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**Minutes of the 259<sup>th</sup> Board Meeting**  
**1st Floor Boardroom, Millbank Tower**

**Thursday 5 June 2008**  
**9.30am to 12.35pm**

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**Commissioners present:**

Michael O'Higgins (Chairman)  
Steve Bundred (Chief Executive)  
Bharat Shah (Deputy Chairman)  
Jim Coulter  
Dr Jennifer Dixon  
Cllr. Steve Houghton  
Sir Thomas Legg  
Dame Denise Platt  
Brian Pomeroy  
Dr. Raj Rajagopal  
Professor Peter Smith  
Jenny Watson  
Cllr. Chris White

**Staff in attendance:**

Paul Coombs (for part)  
Gareth Davies  
Tracey Dennison  
Martin Evans  
Jenny Grey  
Roger Hamilton  
Julie Hope  
Roy Irwin (for part)  
Andy McKeon  
Siobhan O'Donoghue (minutes)  
Chris Sterry (for part)  
Eugene Sullivan  
Jo Whitehead  
Peter Wilkinson

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**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 Victor Adebowale, Sheila Drew Smith, and Cllr. Peter Jones.
  - b. Eugene Sullivan, the new MD, Corporate Services was welcomed to his first Board meeting. On behalf of the Board, the Chairman thanked Jo Whitehead, who had been interim MD, Corporate Services since the beginning of March 2008, for her work whilst in post. Jo was attending the meeting to jointly present the Corporate Services papers and as the RD, Southern Region.
  - c. This was the last Board meeting for Jenny Grey, MD Communications and Public Reporting. On behalf of the Board, the Chairman thanked Jenny for her contribution and wished her well in her new role.
  - d. The Board acknowledged the retirement of Mike Barnes, Head of CAA development (audit), who retired from the Commission at the end of May after 25 years of service. The Board noted his significant achievements and contribution to the Commission's work, CIPFA, and the wider profession beyond, and wished him a happy retirement.
  - e. As a number of significant items of business were scheduled for the 24 July Board meeting, the Chairman requested that, wherever possible, Commissioners tried to keep their diaries clear for the early part of the afternoon in order to allow for sufficient discussion.

**Notes of the Board Away day – 23 April 2008**

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| 2. <b>The Board received the notes of the 23 April Away day, without comment.</b> |
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## Minutes of the Previous Board Meeting – 24 April 2008

3. The minutes of the 258<sup>th</sup> Meeting of the Board held on 24 April 2008 were approved as a correct record.

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| <ol style="list-style-type: none"><li>4. <b>The minutes of the 258<sup>th</sup> Meeting of the Board were approved as a correct record.</b></li></ol> |
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## Report of the Chief Executive

CP 41-08

5. National Fraud Initiative. Because of the contradictory legal advice given to those parties involved in the dispute about disclosing electoral register information, and the length of time that had elapsed, the Commission had decided to postpone further collection of electoral data until December 2008, or early 2009. By this time, the Commission's new statutory provision to obtain the electoral register information, either from the ERO, or the local authority, would be beyond doubt.
6. Code of Data Matching Practice: The Board delegated approval of the post-consultation version of the *Code of Data Matching Practice* to the Chief Executive. Delegating authority would allow the final *Code* to be sent to the Secretary of State in good time for it to be laid before Parliament by 22 July 2008, when the current session ended. The amendments to the *Code* were not fundamental, but rather gave additional guidance and clarification.
7. Audit of Local Authority-controlled Companies: The Board welcomed the news that the draft legislative programme for the next parliamentary session included a Community Empowerment, Housing and Economic Regeneration Bill that would contain the necessary provisions that the Commission had been seeking for some time, to audit local authority-controlled companies.
8. Use of Resources (UoR) and the Healthcare Commission's Annual Health Check (AHC): A letter from the Chief Executive of the Healthcare Commission was tabled. The letter was disappointing in that it did not change the Healthcare Commission's intention to use only one theme score from UoR for its 2008/09 AHC, and use only selected parts of the other two themes as part of its core standards assessment.
9. The Board noted the Healthcare Commission's proposed approach, and agreed that their point of view was not worth challenging. Our auditors would continue to assess the full range of UoR issues in order to form their audit opinion, and we would continue dialogue with the Healthcare Commission, the successor body, and the Department of Health, in order to avoid any duplication when reporting. It would not be in the public interest to have two sets of potentially conflicting data and so issues, for example the timing of publications, would need to be kept in mind.
10. Research on Local Authority Chief Executives: The Board noted some of the key findings emerging from the research work on local authority chief executives, including turnover; salaries; demographics; and the part that CPA might have played in some of these trends. The draft findings had been shared with officials at CLG, the LGA, Solace and Alace. Although publication would not be without some controversy, it

was a perfectly reasonable thing to do and would be a helpful piece of work. There was also the potential for further work around improving succession arrangements.

11. Housing and Regeneration Bill: The helpful amendments to the Bill that clarified the Commission's role in relation to housing associations and other registered providers had been laid. **The suggestion that there might be benefit in reciprocal Board membership with the new regulator for social housing had been raised with Department officials.**
12. Senior Management Appointments: The Chief Executive expressed his personal thanks to the departing MD, Communications, and welcomed the new MD, Corporate Services to the Commission.

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| <ol style="list-style-type: none"><li>13. <b>The Board noted the report of the Chief Executive; and</b><ol style="list-style-type: none"><li>a. <b>delegated approval of the <i>Code of Data Matching Practice</i> to the Chief Executive.</b></li></ol></li></ol> |
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## Comprehensive Area Assessment

## Presentation

14. The MD, Local Government gave a presentation that updated the Board on progress in the development of Comprehensive Area Assessment (CAA), and sought a steer on some key assessment and scoring issues, in advance of the final consultation paper that would be presented to the Board at its July meeting. The following is a summary of key points from the presentation:
  - a. Since the last report to the Board, the responses to the first consultation and messages from citizen panels had been published and well received. The Use of Resources (UoR) key lines of enquiry (KLOE) had also been published with a positive response.
  - b. Internally, preparations were on track in terms of methodology development, and five external appointments meant there was now a full complement of CAA Leads (CAALs). A fresh perspective on CAA from these external appointments was a bonus.
  - c. Ten CAA trial sites would commence in June 2008. The distinct difference between these and the action learning sites was that we would be starting from a position of informed learning.
  - d. The next joint consultation would be published in July 2008, with the final framework being ready for publication in December 2008/January 2009. The final round of CPA results would follow in February 2009, and this publication would be used to make some bigger points about the changes in public services.
  - e. A diagram was used to demonstrate the methodology and the process for compiling CAA evidence, and how the various elements fitted together and at what stage of the process. The diagram helped to illustrate the point raised elsewhere on the agenda about the Healthcare Commission's use of our UoR judgement for its Annual Healthcheck: working collectively on the Area Assessment element of CAA would be the best way of avoiding conflicting messages.
  - f. The 'evidence file' would be the most important element in bringing the work together. Our IT systems and our operating culture would be fundamentally important in supporting this.

- g. The Area Assessment would be based on three questions, reduced from an original five. There was an outcomes- rather than process-focus to the questions, with 'knowing your community' as the central theme to Question One.
- h. Question Two – 'How well are the outcomes and improvements needed being delivered?' – would look at a number of key areas including: community safety; economy; health; housing; and education. There would not necessarily be in-depth investigation of all of these areas and the specific target questions for Q2 were still in development.
- i. Reporting the Area Assessment would require a punchy, forward-looking narrative. **The Board would receive a demonstration of the public reporting tool at its next meeting.**
- j. Although it had not been ruled out for future years, there would be no overall score for the first year of assessment. A red flag would indicate an area where something needed to be done differently in order to be on track, or not to fail. Outstanding innovation, or excellence, would be acknowledged with a green flag, but this would be awarded at the Commission's discretion. In any one reporting year, neither of these flags might be used in any particular authority.
- k. The Organisational Assessment collapsed the UoR score (based on three themes) and a Managing Performance score. The idea was that this would result in a more stripped-down, but proportionate and informed rating. It would provide the same level of assurance, whilst being less-burdensome. We anticipated a positive response to this approach from the sector, and government. It was not clear at the moment how the organisational assessment would address children's services and adult social care issues.
- l. We proposed to consult on options of how a score would be derived from the UoR and Managing Performance scores: there could be an element of discretion in the case of a 1/2 or 3/4 split, for example; or no element of discretion and the service performance score would be the dominant score. There was also the option of publishing the two separate scores rather than a combined one. The pros and cons of each option would be set out in the consultation document.
- m. **The next Board meeting would look in more detail at the web-reporting element of CAA.** At this stage it looked to be a powerful tool in bringing all the inspectorate information together, and also other information that was not directly part of the CAA score. Reporting on the National Indicator set would allow for tailored comparisons, and area reporting would be accompanied by national thematic reports.

15. Following the presentation, the Board was invited to give comments. Suggestions around the structure, themes, and reporting proposals were welcomed in particular. **[Section 36(2)(b)(ii)]**

16. <b>The Board noted the presentation on the development of Comprehensive Area Assessment.</b>
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## Annual Report and Accounts

CP 42-08

17. The Board received the Annual Report and Accounts for 2007/08 for approval, subject to any necessary minor amendments being approved by the Audit Committee at its meeting on 12 June 2008. The MD, Corporate Services explained that there was a

typographical error in para. 3.3, in that the net surplus was £5.8m, and not £5.9m as reported. A small number of other corrections were made, and individual Board members were asked to check their own biographical details and declarations of interest and inform staff of any necessary amendments.

18. The text for this year's Annual Review would be based on the Foreword and Management Commentary sections of the Annual Report, with the addition of case studies that were still in draft form at the time of the meeting. **An updated version of the Annual report would be circulated to Commissioners w/c 9 June for any further comments.**

19. **The Board:**
  - a. **approved the draft Report and Accounts, subject to any minor changes being approved by the Audit Committee at its meeting on 12 June 2008;**
  - b. **reviewed their individual biographies and details and passed on the necessary amendments; and**
  - c. **commented on the 'About Us' section, Foreword and Management Commentary.**

## Audit Issues

CP 43-08

20. 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 individual regulatory and professional matters.
21. Code of Audit Practice: The Board approved the necessary technical amendment to the *Code of Audit Practice* for local government bodies. The change was non-contentious, and reflected that the Commission would no longer produce an annual audit and inspection letter under Comprehensive Area Assessment.
22. Long-standing Audit Appointments: The Board had requested previously an indication of the timetable for rotating some of the longer-standing audit appointments. Due to a number of reasons, as set out in the report, the ability to make significant changes to the long-standing audit appointments in the short term was limited. Possible actions would include undertaking a further procurement exercise, or a change to the Commission's policies around making appointments. The geographical spread of the appointments and potential conflicts of interest were also complicating factors. The Commission had, however, stated to the audit practice, the firms and the appropriate authorities, its intention to rotate the appointments at the next available opportunity. The Board suggested that there could be extra scrutiny of the affected audits in the meantime.
23. Sensitive Audit Issues: The Board noted the updates on sensitive audit issues, in particular those relating to **[Section 33]**.
24. Quality Monitoring Reviews: As part of the audit practice's annual quality monitoring process, a sample of 23 completed audits for the 2006/07 audit year were reviewed, and for the first time, scored. The majority of reviews were carried out in-house, but a

smaller sample was reviewed by the Association of Chartered Certified Accountants (ACCA), an independent audit regulator. The results were not particularly positive, and of particular concern were the two audits considered to be below minimum requirements. As part of its inspection, the AIU would be commenting on the adequacy and effectiveness of our internal quality monitoring arrangements.

25. Audit Inspection Unit (AIU): The AIU had now left the site and had issued the first draft of its report, which would be finalised over the next few weeks before being presented to the Board at its meeting in July. Although the AIU might highlight a number of issues to address, they were unlikely to be different from those found at the major firms. The Commission wanted to make the AIU's findings public and summarise them in our transparency report. A suitable summary would be agreed with the AIU. The AIU's presentation at the next meeting would be an opportunity for the Board to get a sense of where we stood in comparison to our peers.

**26. The Commission Board:**

- a. **approved the appointment of John Prentice, Audit Commission, as the appointed auditor to Selby Area Internal Drainage Board with effect from 2007/08;**
- b. **approved the other changes in appointed auditors from 2007/08 and 2008/09, as set out in Appendix 1;**
- c. **approved the proposed amendment to the Code of Audit Practice for local government bodies; and**
- d. **noted the other issues set out in the report.**

27. Request for an Extraordinary Audit at [\[Section 33\]](#)

28. [\[Section 33\]](#).

29. [\[Section 33\]](#).

- 30. The Board rejected the request for an extraordinary audit at [\[Section 33\]](#).**

**Pilot Programme of Short-notice Inspections**

**CP 44-08**

31. The Chief Housing Inspector presented the report on the recently completed pilot programme of short notice inspections (SNIs) of housing associations (HAs). The pilot programme, which ran between September 2007 and April 2008, involved 12 volunteer HAs that were given five working days notice prior to a three-day on-site inspection. The scope of the inspection was restricted to no more than three service areas based on a risk assessment, and the HA received a 10 page report for private consumption, following completion of the inspection.
32. An independent internal evaluation exercise that was conducted alongside the inspections had some positive headline messages, including that: SNIs were less costly for HAs and for the Commission than conventional inspections; that the inspection itself was less disruptive for the business; and there was some success in focusing on weaker areas of performance.

33. However, the pilot round had also highlighted some areas of concern, specifically around scoring and consumer engagement. HAs were concerned about receiving a single score based on an inspection of their weaker services, that might be compared unfairly to a score derived from a full inspection. It was suggested that, to address this concern, HAs should receive feedback on the strengths and weaknesses of the services that had been inspected, and a series of recommendations for improvement would be made, rather than a score. To address the concerns about the lack of customer focus in SNIs, proposals for future programmes included mystery shopping in advance of the inspections, and increasing the use of other customer feedback. A brief summary that covered the key strengths and weaknesses could also be made available for tenants.
34. The Board agreed that the evaluation of the pilot round was positive overall, and agreed that SNIs should be one of the elements of the Commission's approach to housing inspections from the second half of 2008/09. There was also support for considering the wider use of short notice inspections in other areas of our inspection work, including other parts of local government. The Board suggested that more work should be done on taking forward the learning from the pilot round, perhaps linking up with the Studies function to address some of the issues that had been raised.

35. **The Board:**
- a. **noted the outcomes from the pilot programme of short notice inspections of HAs;**
  - b. **agreed to the use of short notice inspections of HAs as one element of our approach in the sector from the second half of 2008/09; and**
  - c. **agreed that the Commission should consider the use of short notice inspections in other areas of our inspection work in housing and across other parts of local government, possibly after the completion of pilot programmes in these areas.**

### **Commission's Responsibility for Benefits Inspection**

**CP 45-08**

36. The MD, Local Government updated the Board on the arrangements for the delivery of the Commission's new responsibility for inspecting local authority benefits services, following the Commissions' assumption of that responsibility on 1 April 2008. Preparations had included nine pilot inspections. These pilots had demonstrated that whilst our approach would be something of a 'harder test', it was effective in identifying strengths and weaknesses at the councils that were inspected, as well as being shorter in duration, and with a sharper focus. The Board also noted that **the Commission's approach to the benefits inspection framework would achieve a significant cost reduction for the government, and felt that this should be highlighted in the next Annual Report.**

**37. The Board:**

- a. **noted the arrangements in place for delivering the new benefits inspection function, and the plans for linking it to the Commission's existing role in the National Fraud Initiative and the certification of benefit subsidy claims; and**
- b. **endorsed the proposed approach to benefits inspection and assurance at local authorities.**

**Reducing Millbank Office Space****CP 46-08**

38. The Board was asked to approve, in principle, a project to reduce office space in Millbank by 30 per cent. Furthermore, it was asked to delegate the final decision on whether or not the project should go ahead to the Chief Executive and Chairman. The decision to proceed, or not, would be based on the pending advice from London property agents regarding the estimated timescales and potential rental income involved in sub-letting the surplus space, and the payback on investment. Should that advice state that the decision to proceed was time-critical, having the decision in principle would allow the Commission to move quickly.
39. Current utilisation was under 50 per cent and reconfiguration, as set out in the report, would bring this up to around 70 per cent. Staff were aware of the proposal to reduce space, and soundings had been taken. Staff involvement would be important in the success of the project. Although there would be some mixed views, there would be a standard amount of space for each member of staff, and there would be some scope for individual teams to design their working space.
40. The Board agreed that there was no argument against the principle of reducing office space, but that the financial element had to be the foremost consideration. It might even be necessary to put the project on hold if the conditions and timing were not right.

**41. The Board:**

- a. **approved in principle the recommendation to reduce office space in Millbank by 20 per cent, and reduce accommodation costs by £830,000 per annum;**
- b. **agreed that, under delegated authority, the Chairman and Chief Executive make a final decision on the whether the project should be implemented or not, based on the consolidated advice from London Property Agents regarding the estimated time that it should take to sub-let the surplus space, the likely rent which could be achieved and the payback on investment; and**
- c. **noted that the phased building works would not require external temporary office space while the building changes were taking place, and that the detailed logistics would be mindful of business critical deadlines and would work to minimise business disruption, especially for business critical teams.**

**Improving Financial Management****CP 47-08**

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

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

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

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

46. **The Board:**

- a. noted the accuracy of budgeting, forecasting and profiling; and
- b. approved the approach to improving financial management set out in the report and in the action plan at Appendix 1.

**Information Bulletin**

**CP 48-08**

47. The Board received the Information Bulletin, without comment.

**Chairman's Speaking Engagements**

**CP 49-08**

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

**Any Other Business**

**Verbal**

49. There were no further items of business.

*Date of Next Meeting*

50. The next Board meeting would take place on Thursday 24 July 2008, at 9.30 in the First Floor Boardroom, Millbank Tower.