

Commissioners present:

Michael O'Higgins (Chairman)
Steve Bundred (Chief Executive)
Dr Jim Coulter
Jennifer Dixon
Cllr Steve Houghton
Sheila Drew Smith
Cllr Peter Jones
Sir Tom Legg
Prof. Peter Smith
Chris White

Staff in attendance:

Jeremy Boss
Gareth Davies
Tracey Dennison
Martin Evans
Jenny Grey
Roger Hamilton
John Kirkpatrick (for part)
Ian Hickman (for part)
Andy McKeon
Pauline Painter (for part)
Zerena Quirk
Mike Robinson (minutes)
Peter Wilkinson
Brian Willmor

Apologies, Announcements and Declarations of Interest

Verbal

1. The Chairman opened the meeting and made the following announcements:
 - a) Apologies for absence had been received from Brian Pomeroy.
 - b) The previous evening's dinner had been most useful with interesting discussions on strategic matters such as economic development. The points raised would be considered as part of the CAA development work.
 - c) A venue had been booked in Leeds for the September away day.

Minutes of the 22 March 2007 Board and Matters Arising

2. The minutes were approved and the following matters arising raised:
 - a) Paragraph 30 – Annual Lecture. Margot Wallström was unable to attend. Laura Tyson of the London Business School was being invited but other suggestions from Commissioners were welcome. The date of the lecture may be put back.
 - b) Paragraph 37 – Audit Professional Developments. The briefing on International Financial Reporting Standards had been published and copies were available.

3. The minutes of the 250th meeting of the Board held on 22 March 2007 were approved as a correct record and would be signed by the Chairman.

Report of the Chief Executive

CP28-07

4. Serious Crime Bill. The Bill would need to go back to the House of Lords following government defeat issues unrelated to the Commission. Royal assent may therefore be delayed but we were confident that provisions relating to the Commission would remain intact.
5. Voice and Data Integration Project. AIBs would be asked to unblock some 0844 numbers in order to contact the Commission. This would save both them and the Commission money but may attract comment.
6. Cave Review. The review should report to ministers in the next few weeks. **[Section 36(2)(b)(ii)]**:

7. **The Board noted the Chief Executive's report and:**
- a) **approved the appointment of Michael Scott to the Pension Scheme Trustee Board, with effect from 1 July 2007; and**
 - b) **authorised the Audit Committee to approve the Commission's annual accounts for 2006/07 at its meeting on 26 June 2007.**

Comprehensive Area Assessment (CAA)

CP29-07

8. A letter from ministers was tabled; it outlined the government's expectations for CAA and commissioned the relevant inspectorates to develop it. A joint project board was now developing the work streams. CLG had also established a work programme that we were involved in and consultation events were planned. The report outlined the aims and benefits of the new approach and views were sought on the three key areas of: risk assessment; focus for reporting; and working with other inspectorates.
9. Risk Assessments. This was the new and the most challenging aspect of CAA; other areas built on existing work streams. How should we determine risks and how would we assess them? The regime would be area based and the methodology would need to reflect both national and local priorities as well as providing a link to local area agreements (LAAs). The challenges would be to ensure that: focusing on areas didn't dilute responsibility for ownership; assessments were not risk averse; there was buy-in from all key stakeholders, including Local Strategic Partnerships (LSPs); and that assessments encompassed long term issues. **[Section 36(2)(b)(ii)]**:
10. Audiences for CAA. There are three key audiences for CAA: the government and national stakeholders; the professionals within AIBs; and the general public. The Commission was used to engaging with local and national stakeholders. The question for CAA was how to involve communities. Should we rely on the engagement of local bodies or do this directly? **[Section 36(2)(b)(ii)]**:
11. Working with other Inspectorates. **[Section 36(2)(b)(ii)]**.
12. The Chairman emphasised that a key test for CAA would be whether participants regarded it as a help or a hindrance - we must ensure it is seen to add value.

13. **The Board noted the report and commented on the development of CAA.**

Fire and Rescue Service Assessments

CP30-07

14. The MD, Local Government explained that there were few changes to the assessment methodology, although the indicator set would be improved with the addition of four new PIs. The aim was for stability in the run up to a new framework.

15. **The Board approved the overall arrangements for fire and rescue performance assessment in 2007 and 2008 as set out in CP30-06 including changes to assessments for services, use of resources and direction of travel.**

Annual Review 2006/07

CP31-06

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16. The MD, Communications explained that the detailed text would normally have gone to the June Board. However, as this meeting had been cancelled, an outline was provided for comments. The final draft would be sent for comments when available and it was suggested that the Chairman and Chief Executive be asked to sign-off the final version. The following suggestions were made and would be incorporated:
- Our efforts to embed sustainability into our work should be included.
 - The geographical spread of case studies should be checked and there should be one on housing.
 - The text would draw out the impact of the Commission and how we are assessing it; not just the detail of what we've been doing. We should also reference progress in the move towards more proportionate regulation.

17. **The Board noted the annual review outline and:**
- agreed that the full draft be sent to all Commissioners for comments; and**
 - authorised the Chairman and Chief Executive to sign off the final version.**

Lyons Review into Local Government Finance – Implications for the Commission

CP32-07

18. The report set out the key issues for the Commission from the review and sought early comments on the various suggestions. These included providing assurance that the regulatory burden was dropping and looking at whether the duties imposed on councils were adequately funded. Most of the suggestions could be undertaken under current powers and several others would be best considered as part of developing CAA.
19. **[Section 36(2)(b)(ii)].**
20. The Board's input had been useful and would assist staff in their discussions with CLG on the issues in due course. CLG's response to the review was still being developed.

21. **The Board:**
- agreed that, in consultation with central government, limited feasibility studies should be undertaken in relation to the approach the Commission might adopt to evaluate the impact of government decisions and actions on local government;**
 - agreed that the work underway to review the use of resources assessment in preparation for CAA should consider the proposal that it includes an assessment of the delivery of the right priorities to meet the needs and wishes of the local community; and**
 - welcomed the recommendation for an independent review of the new performance framework.**

Appointment of New Commissioners

Verbal

22. The Chairman outlined the current position in respect of new Commissioner appointments. The Board noted the good number received and the percentages received from women and from ethnic minority backgrounds. The Chairman was confident that there were candidates who could make a good addition to the Board.

Approach to Sustainable Development in our work with AIBs

CP33-07

23. The proposals in the draft publication set out how the Commission would mainstream sustainability issues in our work with AIBs. This had been in preparation for some time and in advance of the Sustainable Development Commission's (SDC) recent criticism that we were not doing enough in this area. The SDC knew the ability of the

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Commission to affect change by including sustainability issues in its assessments and were keen to engage with us. The area was increasing in profile and importance and would certainly be a PSA target and priority in the current comprehensive spending review. As such, it would doubtless appear in local area agreements. The Board discussed the key issues and the following is a summary of the comments made:

- a) The framework and action plan was a good piece of work which would assist in the development of CAA. It followed on from the October 2006 away day when the possibility of assessing such matters was first raised.
- b) The English Regions Network should also be consulted over our approach given their strategic responsibilities and involvement in promoting renewable energy.
- c) Our work should be focused on sustainability in the context of reducing environmental damage. Although 'ensuring a just society' was laudable it was largely outside our remit and this should be dropped from the report.
- d) The report had been developed for internal use. However, a slightly revised version would be put on the website and shared with interested stakeholders such as the SDC. **Consideration should also be given to publishing a short pamphlet setting out our approach.**

24. **Subject to comments, the Board approved the approach to sustainable development set out in CP33-07.**

Internal Environmental Policy Update

CP34-07

25. The report detailed progress since the initial report in February. The key proposition was that the Commission should reduce its impact rather than simply seek to offset carbon emissions. The latter could be seen as merely media management as well as an inappropriate use of public money. Given that the implications were complex to assess, we needed further time to set a specific target. In the meantime, we should set out a direction of travel, undertake more research into the matter and progress with the 'quick wins'. Reducing business miles would be the main way in which we would reduce emissions. The Board approved the proposed approach and it was suggested that **consideration be given to including a sub-heading in each Board report to detail any environmental implications.**

26. **The Board:**

- a) **approved the mission statement and environmental plan in the form of an Audit Commission 2010 Charter (Appendix 1 to CP34-07) that provides ten principles to achieve significant sustainability improvements;**
- b) **endorsed the aspiration to reduce the Commission's emissions in line with government commitment within the draft Climate Change Bill; and**
- c) **noted the progress made and proposed quick wins on carbon reduction as well as the resources required to support these initiatives and the risks associated with the work.**

National Studies Update 2006/07

CP35-07

27. The MD, Policy Research and Studies explained that his department was now practically at full strength and he encouraged Commissioners to give him direct feedback on the quality of their engagement with his staff. The report suggested additional study options on which we should consult. The consultation process had been refined as the large scale publication method previously used had not given the best feedback - we would now engage with key stakeholders on an ongoing basis and

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in a more meaningful way. Decisions on which areas to address would hopefully be aided by the new framework against which proposals would be assessed.

28. The actual study proposals sought to fill the gaps in our knowledge and give a good spread – both across our sectors and by type of study. They also looked to build on key developments such as preparing for CAA. The Board was asked to agree the list of studies which would be consulted upon and it was proposed that the final decision on which studies to progress should be taken by the Chairman and Chief Executive. The Board discussed in detail and the following is a summary of the key points:
- a) There was praise for the new framework for selecting studies. It gave a sound rationale for assessing them and helped in achieving a balanced portfolio.
 - b) The 10 studies proposed for consultation were agreed. Those particularly highlighted and welcomed were:
 - Measuring Progress in Sustainable Development;
 - Planning and Costing Local Authority Services for an Ageing Population;
 - Use of Public Resources to Improve Community Cohesion; and
 - Homes not Houses – Building Diverse, Viable and Sustainable Communities.
 - c) The study on workforce issues would be useful. However, it was noted this was on hold due to the departure of the project manager.
 - d) Focus would be important in the proposed study on Value for Money in Schools. This suggestion had arisen from discussions with the DfES who were supportive. The study would be discussed with Ofsted.
 - e) It was confirmed that the possible study topics that were unlikely to go forward would be picked up with shorter pieces of research and briefer publications.

29. **The Board:**

- a) **agreed the list of potential new studies set out in CP35-07; and**
- b) **delegated authority to the Chairman and Chief Executive to approve those to be started, in light of the consultation.**

National Study – Making Better Use of Information

CP36-07

30. The aim of the study was to establish an intellectual framework for the use of information around which a series of smaller studies and tools could be developed. These would help AIBs consider performance in this area and would lead into the development of Use of Resources judgements. The key messages were based around three main hypotheses. Namely, that:
- a) better use of information leads to better decisions which leads to better outcomes;
 - b) a one size fits all approach does not work and the type of information required varies on the needs of the recipient. However, common data sets on which to draw were still possible and efficient; and
 - c) information must be relevant, accurate, timely and understandable. However, this varies on the use for which the information will be put.
31. Commissioners' comments were sought and the following is the key feedback given:
- a) Establishing an overall framework to be followed up with more practical tools was the right way to approach the issue. This was certainly an area that needed improvement and should be opened up for public debate. The issue was so complex that the framework would have to be relatively broad brush at this stage.
 - b) We need to acknowledge the implications of technology and to examine how the private sector utilises common data sets – these were a relatively new concept in the public sector.

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- c) The purpose of the information was important in the context of timeliness. Sometimes real or near time data would be critical but sometimes an analysis of long term trends would be better.
- d) This was a very topical issue and the Ministry for Justice was undertaking a lot of work in this area.

32. **The Board:**

- a) **endorsed the broad outline of the discussion paper in CP36-07 and agreed that a document based on it should be published as soon as possible;**
- b) **delegated authority to the Chairman and Chief Executive to approve the final text; and**
- c) **approved the proposed further work programme.**

Board Performance Report

CP37-07

33. The Interim MD, Corporate Services explained that this was the last performance report in this format and the final one for 2006/07. A small number of the strategic plan targets were flagged as amber but the vast majority had been achieved.

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

35. **The Board noted the assessment and management of the risks and the progress outlined on: income and expenditure; progress against strategic plan activities; recent achievements; and publications.**

Performance Reporting Review

CP38-07

36. The report proposed a more streamlined and focused approach to performance and budget reporting. The new balanced score card would provide overall feedback and highlight the key issues from 35 high level performance indicators. Any areas flagged as red would be the subject of more detailed reporting. It would be possible to drill down into the detail behind the high level summary but it was not yet possible to do this electronically.

37. **The Board approved the new performance monitoring and reporting arrangements and the components of the scorecard.**

Promoting Audit Quality

CP39-07

38. Negotiations with the Audit Inspection Unit (AIU) had been satisfactorily concluded and we would now come under their regulatory regime. This would be their first review of public sector audit and we anticipated that it would be challenging and robust. Any short term pain or reputational risk was expected to be worth the likely improvements in audit quality that would follow. The initiative was part of the significant investment made by the Commission in its core audit work.

39. The Board welcomed the development; **it was important to submit ourselves for self regulation and this initiative should be mentioned in the annual review.** Although the AIU did not intend to publish its report we were not looking to restrict access to their findings and these would be included in our annual transparency report.

40. **The Board noted the Audit Inspection Unit's proposals to inspect the**

Commission's in-house practice and the parallel programme of work set in place to promote audit quality.

Audit Issues

CP40-07

41. The MD, Audit outlined the routine decisions required and the key issues. The latter included the merger of Robson Rhodes with Grant Thornton. This did have some implications for the Commission as both firms undertook work for some AIBs. However, this situation had been encountered before and could be handled.
42. **[Section 33]**
43. The Chief Executive highlighted the substantial reduction in the amount of grant certification work as a significant achievement. The total number of schemes certified was now 46 compared to 191 when the new lighter touch approach was first proposed.
44. **[Section 33]**
45. Although 14 per cent of police authorities had objected to the principle of setting supplementary fees after the start of the financial year, we had made it clear from the outset that this would be the case in respect of use of resources work.
46. **The Board noted the regulatory issues and approved the:**
- a) **appointment of Chris Westwood to deal with accounting issues and any questions or objections that may arise in connection with the commissioning of a waste incinerator by Surrey County Council;**
 - b) **appointment of Stephen Taylor to deal with enquiries raised by a local elector in connection with the planning department at East Hampshire District Council, and any subsequent objections that may arise;**
 - c) **appointment of Andy Perrin as auditor to Anglia Revenues and Benefits Partnership Joint Committee;**
 - d) **changes in appointed auditors for 2006/07, as set out in CP40-07; and**
 - e) **scale of fees for Use of Resources work at police authorities in 2006/07.**

Independent Complaints Panel Reports

CP41-07

47. The Chief Executive explained that these were the last of the Complaints Panel reports prepared under the old procedure. The report set out the lessons learned from each report and these were being taken forward. The good news was that the revised process was working well and that all of the complaints received to date had been satisfactorily resolved at stage 1.
48. **[Section 33].**
49. **The Board:**
- a) **[Section 40];**
 - b) **[Section 40];**
 - c) **noted the recommendations on the changes to the complaints process and the Code of Audit Practice; and**
 - d) **[Section 40].**

Any Other Business

Verbal

50. The following additional items were raised:

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- a) The Board was advised of changes within the Department of Health. Richard Douglas was now responsible for the finances of the department as a whole and the Commission's new key contact would be the Director of Finance Performance and Operations - David Flory.
- b) The Chairman asked for feedback on the Board papers. He would do this regularly so that Commissioners could help staff improve papers. The National Studies and Performance reports were singled out as having been well written. There were conflicting views over which was the most helpful style - well written narrative or concise bullet points.

Chairman's Speaking Engagements, Information Bulletin and Board Forward Look CP25-07 / CP26-06 / CP27-07

51. The Chairman's external speaking engagements, information bulletin and Board forward look were received without comment.

Mike Robinson
May 2007