

**Commissioners present:**

Michael O'Higgins (Chairman)  
 Steve Bundred (Chief Executive)  
 Bharat Shah (Deputy Chairman)  
 Lord Adebowale  
 Jim Coulter  
 Dr Jennifer Dixon  
 Sheila Drew Smith (for part)  
 Cllr. Stephen Houghton  
 Cllr. Peter Jones  
 Sir Thomas Legg  
 Dame Denise Platt  
 Brian Pomeroy  
 Dr Raj Rajagopal  
 Professor Peter Smith  
 Cllr. Chris White

**Staff in attendance:**

Dave Allsop (for part)  
 Gareth Davies  
 Yvonne Davies (for part)  
 Tracey Dennison  
 Martin Evans  
 Jenny Grey  
 Roger Hamilton  
 Julie Hope  
 Andy McKeon  
 Siobhan O'Donoghue (minutes)  
 Susan Richardson  
 Peter Wilkinson

**Welcome, Apologies and Announcements****Verbal**

1. The Chairman welcomed Commissioners to the Board meeting and made the following announcements:
  - a) Apologies for absence had been received from Dave Stewart MD, Corporate Services.
  - b) Dave Allsop, Acting RD Northern Region and Yvonne Davies, Head of Housing, Northern Region were welcomed to the meeting

**Minutes of the last Meeting – 26 July 2007**

2. The minutes were approved as a correct record. The following was raised as a matter arising:
  - a) Para 37, Performance Report: **The next Board Performance Report would include an explanation of why longer than anticipated staff vacancies had been reported in the last Performance Report, when this was not the case.**

- |   |
|---|
| 3. <b>The Board approved the minutes of the last meeting as a correct record.</b> |
|---|

**Report of the Chief Executive****CP 68-07**

4. Response to CLG Housing Consultation: A copy of the Commission's final submission to the CLG consultation on housing regulation and regeneration had been circulated to Commissioners. The decision was expected to be finely balanced, but ultimately would be the Minister's decision. There might be a stronger indication as to the likely outcome following the Chairman and Chief Executive's meeting with the Housing Minister the following week. A Commissioner reported that the executive summary of the Council of Mortgage Lenders' response to the consultation had contained a misleading statement about the Audit Commission, and this was something to address. It would be unfortunate if the trade press picked up on this.
5. Police Data Quality: The Commission had recently published its regular report on police data quality. Ordinarily this report would not be particularly high profile, but there might be more attention in light of the recent review by Sir Ronnie Flanagan, the Chief Inspector of Constabulary. His review had criticised the increased bureaucracy and paperwork, driven by the requirement for more criminal data from government targets and policy initiatives.

6. Audit Commission Annual Lecture: The third Audit Commission Annual Lecture would take place on Thursday 20 September 2007. The date for the 2008 lecture had been set already as 23 July 2008, and Lord Heseltine had been secured as the guest speaker.

7. **The Board noted the report and approved the appointment of Bharat Shah as a Pension Scheme Board Trustee with immediate effect.**

### The Housing Green Paper

CP 69-07

8. The MD, Local Government introduced the report that summarised proposals for increasing the supply of housing, as set out in the government's housing green paper (HGP) *Homes for the future: more affordable; more sustainable* published in July 2007. The HGP focused on delivering additional affordable housing in face of pressures of continued household growth and affordability.
9. The Commission's response to the HGP would comment on these and other issues, and would reflect the critical role that CAA would play; namely by understanding the local dynamics of availability and affordability, and the extent to which local authorities, strategic partnerships and other partners managed and responded to these pressures.
10. **[Section 36(2)(b)(ii)]**
11. **[Section 36(2)(b)(ii)]**
12. The Commission would be responding to the HGP in October, and those Commissioners that wished to be involved in preparing the draft were welcome to do so. **The final response would be circulated to Board members.**

13. **The Board:**
- a) **noted the contents of the green paper; and**
  - b) **commented on the relationship between those proposals and the Commission's Strategic Plan; the proposals for Comprehensive Area Assessment (CAA); and the review of regulation of social housing.**

### Sub National Economic Development and Regeneration Review

CP 70-07

14. The MD, Policy Research and Studies, introduced the report and circulated accompanying slides. The report summarised the findings of the recent HM Treasury sub national economic development and regeneration review, and highlighted the main issues for the Commission, namely, the role that CAA might play in measuring whether councils were using the opportunities to work through Multi Area Agreements (MAAs); the role CAA might play in measuring councils' duty to pursue economic development; and the contribution CAA might have to the independent performance assessment of Regional Development Agencies (RDAs). The review was largely a call for devolution of powers, including proposals to disband Regional Assemblies. It also promoted the empowerment of local authorities and sub-regional working.
15. Cllr. Chris White declared an interest as Chair of a Regional Assembly. However, it was not deemed necessary for Cllr. White to leave the room, or to refrain from participating in the discussion.
16. **[Section 36(2)(b)(ii)]**
17. The Board noted that as CAA developed, potentially there would be occasions when the

## FINAL with FOI exemptions

Commission and the NAO would be brought into direct competition, for example with the Commission making explicit judgements on national bodies. Both the Commission and the NAO were aware of the potential areas of conflict, and these would be discussed by the Chief Executive and Comptroller and Auditor General at their meetings. In the meantime, however, it was considered prudent to exercise caution in any area where our involvement might be interpreted as a bid to take responsibility from the NAO.

18. **The Board noted the outcome of the review and considered the questions raised in the presentation.**

### Community Engagement and Citizen Empowerment

CP 71-07

19. The Board considered how the Commission might utilise its knowledge and expertise to help the Secretary of State and CLG develop community engagement and citizen empowerment, in particular areas around supporting empowerment; improving participatory budgeting; the community ownership and management of assets; and, engagement with the third sector. **[Section 36(2)(b)(ii)]**
20. The Board had enjoyed the conceptual discussion, but the Commission needed to think about practical steps. **Staff should think about how we might address some of the issues raised in the discussion, and those raised in the meeting with the Secretary of State.**

21. **The Commission Board:**
- a) **noted the Chairman's forthcoming meeting with the Secretary of State; and**
  - b) **commented on the issues raised in her letter, especially those associated with community engagement and citizen empowerment.**

### Engaging Clinicians in Financial Management: Key Messages

CP 72-07

22. Andy McKeon, MD, Health gave a presentation that summarised the key messages from the national report. *Engaging Clinicians in Financial Management* considered how engagement with clinicians could lead to an improvement in financial information, and how service delivery and improvement might be encouraged by finance and non-finance staff working together. The report highlighted the good practice found in a small selection of NHS case studies and included a KLOE-style checklist of processes and techniques for senior staff.
23. Although there was an emphasis on acute trusts, the issues were of equal importance in mental health trusts. Key messages included that in some trusts it was not clear where the accountability lay, and that there should be training for finance staff on how clinicians work, as well as the other way around. The report's message was not about cutting costs, but delivering services more efficiently. The Board noted the presentation and discussed the key messages and issues arising from it: **[Section 36(2)(b)(ii)]**
24. A near-final draft of the report had been shared with the NHS Financial Advisory Management Group, and comments to date had been positive. The aim was to publish the report in October 2007 and to present the key messages at forthcoming speaking engagements and health finance conferences.

25. **The Board considered and commented on the key messages and findings from the study.**

### Payment by Results – The First Three Years: Key Messages

CP 73-07

## FINAL with FOI exemptions

26. The MD, Health introduced the report and presented the key findings of the national publication *Payment by Results: the first three years*. The Commission had already published two reports on Payment by Results (PbR) - the NHS's tariff-based payment system. These previous reports had looked at risks and early lessons from the process. The current report looked at whether the system's objectives were being achieved. The following points were raised in the presentation and subsequent discussion: **[Section 36(2)(b)(ii)]**
27. The launch was time-critical in order that the report could influence the development of PbR in the next financial year. It was hoped that it could be launched at the Healthcare Financial Management Association's Annual Conference on 5 December 2007. This would also tie in with our response to DH's consultation on how PbR should be developed from 2008/09.

28. **The Board:**
- a) **considered and commented on the key messages and findings from the study; and,**
  - b) **agreed that publication of the final report be subject to approval by the Chairman and the Chief Executive.**

## ALE 2006/07 Results and Review of NHS Financial Year

CP 74-07

29. The MD, Health introduced the report and gave a presentation on the Auditor's Local Evaluation (ALE) results. The ALE assessment formed part of the Healthcare Commission's Annual Health Check and scored NHS bodies on five key areas of managing and using their financial resources. A score of 1 reflected inadequate performance and 4 reflected a strongly performing body. A body automatically received an overall score of 1 if it scored 1 in the area of financial standing or value for money. The Board noted the detailed presentation of the ALE results and other key points:
- a) As expected, continuing bodies had scored higher than new bodies.
  - b) Thirty-three per cent of those that had achieved a score of 1 had done so because of financial standing deficits. Twenty-seven bodies had scored a 1 in each of the key areas of financial standing; value for money; and, financial management. Although this was a fall in actual numbers compared to the previous year, it was proportionally similar.
  - c) Comparison by sector was as expected. There was no obvious explanation as to why mental health trusts were the best performing sector, although it might be in part explained by their generally smaller size and less system reform.
  - d) The ALE scores were subject to change following individual reviews of the ten bodies that had appealed against their score.
  - e) Two areas of controversy were that the system did not recognise those bodies that had strongly improved since the last round; and also the matter of top-slicing by SHAs, as in some cases the PCT had failed its statutory duty to keep expenditure within its resource limit by less than the amount that was top-sliced.
30. The ALE 2006/07 results would be published along with other financial management related issues in the report *Review of the NHS Financial Year 2006/07*. This would detail the overall NHS financial position, plus analysis by type. There was an overall position surplus of £514 million, with no SHA incurring a deficit. Anticipated overall savings from NHS restructuring were on target, although costs included some significant redundancy payments, for example £900k in Yorkshire. Further costs were anticipated in 2007/08.

31. **The Board considered and commented on the results of the ALE 2006/07 and the other key messages from the *Review of the NHS Financial Year 2006/07* report.**

## Audit Issues

CP 75-07

## FINAL with FOI exemptions

32. Martin Evans, MD, Audit presented his report which sought Board agreement on various operational issues. **[Section 33]**.
33. **[Section 33]**.

34. **The Board:**
- a) **approved the appointment of Stephen Warren to determine an objection to the 2005/06 accounts at the London Borough of Croydon;**
  - b) **approved the changes in appointed auditors, as set out in Appendix 1 of the report;**
  - c) **approved the supplementary scale of fees for 2007/08 of £500 for specified local authorities (council tax collection authorities) to cover the extra costs of additional data matching under the National Fraud Initiative;**
  - d) **[Section 33]**
  - e) **noted the other issues set out in section 4 of the report.**

### 2008 Board Dates

CP 76-07

35. The Board noted the proposed 2008 Board dates. Alternative dates for the Board meeting in January would be circulated by the Board Secretary, and a final date would be confirmed in light of these responses.

36. **The Board approved the draft 2008 Board dates, but noted that alternative dates for a January meeting would be considered.**

*[Secretary's note: In light of Commissioners' availability on the proposed alternative dates, it was agreed that the original date of Thursday 24 January 2008 would go ahead.]*

### Chairman's Speaking Engagements / Information Bulletin

CP 77-07 and CP 78-07

37. The Board noted the Chairman's speaking engagements and the Information Bulletin without comment.

38. **The Board received the Chairman's speaking engagements for information.**

### Any Other Business

Verbal

39. The Chairman thanked Board members for their contributions at this enjoyable and interesting Away Day and Meeting.

### *Date of Next Meeting*

40. The next Board Meeting would be held at 9.30am on Thursday 8 November 2007, in the Boardroom, Millbank Tower.

**Siobhan O'Donoghue  
October 2007**