

**PERFORMANCE SELECT COMMITTEE held at COUNCIL OFFICES  
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 29 SEPTEMBER 2009**

Present: Councillor H S Rolfe (Chairman)  
Councillors S Barker, J E N Davey, A J Ketteridge,  
R M Lemon, J Salmon, P A Wilcock and A C Yarwood.

Officers  
in attendance: R Auty (Head of Community Engagement), S Bronson  
(Audit Manager), T Cowper (Principal Accountant),  
P Evans (Business Improvement and Performance  
Manager), S Joyce (Chief Finance Officer), A Knight  
(Principal Accountant), J Mitchell (Chief Executive),  
R Procter (Democratic Services Officer), A Webb  
(Director of Central Services).

Also attending: Ms C Connolly (Senior Audit Manager) - Audit  
Commission.

**PS29 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillor T P Knight.

Councillor S Barker declared an interest in the item on procurement, as a member of Essex County Council.

**PS30 PREVIOUS MINUTES**

The Minutes of the meeting held on 28 July 2009, having been received, were approved as a correct record and signed by the Chairman.

**PS31 BUSINESS ARISING/ACTION LIST UPDATE**

**09-PS2 Pensions consultation**

The Chief Executive said a current consultation was underway, the details of which had no bearing on the issues to be considered by this Committee. [Subsequent note: the Consultation, by DCLG, considered measures to be taken to ensure long term solvency of the local government pension scheme, including revised employee contribution rates, and the requirement for pension fund administering authorities to produce a new Financing Plan. The Council had not responded to the consultation.]

**PS32 ANNUAL GOVERNANCE REPORT**

The Chief Finance Officer thanked Ms Connolly and Mr King of the Audit Commission, as there had been proactive engagement between officers and the external auditors, and the audit process had gone smoothly.

He said the Annual Governance Report was, in his view, a fair summary of the outcomes from the audit process. He invited Members to approve the

Report and its appendices, subject to an amendment that the recommendation at paragraph 3 c should refer only to the second option stated there. He offered clarification on two points. Regarding the Landsbanki deposit, Members should be aware that the report made assumptions relying on CIPFA guidance, but not on any independent assurances. Regarding journal authorisation, journals for complex items were now receiving senior officer review.

The Chief Finance Officer said the fact the Council had attained an improvement from 1 to 2 in its Use of Resources score was encouraging. He would report further on this at the next meeting of the Committee.

The Chairman thanked the Chief Finance Officer, and congratulated officers on their diligence and endeavours in moving the Council from a category 1 to a category 2 score. He then invited Ms Connolly as the Audit Commission's Senior Audit Manager to comment on the Annual Governance Report.

Ms Connolly said the Audit Commission planned to issue an audit report including an unqualified opinion on the financial statements. She was pleased that action had been taken on journals. She said the quality of the accounts had been significantly improved, and she thanked the Chief Finance Officer and his team.

Ms Connolly went on to speak about the value for money conclusions, where arrangements in five areas had been found to be adequate. However there were three areas where there was still work to be done, and she hoped to find that these would have been addressed when she returned next year.

The Chairman thanked Ms Connolly, and invited questions from Members.

Councillor Barker sought clarification on the way in which unadjusted statements were shown in the accounts, and an explanation was given.

Councillor Yarwood asked about recommendations for risk management, in order for the Council to gain a satisfactory rating. Ms Connolly gave brief indications of what would be required, including, for level 2, setting processes in place; and for level 3, demonstrating delivery and adaptation of such processes.

Councillor Ketteridge echoed the Chairman's comments in thanking Ms Connolly on behalf of all Members. Attaining a level 2 score in Use of Resources had been a target for next year; so to achieve it one year early was satisfying, and the Council would continue to aspire for better years to come.

Councillor Wilcock asked for further comments on budget control weaknesses. In reply, Ms Connolly said these were not considered to be adverse, and that the Council's management of these areas was considered to be adequate. She was aware a significant change had been made in monitoring, and there were reasonable allowances for action to be taken in the case of variance. The Council was moving in the right direction.

In response to a query, the Chief Finance Officer said the letter of representation to the appointed auditor would be amended to make clear that the accounts approval was given by the Performance Select Committee.

The Chairman asked for clarification of the Audit Commission's adverse opinion that the Council had not yet developed its understanding of costs and performance. He understood officers were engaging in much work on these areas, and it was vital to be clear about interpretation. In reply Ms Connolly said these were specific criteria as set out in the Use of Resources scores, and would be fully explored in that report. Councillor Yarwood said it would be useful to be given benchmarking examples of good practice, to enable the Council to define how to address this area. Ms Connolly noted this request.

Councillor Wilcock then referred to partnership working and shared service provision. Ms Connolly said it was important to ensure such prospects were approached in a robust and realistic manner. The Chairman said the Council recognised such work would require a project plan and risk assessment, and that it was possible external expertise would be needed.

#### RESOLVED

- 1 Having given them due consideration, to note the matters raised by the Audit Commission in the Annual Governance Report (pages 7 to 10);
- 2 to take note of the adjustments to the financial statements set out in this report (Appendix 2);
- 3 not to amend the errors in the financial statements the auditor has identified (Appendix 3) for the reasons set out in the Chief Finance Officer's covering report;
- 4 to take note of the VFM Conclusion;
- 5 to approve the letter of representation on behalf of the Council before the auditor issues his opinion and conclusion (Appendix 4); and
- 6 to agree the response to the proposed action plan (Appendix 6).

PS33

#### **2008/09 AUDITED STATEMENT OF ACCOUNTS**

The report of the Chief Finance Officer, attaching the audited Statement of Accounts, was considered. The Chairman said the Statement of Accounts had already been rigorously debated at the June meeting of this Committee, and he proposed approving the report.

The Chief Finance Officer briefly updated Members, as there were two pages where typographical errors had to be corrected: on page 35, the figure at the foot of the column headed 'Leased Assets' should be 1,597, and the figure in the 'Total' column should be 261,099. On page 37, the figure at the foot of the column headed 'Assets Under Construction' should be 0, and the figure in the 'Total' column should be 429.

The Chief Finance Officer drew attention to the fact that the audited accounts incorporated all adjustments detailed in the auditor's report. One adjustment affected the level of reserves as at 31 March, relating to pensions costs, and he was now able to confirm that the Finance and Administration Committee had approved the adjustments in reserves on 24 September.

In response to a question from Councillor Wilcock, the Chief Finance Officer explained the methodology for calculating impairment to the sum of £2.2 million deposited with Landsbanki.

RESOLVED to approve the final statement of accounts for publication as attached to the report before the Committee.

The Chairman said the accounts represented a huge improvement, and he congratulated officers. He then signed the 2008/09 Audited Statement of Accounts.

PS34

## **INTERNAL AUDIT PROGRESS REPORT**

Members considered the report of the Audit Manager, giving an update on internal audit recommendations which had been implemented, and those which remained outstanding.

Referring to four high priority recommendations still outstanding, the Chairman asked that these recommendations be highlighted in order to ensure full transparency. In reply to a point raised by Councillor Yarwood, the Audit Manager said that such recommendations should also have their priority level increased at each review when they remained outstanding.

The Audit Manager highlighted the progress which had been made against the internal audit action plan. Since the report had been produced, further recommendations had been implemented, which would be the subject of a report at the next meeting.

The Chairman said this report was broadly reassuring and these processes should continue to be followed. He suggested that all recommendations be subject to random 'spot checking', and that the Committee should examine one audit in this way at the next meeting. He thanked the Audit Manager and invited questions.

Councillor Yarwood said it was important to ensure no recommendation was allowed to continue disregarded. He suggested in addition to automated reminders that audit officers also intervene to check progress. The Audit Manager confirmed there was a follow-up programme.

Members considered the appendix to the report which set out recommendations not implemented at 15 September. Officers provided updates where relevant. It was noted that some actions had not yet been entered on Covalent despite having been implemented. The Chairman said he recognised there was additional work for officers in entering data on the system.

**CORPORATE AND OPERATIONAL RISK REGISTER**

The Audit Manager presented a report setting out the corporate and operational risks above the corporate risk appetite selected for review by the Committee.

Councillor Yarwood complimented the Audit Manager on the clarity of the report. He suggested reviewing due dates in view of the significant numbers of risks which would not be due for some time. He asked for information to be supplied on the number of risks which had been selected in previous years, which the Audit Manager agreed to supply. Further questions were put regarding recording of residual risk.

Members considered in detail the items in the appendices to the report. In response to a question about risk code 09-CR People, officers said discussions were taking place with the HR partnership for preparation of a workforce strategy during 2010. Regarding risk code 09-CR Environment, the Chief Executive confirmed that a housing strategy had been adopted at the recent meeting of the Community and Housing Committee. Regarding the corporate risk attached to provision of affordable housing, he said the Council was in fact exceeding its target. The Chairman asked for an update on this area to be supplied to Members.

Several general comments were made, regarding process, including the facility of the system for officers; the criteria for placing items on the risk register, and how these might be challenged; and the importance of accuracy. Councillor Yarwood offered to spare some time to work with officers in considering a risk register strategy. The Chairman thanked him for this offer, which he hoped would help the Committee achieve its objectives.

Councillor Ketteridge pointed out that the risk relating to insecure gravestones would soon no longer be within the Council's remit.

**CUSTOMER FEEDBACK UPDATE**

The Business Improvement and Performance Manager took Members briefly through her report, and further updated them on exploration of IT systems for enabling improved customer feedback, and a draft customer charter. She encouraged Members to comment.

Councillor Yarwood said this was a very good piece of work, and if the charter were adopted, outcomes would be excellent. The Chairman said customer relations and management were the basis of any good organisation, and he fully endorsed the customer charter. However, he did question how outcomes could be measured. Councillor Wilcock said he supported the document in principle, but cautioned that good customer relations depended on staff who enjoyed working with people and understood their concerns.

The Chairman said this was a worthwhile initiative, and asked that the Committee continue to be updated.

PS37

## **PROCUREMENT**

The Chief Finance Officer summarised the Council's current arrangements for procurement. He referred to the assessment of the external auditor that the Council's procurement arrangements were 'not adequate', which had contributed to the auditor's qualified conclusion in relation to value for money. The Council faced a dilemma in that a proposal from ECC was still awaited, but there was also the prospect of a three year commitment to the Essex Procurement Hub.

Members asked whether alternatives to ECC had been explored; whether a break clause could be negotiated; and what the arrangements with prospective partner authorities might involve. The Director of Central Services said much work was being done to try to progress matters. The Chairman asked officers to engage in discussion with prospective partners, and to consider the possibility of a shared officer resource with the Braintree hub.

*The Chairman declared an interest in that he was Procurement Director of the East of England Collaborative Procurement Hub.*

Members discussed commissions, which had, along with most services and consumables, gone up in price. The Chairman said this area required leadership and an officer resource, and was now an absolute priority. He concluded by asking Councillor Ketteridge to pursue with Essex County Council action on proposals for procurement.

PS38

## **ASSET MANAGEMENT**

The Committee noted the report of the Chief Finance Officer, updating Members on an offer from ECC to provide technical assistance with asset management. The offer had been accepted, and work would start next week. The Chief Finance Officer said a new corporate asset management strategy and plan would be completed and reported to Members in February 2010.

The Chairman said this was encouraging news.

PS39

## **PENSIONS**

The Committee noted the report of the Chief Finance Officer, which addressed queries raised during consideration of the Statement of Accounts in June. The Chief Finance Officer drew Members' attention to the conclusion of the report, that restoring the pension fund to a position of no deficit was unlikely without a significant re-balancing of the financial commitments between employers and employees, and/or a significant adjustment to the benefits realisable by scheme members. He said this was a nationwide problem, and was beyond the control of the Council.

The Chief Executive said this was a comprehensive report, and Members acknowledged the challenges it described. In reply to a question from Councillor Yarwood, the external auditor, Ms Connolly, said she was content

with how the pension fund was dealt with in the accounts, having regard to assurances received from her pension fund auditors.

Commenting on the increase in the deficit by £10 million, and assumptions for mitigating measures to extend the deficit recovery period, Councillor Wilcock said this was a huge problem across the country, and it was vital that the Council should articulate its interests at every possible opportunity, in the same way as it did for the housing subsidy issue. He expressed concern that pensions liability would be a stumbling block to the Council's partnership negotiations.

The Chairman asked that a representative from Essex County Council be invited to attend a meeting of the Committee to talk about the pension fund.

PS40 **NO WIN NO FEE SERVICES**

The Committee noted the report of the Chief Finance Officer regarding services available under 'no win, no fee' arrangements. *Councillor Rolfe declared a personal interest, as he had suggested the Chief Finance Officer engage in further discussions with officers of the East of England Collaborative Procurement Hub, of which he was the Procurement Director.*

PS41 **RISK MANAGEMENT**

The Committee considered the report of the Chief Executive, which reviewed the Council's approach to risk management, following its identification by the Audit Commission as being in need of improvement. In view of the offer made by Councillor Yarwood to assist officers in developing a risk strategy, and other measures being put in place, Members approved the recommendations made in the report.

RESOLVED that the Risk Management Steering Group be disbanded, and responsibility for monitoring the Council's risks be assumed by the Performance Select Committee.

There being no urgent business, the meeting ended at 9.00 pm.