing with meetings in place |

Source: Audit Scotland

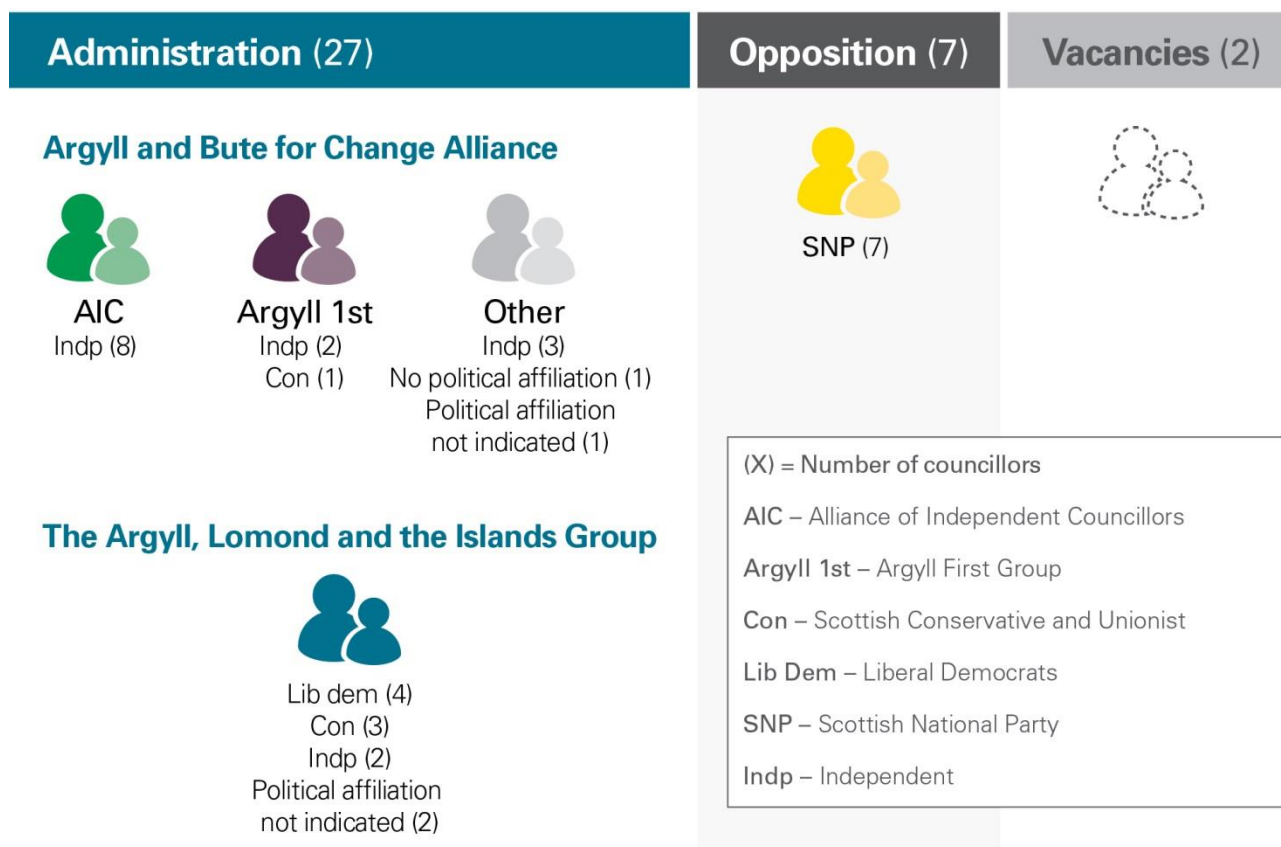
22. The actions demonstrate an understanding of the Commission's findings and the areas covered address the issues of concern outlined in the previous audit report. Many of these issues relate to culture and behaviour. These are complex and difficult to address, and will take time and sustained effort to change. Given the relatively short period since our previous report, we did not anticipate these issues would be fully addressed yet. The council has made a start, but it will take ongoing commitment and resolve by councillors and senior management in the longer term before improvements can be fully realised and embedded.

The leadership and political dynamics of the council are more stable but the situation remains fragile

23. At the full council meeting on 26 of September 2013, a new Administration, Leader and Depute Leader of the council were agreed. The Administration consists of the members of the Argyll and Bute for Change Alliance in partnership with the members of the Argyll, Lomond and the Isles Group (TALIG). In May 2014, at the time of writing this report, the total number of councillors aligned with this administration is 27. The opposition is composed of the seven Scottish National Party (SNP) councillors. Two vacancies exist, one following the resignation of a non-politically affiliated councillor from the opposition, and one following the resignation of a SNP councillor also from the opposition. [Exhibit 2](#) illustrates the political make up of the council at the time of writing this report.

Exhibit 2

Political make up May 2014



Source: Audit Scotland

The council shows an improved sense of collective leadership

24. There is evidence of collective leadership developing in the council. The Leader (from the Alliance of Independent Councillors) works well with the Depute Leader (from TALIG). The Leader and the Leader of the Opposition have established an effective relationship to support collective leadership and cooperative working. For example, the council's budget was passed unanimously in February 2014, with the SNP applying the group whip. The Leader, Depute Leader and Leader of the Opposition jointly undertook the appraisal of the Chief Executive in December 2013 with the challenge and facilitation of an independent and experienced external advisor.
25. Senior managers express a consistent message that with better political stability they have more time to get on with improvement work and other business. The Senior Management Team (SMT) has restructured its meetings to make time for progressing a range of corporate improvement activities. This includes options for its own individual and team development arrangements as well as building on current management training and development for the wider group of senior managers in the council. Individually, members of the SMT are more outward looking than evidenced in May/June 2013, engaging in more external meetings, forums and networks. The contribution senior managers make will be important for the long-term transformation of the council.

26. There has been an increase in the visibility of the political leadership across the council, through, for example, the Leader's attendance at training seminars for senior officers. There is more external engagement too, through more public focused Leader's reports and through the Leader and Policy Leads attending more public sector forums, meetings and events.

The political leadership's main focus has been on ensuring political and financial stability but difficult decisions in the next two years will prove challenging

27. The leadership of the council has actively worked on establishing stability and internal stability has been a significant focus for the Leader since his reappointment to the role in September 2013. He has provided strong direction on this.
28. In addition, the political leadership has focussed on maintaining financial stability. At its February 2014 meeting, the council approved its budget for 2014/15 in accordance with its new budget approach, agreed in November 2013. The new approach aims to maintain stability and to preserve services where possible by seeking one per cent savings (£1.8 million) across all service areas in 2014/15 and 2015/16, from a total revenue budget of £245 million. Due to the efficiency savings target, there is a projected funding surplus of £1.02 million in 2014/15 and £3.1 million in 2015/16.
29. The longer-term budgetary outlook is more challenging. The council estimates it will require to reduce expenditure over the period 2016/17 to 2019/20 by an average of around three per cent or £8 million per annum, building up to £28.565 million in 2019/20. This equates to approximately £77 million in total over the four-year period. This is around 7.5 per cent less across those years than the £1.033 billion expenditure currently forecast by the council. Achieving these savings will require fundamental decisions to be made by councillors about service provision and delivery.
30. The council plans to use the two-year period of financial stability (2014/15 and 2015/16) to develop and put in place proposals to address the longer-term funding outlook and to consider how resources are aligned to the Single Outcome Agreement (SOA) and council priorities, future savings and options for additional income.
31. There is now a common recognition across councillors that the SOA is the primary strategic plan for the council. Delivery plans are being finalised and the council is in the process of updating its corporate priorities and service plans to align with the SOA.

While the political dynamics of the council are more stable, some tensions are still evident

32. The political dynamics of the council are more stable than the audit team witnessed in May/June 2013. Behaviour outside the chamber between councillors appears to have improved. Councillors did not express the concerns reported in previous audit work, and described a more stable working environment. Both councillors and officers expressed a sense of being on much more solid ground with more potential to move forward with business, improvements and strategic planning.

33. Although the overall sense of improved stability is clear, there are some underlying tensions evident that suggest this stability is still fragile. The tensions reflect residual mistrust and a degree of disquiet with current changes. This is not unexpected given the relatively short period since our previous report and that the central issues it raised were about culture and behaviour at the council.
34. There is recognition of the importance of councillors taking responsibility for standards and behaviours. In the council's action plan there is an agreed action for group discipline and leadership. The objective is that group leaders and groups collectively ensure proper conduct of their respective group members. One of the approaches taken is group protocols. The TALIG and SNP groups confirmed during the audit that they have protocols for group behaviour in place.
35. The council is responding to the Commissions' concern regarding the '*negative effect that this (political instability) is having on the council's reputation*'. For example, it produced a Leader's report recognising the issues highlighted by the Accounts Commission report. This was addressed both externally to the community and internally across the council. The council is also working on better management of the council's relationships with local press and media, increasing engagement through social media and developing arrangements for webcasting its committee meetings. The council's communications team is fully staffed and senior managers and councillors commented positively during the audit about the impact the team has made.
36. Officers the audit team spoke to were aware of the issues described in the statutory report but they felt that these had had no significant bearing on staff morale or operational work. The council plans to include relevant questions in a staff survey planned for the summer of 2014. When it considers the results of this survey, in November 2014, the council needs to assure itself about the impact of recent events on its staff and put actions in place to address any identified areas for improvement.

The council is working to improve councillor to councillor and councillor to officer working relations but it is too early to assess the longer-term results of these actions

37. The council's action plan includes a number of approaches to underpin improved working relations. The actions to date have contributed to the current stability but it is too early to assess the longer-term impact of these actions on councillor to councillor and councillor to officer working relationships. The council plans to undertake a review of the arrangements and actions taken to support improved standards and behaviours and report on this in December 2014.
38. In January 2014, the council approved a Monitoring Officer protocol. The aim of the protocol is to improve the effectiveness of the role of the Monitoring Officer and it sets out how the statutory duties of this role will be discharged. The protocol states that the monitoring officer '*will provide appropriate and robust advice to members so as to protect and safeguard, so far as is reasonably possible, members and officers, from legal difficulties and possible misconduct whilst acting in their official capacities.*' The protocol has heightened

awareness and engagement with the role of the Monitoring Officer among both councillors and officers.

39. In March 2014, only 16 of the 36 councillors attended a seminar that included a session on standards and behaviour. This involved input from the Commissioner for Ethical Standards in Public Life in Scotland. Councillors need to recognise the importance of attending seminars and training sessions. The council should review why the attendance at this session was low, particularly given the profile of this issue in the council and consider whether further or different approaches to training on this would be beneficial to councillors.
40. Also in March, a training session took place for the wider management team, including the SMT, heads of service and service managers. This included sessions on positive councillor and officer relations, and how to respond to unacceptable behaviours. The council plans to provide a guidance document for senior officers on managing councillor expectations and on councillor and officer roles and responsibilities. This was originally planned for April 2014 but has not yet been produced.
41. Councillors' views about the quality and accessibility of the reports they receive remain mixed. Some of the issues around trust in the content of reports are still evident. Officers have recently redeveloped their reporting template and plan to trial this in the forthcoming cycle of meetings. The new format includes an executive summary. The redevelopment process intends to include ongoing consultation about the quality of reports with all councillors. Senior officers have also developed a clear and detailed guidance document for staff about producing reports and for contributing at committees. It is however, too early to judge the effectiveness of these actions.

Councillor training and development is progressing, but improvement is required in the level of engagement by councillors

42. It is important that councillors have access to and attend good quality information and training sessions on strategic issues. Officers have continued to develop the training and development arrangements for elected members and the engagement of councillors with them has improved. Officers report that the number of councillors signed up to Continuing Professional Development arrangements has increased from six to 24. The council's aim is to achieve full participation in the member development programme by November 2014.
43. During the audit, councillors were positive in how they described the importance of and the need to engage in training and development. They were positive about the training they receive but expressed mixed preferences on how to engage in training. The council needs to ensure, where possible, that technology based and other options for training are accessible to councillors. This is particularly important given the geography of the area, although councillors need to recognise and make use of the range of technology based and other options already offered. Council officers expect to monitor and refine training arrangements on an ongoing basis, but the council plans a more formal review of progress and the impact of councillor training and development arrangements with a report expected in December 2015.

44. Attendance at seminars over the six-month period since October 2013 varies and improvement is required. While there are challenges in increasing attendance at seminars, given the council's geography, the other commitments councillors have and some events being targeted at those with an interest in specific issues, it is important that these are not barriers to effective engagement. Video conferencing facilities have been introduced and this has the potential to support councillors' engagement in training. In the six-month period since October 2013, nine seminars have taken place on a range of issues – [Exhibit 3](#).

Exhibit 3

Attendance at member seminars between October 2013 and April 2014

| | | |
|-------------|--|--------------|
| 10 October | <ul style="list-style-type: none">• review of children and families social work services | 14 attendees |
| 31 October | <ul style="list-style-type: none">• launch of CPD framework | 23 attendees |
| 11 November | <ul style="list-style-type: none">• budget review• health and social care integration | 23 attendees |
| 18 November | <ul style="list-style-type: none">• Improvement Service workshop | 27 attendees |
| 9 December | <ul style="list-style-type: none">• civil contingencies | 17 attendees |
| 13 January | <ul style="list-style-type: none">• statutory report action plan | 26 attendees |
| 3 March | <ul style="list-style-type: none">• local development plan• Commission for Ethical Standards• health and social care integration | 16 attendees |
| 17 March | <ul style="list-style-type: none">• Single Outcome Agreement and delivery plans update• next generation broadband | 18 attendees |
| 7 April | <ul style="list-style-type: none">• strategic risk register• marine renewable planning• mobile infrastructure | 21 attendees |

Source: Argyll and Bute Council

45. The council has a programme of monthly seminars planned for the future. Officers recognise that the new committee structure and specific briefings for individual committees is likely to change the remit and content of the seminars. A review of the seminar arrangements is planned for the end of the calendar year.

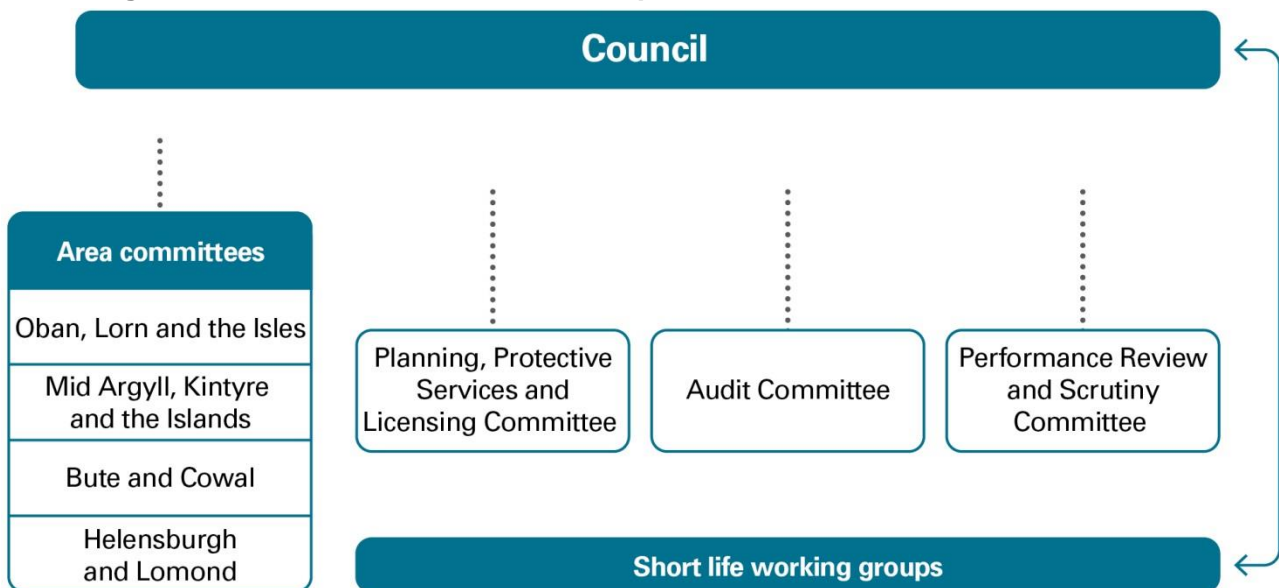
New political management arrangements provide a foundation for improved governance

The new committee structure is intended to provide better governance but it is too early to assess its effectiveness

46. The six months between the publication of the previous audit report and April 2014, was a period of transition for the council. As it considered and developed new ways of working, it continued to function with the political management arrangements illustrated in [Exhibit 4](#).

Exhibit 4

Political governance structure June 2012 to April 2014

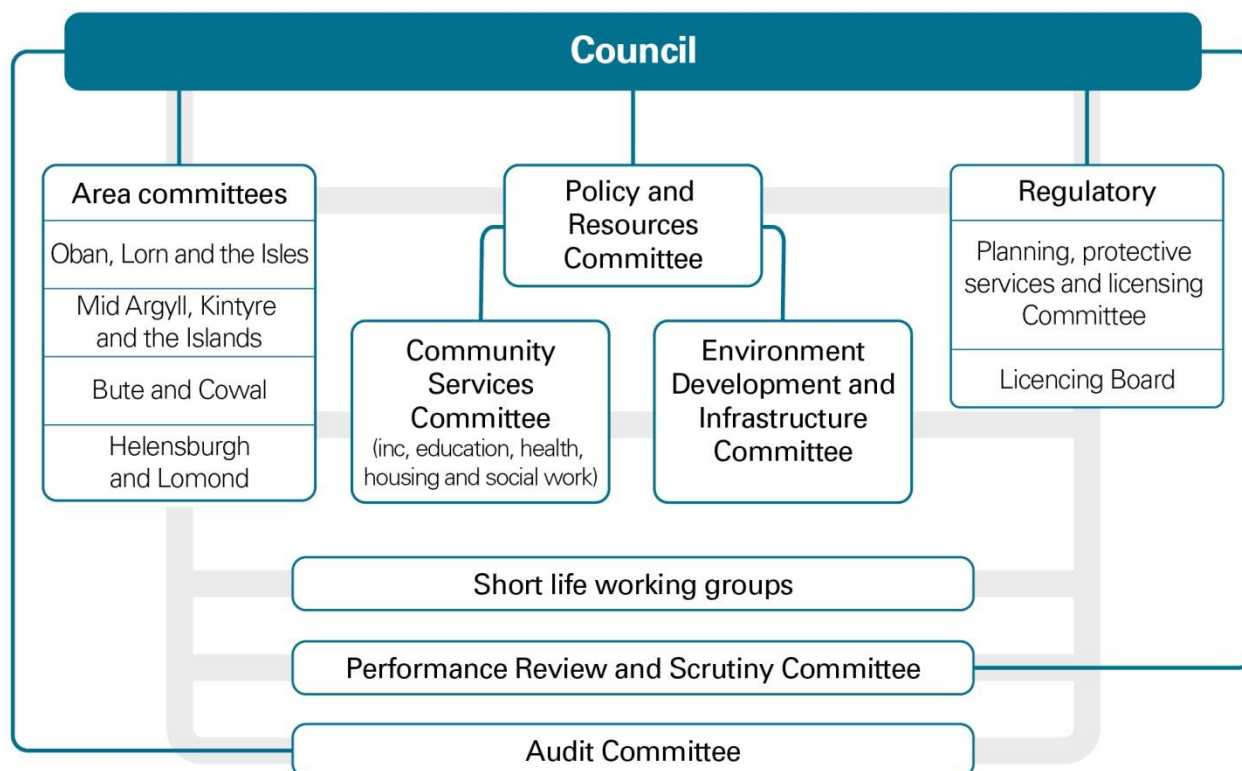


Source: Audit Scotland

47. While council meetings continued to have long agendas, with limited scope for detailed discussion on policy development or scrutiny, the council did continue to conduct business. It approved its budget, made progress with realigning its priorities with the SOA, and made some decisions relating to issues such as health and social care integration, the schools estate, education management arrangements, and external funding requests. With improved stability, the council is in a better position to make progress with planning and delivering its strategies, and monitoring its performance.
48. The council had agreed in June 2013 to establish a short life working group to consider proposals for new political management arrangements and structures. The group initially planned to report its findings to the council in August. In fact, it reported its progress to full council meetings across the period from August to December 2013. In January 2014, the group reported its findings to the full council and new arrangements were approved. Although this process has taken longer than originally planned, the council has benefited from taking more time to consider the options and plan detailed arrangements.
49. [Exhibit 5](#) shows the council's new political governance structure.

Exhibit 5

Political governance structure April 2014



Source: Audit Scotland

50. The new arrangements include the introduction of a Policy and Resources Committee, Community Services Committee, and Environment, Development and Infrastructure Committee. The new committee cycle will mean a change from monthly full council meetings to one every two months, with an additional meeting in February for consideration of the budget.
51. At the time of the audit work, initial committee meetings for the new arrangements were starting to take place. It is too early to assess the effectiveness of the committees or the wider political management arrangements. However, the arrangements provide the potential for significantly improved governance.
52. Councillors demonstrate a good level of engagement and understanding of the principles of the new arrangements. They were developed through a cross party short life working group of 12 members, and then all councillors were asked to provide a response indicating which committees they would have an interest in and why. This information was used to assist in allocating positions on the committees. In the audit interviews, councillors generally seemed satisfied with the process and outcomes.
53. The three new committees should provide scope for improved depth and range of discussion for developing policy and scrutinising implementation and performance. The council has also retained the option of establishing short life working groups to provide a forum for detailed

discussion on strategic issues. For example, in January 2014, the council agreed to establish a working group on island issues, to investigate and respond to the specific issues and needs of these communities.

54. Initial business for each of the committees includes arranging a development day. The purpose of this, as stated in a report to the first of the new committees, is to '*...facilitate shared understanding of the key issues to be considered by each committee and to facilitate good governance. It was also agreed that each committee would develop a work plan and forward agenda*'. The work is intended to be '*...linked to key strategic priorities and outcomes, the Single Outcome Agreement, corporate and community plans and that a policy development and overview progress report would be submitted from each central committee to the policy and resources committee for noting every six months.*'
55. The new arrangements include increased financial and local policy responsibilities for the four area committees [Oban, Lorn and the Isles; Mid Argyll, Kintyre and the Islands; Bute and Cowal; and Helensburgh and Lomond]. It is too early to assess the effectiveness of these changes but they offer the opportunity to support a better process for integrating strategic and local priorities.
56. The council also agreed an increased remit for the four area committees. The changes include for example, responsibilities to:
 - approve area policies in relation to the delivery of council services consistent with council wide policy
 - make recommendations on plans and proposals for local service delivery and planning within their area, including prioritisation of expenditure, which are consistent with council policy and within the available financial allocations
 - consider and prioritise revenue and capital expenditure estimates for their area and to make recommendations to the council in relation to these
 - approve the acquisition, sale or lease of land or buildings within their area
 - maintain strong links with local communities, community organisations and local community planning structures
 - act as the CHORD¹ programme project boards.
57. The council has recognised the importance of having sufficient resources in place to support the new committees and the increased responsibilities of the area committees effectively. In February 2014, the council provided £250,000 in its budget for further staff to support the governance arrangements. Recruitment campaigns to fill the posts in the new support structure are nearing completion.
58. For the new political management arrangements to function effectively the council needs to ensure there is sustained clarity and understanding about the roles and responsibilities of each committee, subgroup and individual role, such as policy lead and shadow lead, within

¹ CHORD is a regeneration and economic development programme that started in 2008 in five of Argyll and Bute's waterfront towns - Campbeltown, Helensburgh, Oban, Rothesay and Dunoon.

the arrangements. Equally important is effective communication. Good intelligence about connected issues, and information flows across the committees, groups and lead roles is fundamental if the new structure is to meet its potential as an effective and transparent governance framework. The council recognises these issues and has included them on the agendas for consideration at its committee development days. The provision of additional staff to support the new arrangements is also intended to contribute to effective communication.

Policy leads have the potential to play a significant role in the political management arrangements but it is too early to assess the effectiveness of these roles

59. The council has continued with the principle of lead councillors. In October 2013, the council agreed 11 policy lead councillors and ten deputy policy leads. Administration councillors submitted applications for these positions and the political leadership decided the appointment of each policy lead and deputy policy lead. The thematic remits are:
- Island affairs
 - Adult care
 - Strategic finance
 - Roads, amenity services, infrastructure, asset management and special projects
 - European affairs, sustainable economic growth, and strategic transportation
 - Improvement, HR, customer support, and facilities services
 - Community and culture, and strategic housing
 - Sustainable environment, renewables and strategic tourism
 - Education, lifelong learning and strategic IT services
 - Planning, protective services and licensing
 - Children and families
60. Policy leads have a significant part to play in the new arrangements and there is better clarity about their role. The expectation is that these councillors take a special interest in staying informed on issues within their remit and take a lead role in the development of policies. The council expects policy leads to chair relevant items at the strategic committees. The role also includes being appointed to relevant external bodies and representing the council at external meetings such as applicable COSLA² groups.
61. The role has the potential to make an important contribution to ensuring effective communication between the different layers of the political management arrangements. For these lead councillors to fulfil this role effectively they will require good support and engagement from officers and from other councillors.
62. There are indications that initial progress is being made by the relevant councillors to establish these roles, however, it is too early to assess impact. Discussions with councillors and officers in audit interviews indicate that the policy leads are actively developing relationships with the

² Convention of Scottish Local Authorities

key officers and beginning to make external connections. The engagement with deputy policy leads is variable and this still needs to mature. Similarly, developing relationships with shadow policy leads is at an early stage and needs time to develop.

Scrutiny still needs to improve. Inadequate attendance at the Audit and PRS Committees limits the effectiveness of governance and accountability at the council

63. The new committees offer a platform for improved policy and service scrutiny but the Audit and PRS Committees are not fully effective. The remits of these committees play a central role in ensuring good governance and accountability of the council, but attendance at these committees has been inadequate to support effective scrutiny.
64. Between October 2013 and April 2014, the audit committee met in December and in March. At the meeting in December, two councillors were present and at the meeting in March, one councillor was present. The total complement for the audit committee set out in the council's constitution is five councillors. The meetings were only quorate due to the attendance of the lay chair and deputy chair, who are external to the council but are voting members of the committee. Therefore, non-elected members of this committee were equal in number or outnumbered elected members when considering council business. Items on the agendas for these meetings included for example:
- The external auditor's annual report
 - An update on the internal audit improvement plan
 - Internal audit reports
 - Annual audit plan draft
 - Monitoring of the strategic risk register
 - Post completion reviews for capital projects
65. Over the same period, the PRS Committee met in November 2013 and February 2014. The committee membership includes seven councillors, an external non-elected chair and three community planning partner representatives. At the meeting in November, attendance by councillors was good with all seven councillors in attendance. In February, three of the seven member councillors attended and two non-elected members of the committee. As with the Audit Committee, non-elected members of this committee can outnumber the elected members. Items on the agendas for these meetings included for example:
- Attendance management
 - Quarterly council and departmental performance reports
 - Single Outcome Agreement progress and annual report
 - Corporate improvement plan progress report
66. In our [2008 Best Value and Community Planning progress report](#), we acknowledged the council's *'innovative approach to its Audit Committee, with the appointment of external, non-executive members as chair and vice chair'*. However, the attendance and commitment of the elected members on these committees is also essential. The council needs to consider the implications for accountability when more unelected representatives than councillors can be

scrutinising issues such as performance, internal governance arrangements and risk management.

67. The new strategic committees have the potential to be important forums for policy, project implementation and performance scrutiny. It is important that the scrutiny remits of the new committees, in particular the Audit and PRS committees, are clearly understood and that there is communication between these committees to support consistent and effective governance and accountability.
68. The area committees are important contributors in the council's scrutiny arrangements. Councillors said that some progress has been made with performance reporting in these committees, with scorecards and reporting by exception. However, they felt that the quality of supporting information was inconsistent and they want better explanatory information presented. Senior management has discussed these matters, is planning improvements and is currently developing arrangements to support scorecard performance information for area committees with descriptive explanations.

Areas for improvement

69. The audit work has found that there is an improved sense of political stability at the council and that the new political management arrangements offer the potential for improved governance. The council has responded constructively to the Accounts Commission findings and is making progress against its action plan. However, the situation is fragile and it is too early to make judgements about the effectiveness of many of the recent improvement actions, given some are still being worked on and others need time to demonstrate results. It is important therefore that the council continues to make progress with its improvements and it should:

- Ensure that the new political management arrangements are fully implemented and councillors and officers have a clear and common understanding in practice of the roles and responsibilities of each committee, sub-group and individual role.
- Ensure there is good communication and information flows across committees, groups and those with lead roles in the political management and governance framework. Councillors with policy lead roles will require good support and engagement from officers and from other councillors.
- Ensure that scrutiny arrangements are strengthened, in particular, through the new committees and by improving the contribution of councillors to effective governance and accountability through the Audit and Performance, Review and Scrutiny Committees.
- Support and encourage councillors to increase their engagement in training and development opportunities. Councillors should work with officers to further improve the accessibility and effectiveness of training and development approaches. This is important to ensure all councillors are fully prepared for challenging strategic issues and difficult decisions ahead.
- Ensure the SMT makes progress with its leadership and team development arrangements, builds on current management development programmes and, ensures that the operational leadership of the council is as well equipped as possible for the challenges ahead.
- Assure itself about the impact of recent events on its staff and put actions in place to address any identified areas for improvement.

Appendix

Accounts Commission findings on the Statutory Report – October 2013

1. The Commission accepts the Controller of Audit's report on Argyll and Bute Council.
2. The Commission is seriously concerned about substantial risks to the council caused by the instability of leadership by elected members since the last council election. The council's ability to set and maintain a clear strategic direction is at risk of being compromised and the Commission is concerned that this will, in time, negatively affect the services that the council provides for the people of Argyll and Bute. We are also concerned about the negative effect that this is having on the council's reputation.
3. The quality of leadership of the council has been inadequate. We urge the elected members and the corporate management team to work together to provide stronger and effective leadership of the council. Effective working relationships between elected members, and between members and officers, need to be based upon mutual trust, respect and transparency. Elected members need to achieve a more effective balance between focusing on local issues and priorities and the longer-term strategic objectives of the council and the best interests of the whole community of Argyll and Bute.
4. The Commission underlines the importance of the role of Monitoring Officer in supporting good governance. The role needs to be afforded trust and respect. Equally, members must have confidence in the comprehensiveness of information provided by officers to enable them to make considered decisions.
5. The council's current political management arrangements are not fit for purpose. The role that the full council plays is unsustainable and progress in securing effective scrutiny arrangements has been inadequate.
6. We are encouraged that the council recognises the need to change its political decision-making structures: it is crucial that the conclusions awaited from the short life working group established in this regard are considered carefully by the council. We await with interest to see how this is taken forward. Any new structure needs to be understood by all who fulfil a role in those structures, and all members need to engage fully in the new arrangements.
7. The challenges faced by Argyll and Bute Council are not unique. We are therefore pleased to note that the council recognises the value in seeking support from external sources: we would urge that this continue to be exploited through, for example, the use of peer support. We underline the importance of training and development support for all members. Elected members and officers must work together to ensure fuller use of – and participation in – such support.
8. There is much work to be done by the council and we note a further recent change in the council's political leadership. The Commission expects urgent progress to be made in early course. We require a further report by the Controller of Audit on the progress made by the council over the next six months.

Argyll and Bute Council

Follow-up audit

This report is available in PDF and RTF formats, along with a podcast summary at:

www.audit-scotland.gov.uk 

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