

Mr John Swinney  
Cabinet Secretary, Finance and Sustainable Growth  
The Scottish Government  
St Andrew's House  
Regent Road  
Edinburgh  
EH1 3DG

xxx April 2009

Dear Mr Swinney

### **Second quarterly update on improving local government scrutiny**

I am writing to provide you with my second quarterly update on progress in improving the external scrutiny of local government, covering the period to 31 March 2009. I also respond to your letter of 5 March, focusing on the key themes of:

- joint scrutiny planning;
- communication; and
- challenges for the future.

Appended to my letter is an update report on progress against the key milestones in the joint scrutiny work plan, to which I referred in my first update. This will be updated in all future progress reports.

### **Joint scrutiny planning**

I am pleased to enclose with this letter the joint scrutiny schedule for 2009/10 which has been jointly prepared with colleagues in Her Majesty's Inspectorate of Education (HMIE), the Social Work Inspection Agency (SWIA), Scottish Housing Regulator (SHR), the Care Commission, Her Majesty's Inspectorate of Constabulary for Scotland (HMICS) and NHS Quality Improvement Scotland (NHS QIS). This is the first joint scrutiny plan for local government in Scotland and it covers the period from April 2009 until March 2010. It is an important step forward in changing the way we work together for the future and a key milestone in the transitional arrangements we have set out for 2009.

These arrangements mark a fundamental shift away from scrutiny based on cyclical inspections, except where there is high risk. For instance, Ministers have requested a second cycle of child protection inspection because of the variability in performance across councils identified in the first cycle.

The schedule also sets out the various ways in which local government audit, inspection and regulatory bodies in Scotland have already adopted more proportionate and risk-based approaches to scrutiny when exercising their statutory functions.

Our analysis indicates that taken together these developments should lead to a significant reduction in the overall level of scrutiny experienced by local government. Using the absolute number of audits and inspections as the measure, we estimate that the reduction

will be 23% between 2007 and 2009. If contact days are used as the measure, the reduction in strategic scrutiny contact should be around 25%<sup>1</sup>. We will monitor actual activity against the plans contained in the schedule, and report progress in due course.

We believe that our work to date is delivering a real scaling back in the amount of scrutiny experienced by local government but we are conscious that we still need to do more. We see the implementation of shared risk assessment founded on self evaluation, together with the implementation of BV2 as the single corporate assessment framework for local government, as key to this. These approaches will be tested and further developed through the summer at the BV2 Pathfinder councils and Shared Risk Assessment Development Site councils.

Key milestones linked to these developments, and progress made to date, are set out in Appendix 1 to this letter.

You also indicated that you would like us to step up the pace of implementation of the shared risk assessment with a view to establishing arrangements in August this year. We are already well on the way to developing robust joint programming arrangements having recently published our first joint scrutiny schedule. In addition we are planning to revise our transitional arrangements to reflect the fact that we will be setting up the remaining 25 local council networks in August. This activity aims to establish an earlier joint local scrutiny presence from which our shared risk assessment work will be led and further developed for the future. This will involve rolling out awareness training across the scrutiny bodies during August and establishing contact with councils to keep them informed of our work.

In your response to my initial scrutiny update you asked for more detail of the specific tangible benefits which have resulted from work with the five councils identified for early attention, referred to in John Baillie's letter to you of 31 October. This information can be found at Appendix 2 to this letter.

## **Communication**

In my initial progress report I highlighted the importance that all of the local government scrutiny bodies place on communicating our work to stakeholders. The strategic scrutiny group agreed a communication strategy at its March meeting and earlier this month John Baillie wrote to all local authority Chief Executives and Council leaders, on behalf of the strategic group, to update them on the progress we are making.

That letter provided a link to the detailed work plans and monitoring information on progress so far which is now available on the Accounts Commission's web page: [www.audit-scotland.gov.uk/scrutiny](http://www.audit-scotland.gov.uk/scrutiny). It also set out the transition arrangements for 2009 as we move towards a fully risk-based scrutiny framework, and included the joint scrutiny schedule for 2009/10. Copies were also sent to COSLA and SOLACE.

In addition, I have continued to meet with senior representatives of the Scottish Government, COSLA and SOLACE to provide updates on progress, and the Chair of the Accounts Commission also met with COSLA and SOLACE in March.

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<sup>1</sup> Please note, this figure will fall should ministers request any additional SWIA multi-agency inspections (learning disability or services for older people) and once Audit Scotland fieldwork visits linked to national studies are incorporated.

This external communication is being complemented by internal communication across all of the scrutiny bodies involved in this work. Maintaining effective communication with stakeholders will remain a key priority as we move forward.

### **Some challenges for the future**

Looking ahead, we are confident that we now have a robust baseline on local government scrutiny activity which can be used to track changes in both the level and the focus of scrutiny activity. So far our emphasis has been on the progress that the Accounts Commission has made in delivering its scrutiny gatekeeping and co-ordination role, but we are keen to ensure that this work (including shared risk assessment and BV2 Pathfinders) is effectively joined up with the government's wider scrutiny improvement agenda.

The publication of the Public Service Reform Bill next month will obviously be an important milestone, and we are keen to engage with the Scottish Government to contribute as fully as possible to the future direction for scrutiny. For example, there is an opportunity to work together to ensure the national priorities for inspection activity inform the shared risk assessment process.

We would also welcome discussion about building improvement capacity for local government. You will see from the scrutiny schedule that assisted and supported self-evaluation approaches feature prominently in the 2009/10 scrutiny programme. This reflects a shared commitment to support improvement through the work of the scrutiny bodies, and is in line with the recommendations of the Reducing the Burdens Action Group.

We are conscious, though, that it will be important to ensure that improvement support is effectively co-ordinated to avoid imposing a burden on councils. For that reason, we have agreed that planned activity of this kind should be incorporated into the joint scrutiny planning framework that we are developing with our scrutiny partners, and that it should be transparent to you and to local government as a basis for accountability.

Finally, we would also take this opportunity to stress the need for councils to improve their own public performance reporting as a precondition for more risk-based and proportionate scrutiny. This will of course be tested through the shared risk assessment development work and BV2 Pathfinders.

**Reporting further progress**

You have asked me to report quarterly on our progress in achieving more proportionate and risk based scrutiny. My next update will cover the period to the end of June 2009.

I hope that you have found this update helpful. Please let me know if you would like any further information.

Yours sincerely

Caroline Gardner  
Controller of Audit and Deputy Auditor General

## Appendix 1

### Local government scrutiny coordination

#### Key milestones

April 2009

Cross-cutting themes			
Milestone	Planned timescale	Commentary	Progress
Develop communication strategy	March 2009	Draft strategy and key messages in place. Council communication on track for Easter circulation. Stakeholder events planned for September/October 2009.	Ongoing
Develop organisational development strategy	March 2009	Short-term priority to develop training and support arrangements for those staff to be involved in the BV2 pathfinder and SRA development site work May–August 2009.	Under way
Monitoring impact and pre and post-evaluation arrangements	SRA development site evaluation September 2009  SRA post implementation review July/August 2010  Planning and scheduling post implementation review May 2011	Work in hand to identify nature of evaluation and opportunities for efficiency of approach by coordinating with BV2 pathfinder evaluation.	Under way
Facilitate robust self evaluation of council performance	Focus on aligning with existing approaches and the identification of good practice	Work in hand to develop the options for integrating self evaluation within the SRA approach.	Under way
Agree common scrutiny terminology	Up to September 2009	This is to be built up from within individual development workstreams and a glossary established to consolidate all shared terminology.	Under way
Evaluate legislative barriers	Ongoing	Work under way to ensure alignment with restructuring and PSR Bill potential legislative change.	Under way

Develop a shared risk assessment			
Milestone	Planned timescale	Commentary	Progress
Transitional arrangements	February/March 2009	Transitional arrangements paper produced and to be circulated with letter to councils before Easter.	Complete
Definition of SRA	February 2009	Draft definition produced.	Complete
Statement of planned outputs and outcomes	February 2009	Draft statement produced.	Complete
Development site selection criteria	February 2009	Completed for input to Round Table process and agreed at 12 March strategic group meeting of scrutiny bodies.	Complete
Risk trigger points	March 2009	Draft triggers in development for development site testing.	Under way
Proportionate scrutiny response options	March 2009	Largely complete. Currently in draft form awaiting operational and strategic group approval in principle.	Under way
Identify and engage development sites	March 2009 Development site testing to run May–August	Development sites identified and engaged. Project plans in place for development site activity.	Complete
Draft statement of roles and responsibilities/code of practice	April 2009	Not yet started.	Not yet started
Undertake evaluation of development site activity and refine model	September 2009	Not yet started.	Not yet started
Roll out SRA model	From November 2009	Not yet started.	Not yet started

Improve planning and scheduling of scrutiny activity			
Milestone	Planned timescale	Commentary	Progress
Document key outputs/outcomes desired from future joint planning and scheduling	April/May 2009	Not yet started – will commence when SRA version 1 available.	Under way
Design coordinated scheduling framework	September/November 2009	Not yet started – needs to link to tested SRA model being rolled out November 2009+.	Not yet started
Produce a system specification	December 2009	Not yet started.	Not yet started
Evaluate options and select scheduling tool	January/February 2010	Not yet started.	Not yet started
Phased roll-out of scheduling tool	April–September 2010	Not yet started.  With a view to full implementation for planning cycle November 2010+.	Not yet started
Identify administrative and support arrangements for operating/maintaining scheduling tool	March 2010	Not yet started.	Not yet started
Post implementation review of arrangements	May 2011	Not yet started.	Not yet started

Develop single corporate assessment (CA)			
Milestone	Planned timescale	Commentary	Progress
Establish rationale for single corporate assessment (CA)	January 2008	SG response to Crerar accepted recommendation 36 that 'the Accounts Commission should work with other scrutiny bodies to develop a corporate performance audit which absorbs other corporate level inspection'.	Complete
Define key purpose of single CA – what? And why?	July 2008	The principle that BV2 should provide a working framework for a single corporate assessment agreed at Strategic Scrutiny Group in July 2008, but at that time it was agreed that further work was needed to develop options.	Under way
Develop single CA model	September 2008	The BV2 Corporate Assessment Framework approved by Accounts Commission provides a basis for this.	Under way
Identify BV2 pathfinders	By mid March 2009	These were approved by the Accounts Commission at its 18 March 2009 meeting.	Under way
Map areas of shared interest	By end March	Initial mapping of key areas of potential overlap has taken place in respect of INEA, CLD, Housing and Homelessness and SWIA Performance Inspections.  This has been converted into a briefing paper which has been shared with CA development group (A Clark and M Walker, Audit Scotland; I Ronald and A Delaney, HMIE; Michael Cameron, SHR; Alison Bavidge, Care Commission; David Cumming, current SWIA rep).	Under way
Engage BV2 pathfinders	By end March 2009	Initial contact has been made with all BV2 pathfinder sites. Follow-up meetings to clarify the indicative timing and scope of BV2 pathfinder audit activity (including single CA work) will take place in April.	Under way

Agree scrutiny delivery options linked to single CA	By end April 2009.	This will form a single substantive agenda item for the initial meeting of the CA development group which will then be followed up by the BV2 pathfinder scoping and joint risk-assessment process (April-July).	<b>Not yet started</b>
Secure resources for BV2 pathfinders	By end May 2009	This will require resource planning within all affected local government scrutiny bodies.	<b>Not yet started</b>
Draft statement of roles and responsibilities re single CA	By end July 2009	This will be a key aspect of the BV2 pathfinder scoping and joint risk assessment process (April-July) which will deliver joint and coordinated scrutiny fieldwork plans at each pathfinder site.	<b>Not yet started</b>
Implement models for single corporate assessment (CA)	August–November 2009	This will form the basis for the five BV2 pathfinder audits to be undertaken in partnership with local government service inspectorates and regulators.	<b>Not yet started</b>
Evaluate impact of proposals on existing and future scrutiny delivery models	By end 2009	This will form a key strand of the BV2 pathfinder evaluation which the Accounts Commission will be commissioning over the spring/summer of 2009.	<b>Not yet started</b>
Roll out agreed single corporate assessment model	From 2010	This is dependent upon the BV2 pathfinder evaluation, and the more general joint scrutiny transition arrangements.	<b>Not yet started</b>

## **Appendix 2: the outcomes of the developmental round table work at the five pilot councils in 2008**

### **Introduction and background**

In 2008 the Scottish Government asked the Accounts Commission to work with local government inspectorates and regulators (HMIE, SWIA, SHR, Care Commission) to streamline the way we work together and reduce the burden of scrutiny on councils.

The initial work in this area focused on five councils where immediate opportunities were identified to improve the scheduling of scrutiny activity. This work was also seen as an opportunity to develop our thinking on how a shared risk assessment model and joint scrutiny planning arrangements to redesign the way the system of local government scrutiny works might operate.

It is important to stress that the round table work was not undertaken on the basis of a full risk assessment, as the joint SRA process was not yet developed at that time and the extent to which scrutiny bodies were able to fundamentally shift programmes and schedules was in some cases constrained by the need to complete baseline audit inspection cycles (BV, SWIA, SHR, Child Protection). That constraint on streamlining scrutiny through the joint scrutiny planning process is now largely gone, and this is reflected in the further progress in streamlining local government scrutiny activity set out in the 2009 joint scrutiny schedule, the development of which drew on the lessons learnt from the early round tables.

### **Key learning points from the round tables**

Through the meetings we were able to generate a better understanding of each other's roles, and identify areas of shared areas of interest which have been used to feed into the SRA development work and the shaping of BV2 as a single corporate assessment framework for local government..

The meetings have provided useful insights into how and where we might place reliance on each others' work, to support streamlined scrutiny. They have also demonstrated the added value of sharing intelligence. Several examples of governance or performance issues have been highlighted within councils which, when viewed in isolation within a single scrutiny report (or risk assessment) were not significant but, when seen alongside similar concerns identified by another scrutiny body, became material.

A high degree of trust has developed across agencies in relation to willingness to share both 'soft' and hard intelligence, which is likely to be central to risk assessment as we move forward.

The process highlighted the importance of effective communication and engagement with councils throughout the process.

Others to be added.

## Specific improvements from the round tables

Specific improvements in scrutiny that arose at each of the five councils as a consequence of the roundtables are set out in Table 1 below:

**Table 1: impact of Round Table activity**

<b>Council</b>	<b>Improvements</b>
<b>Aberdeen City</b>	<p><b>Single co-ordinated follow-up scrutiny work covering:</b></p> <ul style="list-style-type: none"> <li>• BV audit</li> <li>• Controller of Audit report on property disposals</li> <li>• SWIA</li> <li>• HMIE CP inspection</li> </ul> <p><b>Single programme of interviews and single data request.</b></p> <p><b>Co-ordinated and rescheduled reporting</b></p> <p><b>Deferred SHR inspection</b></p>
<b>Fife</b>	<p><b>Important sharing lessons learnt from BV audit which fed into the targeting of subsequent HMIE and SWIA work.</b></p> <p><b>Other comments from inspectorates?</b></p>
<b>Dundee</b>	<p><b>Targeted corporate governance activity focusing on political/managerial leadership and issues linked to housing performance, undertaken in a co-ordinated fashion between Audit Scotland and SHR.</b></p> <p><b>Other comments from inspectorates?</b></p>
<b>South Ayrshire</b>	<p><b>Other comments from inspectorates? SWIA have indicated that they reduced the number of interviews and focus groups in their performance inspection significantly.</b></p>
<b>West Dunbartonshire</b>	<p><b>Extensive reliance placed on previous inspection activity when conducting the Best Value audit work which led to a much more proportionate and streamlined BV audit.</b></p> <p><b>Other comments from inspectorates?</b></p>

## Other lessons

It was of interest that, when presented with the option of an integrated scrutiny programme, some councils expressed a preference for the retention of separate inspection regimes (BV vs. SWIA) to provide

The process highlighted challenges linked to rescheduling multi-agency and pan-regional inspection activity (e.g. Grampian substance misuse follow-up inspection activity) which we have been able to resolve.

Others to be added.

