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Mr John Swinney MSP
Cabinet Secretary, Finance and Sustainable Growth
The Scottish Government
St Andrew's House
Regent Road
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7 January 2010

Dear Mr Swinney

Update on improving local government scrutiny

This update on progress in improving the external scrutiny of local government covers the period to 30 December 2009. It focuses on the following themes:

- establishment of Local Area Networks (LANs)
- draft Joint Code of Practice; and
- evaluation activity.

We have made a significant investment in developing new approaches, with the shared aim of delivering risk-based and proportionate external scrutiny of local government that adds value to public services and supports continuous improvement for services users. The effectiveness of councils' arrangements for self evaluation is central to the arrangements we have designed.

Our progress remains on track and we recognise the need to continue to demonstrate impact from our work while establishing arrangements which are sustainable in the longer term. We also remain focused on the opportunities and challenges this improvement agenda represents at a time of tightening finances and changes in the scrutiny landscape.

I enclose an updated summary of the key milestones setting out our progress to date as Appendix 1 to this letter.

Establishment of Local Area Networks

We have established Local Area Networks (LANs) to carry out a Shared Risk Assessment for each of the 32 councils, formally bringing together existing local scrutiny contacts such as district inspectors, local auditors, and contact managers for the first time. Each LAN will produce a local Assurance and Improvement Plan (AIP) for its council, setting out planned scrutiny activity for the period from April 2010 to March 2013. The first AIPs should be finalised by April 2010. The risk assessment will be updated annually to ensure that it accurately reflects emerging local issues and national priorities.

Joint Code of Practice

The strategic group has approved a draft Joint Code of Practice which will provide the governance framework for scrutiny improvement work in future, and a copy is attached for your information. The Code is supplemented by practitioner guidance for LAN members.

The process of developing the Code has enabled us to agree the principles underlying this work, and to clarify the key roles and responsibilities of each of the scrutiny bodies involved. The strategic group has agreed to seek the views of SOLACE and COSLA on the content of the draft Code; once it has been finalised we will publish it on the Accounts Commission's scrutiny web pages. We will update the Code as necessary to reflect both experience and changes to the external environment.

Evaluation

We are committed to evaluating the impact of our work, to ensure that we learn from experience and continue to improve. As part of this process we have sought regular feedback from those directly involved in testing the SRA approach at seven councils over the summer. We have summarised the key lessons from this feedback for the strategic group and set out the actions we have taken or have planned to address these issues. We have also agreed further evaluation activity to be undertaken in spring 2010 to inform next year's SRA process.

Independent evaluation is an important part of our strategy and we have recently appointed IPSPS/MORI to review the first round of Shared Risk Assessments during summer 2010. I will provide you with more details of this work in due course.

Reporting future progress

This update report marks the end of our initial design and development phase. We have established the SRA framework and the infrastructure for its delivery, and we are now focused on the operational delivery of the first round of SRA for each council. The strategic group has now turned its attention to the medium to longer term development of these arrangements, and we are in the process of refreshing the work plan to cover the next phase of work. I expect to be able to provide more information in my next update.

As you know, our work is proceeding at the same time as the new scrutiny bodies for health and social care are being established. In my previous updates I have indicated the effort we have invested in ensuring that our approach is aligned with the arrangements for establishing the new bodies, and that we are not duplicating development activity. The Director of the New Scrutiny Bodies Project, Shane Rankin, attends the strategic group and we have established mechanisms to ensure that this is kept under regular review. I'm grateful to colleagues in HMIE, SWIA and the Care Commission for their continuing commitment to this work at a time of significant change for their organisations.

More generally we continue to strive for an appropriate balance between demonstrating real progress on the ground, developing sustainable arrangements for the future and engaging our stakeholders effectively. The inclusion of representation from COSLA and SOLACE at the strategic group has helped us with this, and we are benefiting from the valuable local government insight that they bring to our work.

I hope that this update provides an assurance of the progress we have achieved so far, and of our shared commitment to sustaining this in future; please let me know if you would like more information on any of the issues it raises. My next update will cover the period to the end of March 2010.

Yours sincerely



Caroline Gardner
Controller of Audit and Deputy Auditor General