
Minutes of the 258th Board Meeting
Barnaby Room, Haycock Hotel,
Wansford, nr. Peterborough.

Thursday 24 April 2008
9.30am to 12.35pm

Commissioners present:

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

Staff in attendance:

Gareth Davies
Tracey Dennison
Martin Evans
Mark Fletcher
Jenny Grey
Roger Hamilton
Julie Hope
Michael Hughes (for part)
Andy McKeon
Siobhan O'Donoghue (minutes)
Susan Richardson
Jo Whitehead
Peter Wilkinson

Welcome, Apologies and Announcements

Verbal

1. The Chairman welcomed Commissioners to the Board meeting and made the following announcements:
 - a. Apologies had been received from Dame Denise Platt.
 - b. Mark Fletcher, RD Northern Region was welcomed to the meeting. Mark would be taking over the role as Head of the Audit Commission's Trust Practice, following Michael Scott's departure in May 2008.
 - c. Jenny Grey, MD, Communications would be leaving the Commission in June 2008 to take up a post at the Cabinet Office as Director of Communications. Marina Pirotta, who had previously held the post of interim MD, Communications, would again be providing interim cover until a permanent appointment was in place.
 - d. The Chairman and Chief Executive's Office had received a Freedom of Information request relating to Commissioners' salaries and expenses. Some of the information was already in the public domain and the other information would be disclosed, as requested. **The Chief Executive would be writing to individual Commissioners to inform them of what information had been disclosed.**
 - e. The Chairman reflected on the recent 25th Anniversary and *Follow the Money* book launch events at the BT Tower and the Reform Club, both of which had been very successful. It might prove useful to reflect further on how the Commission's alumni could remain involved in the organisation's activities.

Minutes of the Previous Board Meeting – 13 March 2008

2. The minutes of the 257th Meeting of the Board held in 13 March 2008 were approved as a correct record.

3. **The minutes of the 257th Meeting of the Board were approved as a correct record.**

Report of the Chief Executive

CP 28-08

4. National Fraud Initiative (NFI). Further to the update in the Chief Executive's report, the Board noted that some progress had been made in relation to the small number of local authorities that remained reluctant to disclose their electoral registers for the purposes of NFI, and a satisfactory outcome was anticipated.
5. Senior Management Appointments. There was a strong field for the vacant post of MD, Corporate Services, and interviews would be held on 12 May 2008. The Deputy Chairman would join the Chairman and Chief Executive on the interview panel. Commissioner Jenny Watson would sit on the interview panel for the post of MD, Communications.

6. **The Board noted the report of the Chief Executive.**

Comprehensive Area Assessment: consultation feedback and next steps CP 29-08

7. At its March 2008 meeting, the Board considered a report summarising early analysis of the responses to the joint inspectorate consultation on Comprehensive Area Assessment (CAA). Following on from this, the Board received a more comprehensive report on the consultation activity, including findings from the action learning sites and the Ipsos MORI citizen and user reference groups. In addition, Board members had received an early draft copy of the report back to the local partnership by the joint inspectorate team for Hampshire, one of the action learning sites, in order to inform better the discussion on some of the specific issues.
8. Overall, feedback from the consultation activity indicated that CAA was heading in the right direction, and that the focus on future outcomes was welcomed. However, CAA did not appear to be a reduction in the burden of regulation, and what a proportionate approach would mean in practice was also not understood clearly.
9. The MD, Local Government went on to present the details of the report including proposals for addressing some of the more fundamental issues raised during consultation; and more broadly, the next steps in the development of CAA:
- Following discussions during the consultation, it had been concluded that a DoT assessment was not necessarily a helpful way forward, and work would now be focused on developing a more streamlined approach that consolidated the four originally proposed elements.
 - Feedback indicated that it had not been made clear how assessments that were proportionate to risk would be applied in practice, and there was a perception that proportionality referred to timescale. Whilst it was not proposed to have an assessment of 'everything, everywhere, every year', proportionality in fact referred to the intensity of the work, not the timescale. However, ways of targeting and staggering the work were being considered alongside the need for adequate assurance.

FINAL with FOI exemptions

- c. There were concerns that a continuous assessment would be more burdensome, but this would not be the case. The assessment should become an intrinsic part of the life of the organisation, but in a minimal, background way. There would be a change in the approach to collecting information: evidence would be gathered over time, as and when it was available.
 - d. The focus on future outcomes was welcomed, although it would not necessarily be suitable for all areas, for example looked-after children, youth offending, or even safeguarding children more generally.
 - e. The difficulties of 'area' remained subject to ongoing discussions. There were specific concerns from multi-council areas about the difficulties of presenting a single CAA judgement, and also, the implications around a council's community leadership role. The methodology development would look at how CAA could be clearer about accountability.
 - f. There was no consensus on scoring. The early draft report for **[Section 33]** had lacked a scored element and had a distinct pre-CPA feel as a result. Developing a robust approach to a single score for area assessment would be difficult. A red / green flag system might be appropriate for the first year, but it would be useful to indicate that there might be scores in subsequent years.
10. The Board then shared its views on the development of CAA, and on the draft report to the **[Section 33]** action learning site. **[Section 36(2)(b)(ii)]**
 11. CAA development would continue in the lead-up to the summer 2008 joint inspectorate consultation. The direction of the approach would largely satisfy the LGA, Solace, and the Lifting the Burdens Taskforce. Although the government had pushed for a separate DoT assessment, the consolidated approach should still enable them to see that authorities were delivering on priorities.

12. **The Board:**
 - a. **noted the key messages from the consultation and related activity and considered the issues that these presented for the development of CAA; and**
 - b. **noted and commented on the proposals for taking forward the development of CAA, as set out in the next steps section of the report, as detailed above.**

Use of Resources 2008/09

CP 30-08

13. The Board was asked to endorse formally its previous decision in principle, for a more rationalised approach to the Use of Resources (UoR) assessment, in light of the responses received during consultation. In order to address the most significant concerns, the UoR approach would be more risk-based and streamlined. A proportionate, cyclical approach to assessment would be applied, and the number of Key Lines of Enquiry (KLOEs) would be reduced from the 13 proposed originally, to ten.
14. The Board approved the revised approach. There remained a communication issue in that the descriptions for one or two KLOEs might benefit from further streamlining, and some final suggestions of possible wording were given. The Board also suggested some possible alternative descriptors to the current 'managing other resources'

theme. As the reporting year was already underway, the Board agreed that the UoR framework should be published as soon as possible.

15. **The Board:**
- a. **noted the responses received to the UoR consultation; and**
 - b. **approved the revised approach to UoR, and publication of the final KLOE for 2008/09 at the earliest possible opportunity.**

Draft Fee Scales for National Fraud Initiative 2008/09

CP 31-08

16. The MD, Audit presented the proposed 2008/09 National Fraud Initiative (NFI) fee scales for approval, as the basis for the statutory consultation with key stakeholders. The approach to NFI had been discussed previously by the Board in December 2007, and the Board's steer at that meeting was that future NFI fee scales should reflect the value of the outputs to the participants, and also make an appropriate contribution to indirect overheads. However, in view of the negative reaction to the recent audit fee scale consultation, the Board also had to be mindful of the risk that consulting on significantly increased NFI fee scales so soon after the audit fee scales could re-inflate a negative reaction amongst AIBs.
17. In view of these two factors, the proposed fee scales, as set out in the report, had been developed to satisfy the Board's desire for NFI to generate a more appropriate contribution, but could still be justified as reasonable and appropriate.
18. The Board agreed that the proposed approach was appropriate and acceptable. This included consolidating those data matches that were currently optional in to the mandatory NFI, and extending creditors matching to all health bodies. Although this would result in a significant percentage increase for those bodies that had previously opted-out of some matches, the nominal amounts were small. Furthermore, it could no longer be considered acceptable for a public body to opt-out of a process that detected fraud and had significant savings potential.
19. The Board noted the extract of the draft national report: *National Fraud Initiative 2006/07* and the examples of how powerful data matching could be in detecting fraud and overpayment. The Board agreed that these messages should be promoted, including the potential increase in local authorities' tax base of up to £200million.

20. **The Board approved the draft scales of fees for the NFI 2008/09, as set out in Appendix 1 of the report, as the basis for the statutory consultation with key stakeholders.**

Chief Executive's Appraisal

Confidential Item

21. The Chairman and Commissioners held a private discussion on the Chief Executive's appraisal. Staff left the room for the duration of the item.

National Study: *Well-being in later life*

CP 32-08

22. The Head of Studies gave a short presentation of the key emerging messages from the national study: *Well-being in Later Life*. The study sought to provide an assessment of the government's 2005 *Opportunity Age* initiative; and an evaluation of how well councils were responding to, and planning for a significant demographic change: by 2025, the over-fifty population would exceed 40 per cent in some two thirds of authorities. The research methodology had included analysis of the older people KLOE in corporate assessment reports; 'mystery shopper' telephone surveys by older people; and visits to sample authorities.
23. The key findings to date could be summarised as:
- a. The population was ageing and its needs were becoming increasingly complex;
 - b. Councils were not adequately prepared for this diversity, and *Opportunity Age* had not had the intended impact in improving the lives of older people, through councils taking on a community leadership role; and
 - c. Councils had a three-tier duty to create places where older people could thrive, by: age-proofing mainstream services; providing tailored services that promoted independence; and providing more fundamental social care, where necessary.
24. The Board made a number of observations and suggestions on the messages so far, and suitable ways forward: **[Section 36(2)(b)(ii)]**

25. **The Board:**
- a. **commented and advised on the study; and**
 - b. **delegated authority to the Chief Executive to approve the report for publication.**

Approach to the New Power of Advice and Assistance

CP 33-08

26. The Board received a report on the proposed arrangements for managing the Commission's new powers to advise and assist (A&A) public authorities and registered social landlords, which commenced on 31 January 2008. The report set out the risks and opportunities afforded by the new power: it covered all work previously delivered under s35 but was also considerably wider in its scope.
27. The Board commended the cautious approach and the principles that would drive it. These included that the work should contribute to the Commission's strategic objectives, and that any work would not detract from the Commission's core business or its reputation. It would be essential to ensure that the work would not cause any perceived or real conflicts of interest and that the organisation's independence was preserved. It was also necessary to ensure that the AIBs themselves did not have policies that would prevent us from carrying out this work.
28. There would not be a separate physical unit to deal with A&A work but it would be recorded and accounted for separately. Any potential VAT issues were being investigated. There would not be a regular stand-alone item to the Board on the A&A work, but the Board would be kept informed and any unconventional requests would be detailed in the Chief Executive's report.

29. **The Board noted and commented on the proposed approach to using the new power to advise and assist public authorities, including the associated governance arrangements.**

Audit Issues

CP 34-08

30. The MD, Audit presented the report that sought the Board's agreement on various operational issues and reported on a number of professional practice matters and sensitive issues. The Board approved the audit appointments as set out in the recommendations, before considering the individual regulatory and professional matters, as follows:
- a. **[Section 33]**
 - b. Read and Cooksey Awards 2008. The Read award – presented for the most valuable contribution to performance or 'value for money' audit work – had been awarded for a joint piece of work by the Audit Practice's Central Region, the Community Safety and Environment directorate and KPMG. The research had followed on from the 2005 joint work with the NAO on Delivery Chain Analysis of bus services, and had involved working across several bodies, which was of particular note in view of the approach to CAA.
 - c. Audit Inspection Unit (AIU). The AIU's inspection of the Audit Practice was drawing to its conclusion, and the five files selected for review had stood up well to scrutiny. Furthermore, as part of the AIU's firm-wide review of systems and processes, meetings had been held with the Chief Executive, and MDs for Audit and Human Resources, and the position was encouraging. The AIU would present its conclusions to the Board in July 2008.

31. **The Commission Board:**
- a. approved the appointment of Helen Thompson, Audit Commission, as the appointed auditor to Adur and Worthing Joint Committee with effect from 2007/08;
 - b. approved the appointment of Debbie Hanson, Audit Commission, as the appointed auditor to Bedfordshire and River Ivel Internal Drainage Board with effect from 2007/08;
 - c. approved the appointment of Grant Thornton (UK) LLP as the appointed auditor to Bishops Stortford Town Council with effect from 2007/08;
 - d. approved the appointment of Grant Thornton (UK) LLP as the appointed auditor to the National Parking Adjudication Service Joint Committee with effect from 2007/08;
 - e. approved the appointment of Mick West, Audit Commission, as the appointed auditor to Newport Pagnell Town Council with effect from 2007/08;
 - f. approved the appointment of PKF (UK) LLP as the appointed auditor to South Downs Joint Committee with effect from 2007/08;
 - g. approved the appointment of Mazars LLP as the appointed auditor to Trowbridge Town Council with effect from 2007/08;
 - h. approved the other changes in appointed auditors from 2007/08 and 2008/09, as set out in Appendix 1; and
 - i. noted the other issues set out in the report.

Performance Report: 2007/08 Fourth Quarter

CP 35-08

32. The Board received the Performance Report covering the period January to March 2008. The interim MD, Corporate Services drew particular attention to the latest forecast outturn figure and the most significant variances against the original planned deficit. The regional performance and variances, as set out in section 4 of the report, were explained in more detail. Further variances were anticipated as the firms' final contribution would not be known until April/May 2008. **The Management Team would consider suitable options for using the significant surplus, and report to the Board.**

33. [Section 36(2)(b)(ii)]

34. [Section 36(2)(b)(ii)]

35. **The Board noted:**
- a. the overall performance summarised in the balanced scorecard;
 - b. the achievements in the fourth quarter of FY 2007/08;
 - c. progress against the Strategic Plan activities;
 - d. the publications timeline in Appendix 3; and
 - e. the forecast outturn financial position as set out in the report.

Flexible Retirement

CP 36-08

36. Following the Board's approval of a number of changes to the Audit Commission Pension Scheme (ACPS) at its March 2008 meeting; the MD, Human Resources

FINAL with FOI exemptions

presented a paper detailing proposals for further changes to the ACPS, including the introduction of flexible retirement arrangements. The proposals would have benefits for both employees and the organisation, and could potentially provide the Commission with an alternative experienced resource.

37. Staff would be entitled to seek a lower graded role and/or decrease their working hours, and would take a commensurate element of their pension benefits to compensate for the loss of earnings. Due to age discrimination legislation, all members of the scheme over 50 at present, and all members over 55 from 2010, would be entitled to take advantage of the flexible retirement options.
38. Take-up of the scheme would be monitored, although there were indications that the scheme would be well-received by staff, particularly in light of the existing interest in working beyond the retirement age. The financial implications of using the flexible retirement proposals would be clearly set out to staff.

39. **The Commission Board agreed that:**
 - a. **the Commission extend to all members over the age of 50 the right to continue in post and access their pension entitlement in full;**
 - b. **the Commission introduce flexible retirement arrangements as set out in section 4 of the report, subject to agreement of the Trustees and appropriate consultation;**
 - c. **following consultation with the Trustees and scheme members, the Chief Executive had delegated authority to sign off the final arrangements including any consequential developments arising from the detailed consultation process; and**
 - d. **the changes be implemented as soon as is reasonably practicable.**

Minutes of Previous Meetings

CP 37-08 and CP 38-08

40. The Board received the minutes of the recent Housing and Regeneration Advisory Group and Audit Committee meetings. The Chair of the Housing and Regeneration Advisory Group had nothing further to add in relation to the minutes of the 5 March 2008 meeting; and the Chair of the Audit Committee had nothing further to add in relation to the minutes of the 13 March 2008 Meeting.

41. **The Board noted the minutes of the recent meetings, without comment.**

Information Bulletin

CP 39-08

42. **The Board received the Information Bulletin, without comment.**

Chairman's Speaking Engagements

CP 40-08

43. **The Board noted the Chairman's recent speaking engagements, without comment.**

44. The Board noted the Chairman's recent speaking engagements, without comment.

Any Other Business

Verbal

45. There were no further items of business.

Date of Next Meeting

The next Board meeting would take place on Thursday 5 June 2008, at 9.00am in the First Floor Boardroom, Millbank Tower.