



**MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE**

**TUESDAY 13 NOVEMBER 2012
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

Councillor S Currie (Convener)
Councillor S Brown
Councillor A Forrest
Councillor J Goodfellow
Councillor K McLeod
Councillor P McLennan
Councillor J Williamson

Other Councillors Present:

Councillor F McAllister
Councillor W Innes
Councillor J Gillies
Councillor J McMillan

Council Officials Present:

Mrs A Leitch, Chief Executive
Mr A McCrorie, Executive Director (Support Services)
Mr J Lamond, Head of Council Resources
Dr R Jennings, Head of Housing and Environment
Mr P Vestri, Corporate Policy and Improvement Manager
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor
Mr S Baptie, Emergency Planning and Risk Manager
Mr S Kennedy, Risk Officer
Ms J MacKay, Media Manager

Clerk:

Mrs F Stewart, Committees Assistant

Visitors Present:

Mr S Reid, KPMG

Apologies:

Councillor J Caldwell

Declarations of Interest:

None

1. COUNCIL PLAN 2012-17 (CONSIDERATION WITHIN FUTURE WORK PROGRAMME)

The Council had agreed to approve the Council Plan 2012-2017 on 28 August 2012, noting that the SNP Group had abstained from agreeing to the recommendations.

The Council Leader, Councillor Willie Innes, had been invited to attend today's meeting to respond to questions on the Council Plan from Members of the Scrutiny Panel.

The Convener drew Members' attention to Section 4 of the Plan entitled 'Our Objectives' and proposed that Members raise any matters as he progressed through the document.

Growing our Economy

The Convener began by highlighting the Key Actions and enquired if an Economic Forum had now been established. The Council Leader replied that it had not yet been established, as significant challenges had still to be addressed. However, he stated that the economy was a priority for the Council and Councillor McMillan, Cabinet Spokesperson for Economic Development and Tourism, would be working closely with Officers to establish this. The Council Leader also responded to questions on the Economic Development Strategy.

The Convener referred to another Key Action and the Administration's commitment in their manifesto to guarantee local companies the opportunity to compete for Council contracts. The Council Leader stated that the Council had engaged with local companies to identify what support was needed to assist businesses that did not have the necessary skills to participate within the procurement process. Officers would then provide the necessary support to companies that wanted to compete for public sector contracts. In his view, if these companies met the criteria, there was no reason why they should not be permitted to tender.

Councillor Williamson, Ward Member for Musselburgh West, sought a guarantee that the Council would regenerate East Lothian's town centres as expressed in another Key Action within the plan. The Council Leader replied that, as the Council was faced with reducing its 3 year Capital Plan by £25m to £81m, all figures and projects in this year's Capital Budget were under review and a new Capital Plan would come before Council in December. Councillor McLennan requested that the Opposition was given adequate time to prepare a response to the revised Capital Plan.

Jim Lamond, Head of Council Resources, stated that Officers were currently working with the Administration in the spirit of the Council decision taken in October. However, he stressed this would not be a new budget, rather a set of required revisions to the Capital Plan ensuring the Council operates within the new capital expenditure limits.

Councillor McLennan enquired how the Administration intended to support the re-opening of empty shops in town centres and the Chief Executive advised that she was personally taking a lead in the Economic Strategy and that the action plan approved by Council was beginning to be addressed. She had been working with Councillor McMillan, the Economic Development Unit and Corporate Communications as well as meeting with relevant Partners. She reported that Officers had also met with a number of agencies including Scottish Development International, Scottish Enterprise and Visit Scotland and had been encouraged by their response. She added that an update on progress could be brought to the Committee if requested.

Growing our Communities

In respect of Transport matters, the Council Leader advised that omitting the deregulation of buses from the Council Plan was an oversight. The Chief Executive proposed that this matter could be included in the annual update.

In response to a question on the Roads budgets, The Council Leader advised that his commitment was to protect, not necessarily enhance the budgets and he could not give any guarantees that would keep budgets at the same levels.

The Convener enquired which options were being explored for taking stronger action to reduce the problem of dog fouling. The Council Leader outlined measures already taken and advised that other options were still under consideration, including determining the number of dog wardens.

The Council Leader also clarified the position on new housing developments and plans to modernise the waste collection services including the re-introduction of free bulky uplifts.

Growing our People

The Convener pointed out that the Education and Adult Social Care budgets totalled 75% of the Council's overall budget. It was therefore a crucially important area for the Council. Referring to the integrated health and social care services, he highlighted the outcome for Independent Living and care assessment waiting times. The Council Leader stated that timely assessments would be a priority to prevent older people developing more complex needs and Officers were currently considering a range of measures.

The Convener referred to the commitment in the Labour Group Manifesto to protect school budgets and asked for clarification. The Council Leader advised that the Council would endeavour to protect the school budget from the impact of the present economic crisis but could not guarantee that the devolved school budget would be unaffected. On the matter of school closures, he advised that the Council had a long record of protecting rural schools and there were no plans to change that. He also re-remained committed to providing a nursery place for all children aged 3 and 4 years, stating that the Administration was doing everything it could to address the present shortfall in places at Prestonpans.

Growing the Capacity of our Council

When asked if there were plans to reduce the number of Council employees, the Council Leader replied that, due to an increasing population, and in particular an increasing elderly population, demand for many services was increasing at a time when the financial challenges facing the Council suggested there would be fewer resources. His aim, therefore, was to ensure an effective and efficient workforce was in place but there was no specific target for what the workforce figure should be. Partnership working and shared use of resources would also be vital.

The Council Leader also advised that no decision had been taken on whether the shared Executive Director post with Midlothian would continue beyond the agreed term to December 2012. Consultations would be taking place and a report outlining proposals would be brought forward.

The Convener thanked the Council Leader for coming along to today's meeting and Councillor McLennan suggested that it would be helpful if the Council Leader could also attend the Audit & Governance meeting following the budget in February 2013.

The Chief Executive confirmed that Officers would be pleased to provide a report on any aspect of service the Committee thought it appropriate to review.

2. ANNUAL WORK PROGRAMME

A report was submitted by the Executive Director (Support Services) providing the Committee with the updated annual work programme.

The Corporate Policy and Improvement Manager, Paolo Vestri, presented the report, outlining the main areas of the Committee's remit. The Convener stressed the need for a robust monitoring process and Mr Vestri proposed that Members could discuss any concerns with Officers at the Committee's agenda setting meeting following the Budget in February 2013.

Decision

The Committee noted the annual work programme and provided guidance on additional reports that Members would like to be included in the work programme.

3. COUNCIL RISK MANAGEMENT STRATEGY

A report was submitted by the Executive Director (Support Services) seeking the Committee's approval of the revised Risk Management Strategy.

The Corporate Policy and Improvement Manager, Paolo Vestri, presented the report, advising that Council had approved the Risk Management Strategy in December 2009. The Strategy had since been reviewed and updated and was submitted for Members' approval today. It would then be passed to Council for final ratification. The main changes related to updating the responsibilities of senior officials in line with the re-organisation of the Council Management Team which took place in March 2012.

The Corporate Risk Register had also been revised and would be considered and approved by the Council Management Team before being submitted to Cabinet and this Committee in January 2013.

Decision

The Committee approved the revised Risk Management Strategy and noted the Strategy would be considered by the Council at its next meeting.

4. 2012/13 COUNCIL IMPROVEMENT PLAN MONITORING REPORT

A report was submitted by the Chief Executive presenting the 2012/13 Council Improvement Plan six-month monitoring report to the Committee.

The Corporate Policy and Improvement Manager, Paolo Vestri, presented the report, advising that the latest 2012/13 Council Improvement Plan had been approved by Council on 26 June 2012 and had been considered by this Committee on 18 September 2012.

The action points in the Council Improvement Plan were primarily drawn from the results of '*How Good Is Our Council?*' self evaluation carried out by all services and

the Corporate Governance self evaluation. The Monitoring Report outlined 20 action points and provided details of the timescale, lead body and update for each action.

Decision

The Committee noted the monitoring report.

5. IMPACT OF WELFARE REFORMS ON EAST LoTHIAN COUNCIL

A report was submitted by the Executive Director (Support Services) updating the Committee on the impact of the welfare reforms on East Lothian Council.

The Corporate Policy and Improvement Manager, Paolo Vestri, presented the report, advising that a report to Council on 28 August 2012 had provided details of the changes to the Housing Benefit and Council Tax Benefit schemes as a consequence of the Welfare Reform Act (2012).

Mr Vestri provided details of the impending changes, in particular, the under-occupancy changes due to be introduced in April 2013. He reported that the Council had now identified Council tenants who were likely to be affected by this change and had sent letters to 788 Housing Benefit claimants who were understood to be under-occupying their tenancy, giving them advance notice of the changes. He also advised that Officers had identified 31 households currently in receipt of Housing Benefit who may be affected by the cap on welfare benefits.

Mr Vestri also explained the work being done by Council Officers and partner agencies to increase awareness of the changes within affected groups and to address the financial and social impact of the changes.

Finally, he advised that the cross service Welfare Reform Task Group and its four working groups had been meeting regularly to develop the Council's response to the welfare reforms and that the potential impact of the reforms would be included in the Council's Corporate Risk Register.

The Convener commented that the Audit and Governance Committee had a responsibility to quantify the impact of the reforms on Council resources and advised that these changes together with the changes being introduced by the 2012 Homelessness Legislation, needed to be built into the Council's budget in February 2013.

The Head of Council Resources, Jim Lamond, stated that there was cross party shared concern regarding the impact of the welfare reforms and that the working group would do everything to promote awareness to all relevant stakeholders.

Decision

The Committee noted the report and that further updates on the impact of welfare reforms would be provided to the Council.

6. FINANCIAL STRATEGY 2012/15 MID YEAR REVIEW

This report had been submitted by the Executive Director (Support Services) to Council on 23 October 2012 to provide information on the current financial position of

the Council and had recommended essential adjustments to the current financial strategy.

The Convener requested that future Financial Strategies include net figures as well as gross figures and Jim Lamond agreed that this could be incorporated in future. The Convener also stated that any expenditure on housing had virtually no effect on the general budget of the Council as it was self funding from rents. He suggested that the Financial Strategy would be clearer if it reflected this. Mr Lamond advised that this information, together with the income and the resultant net borrowing requirement, was clear in the year end position reported to Council in August 2012.

The Convener also referred to the slower progress than forecast towards delivery of certain efficiency savings and enquired who was responsible in terms of accountability for hitting targets. The Chief Executive replied that the Council Management Team was aware of the situation and was working to address this. Services had been reconfigured at the time of the Senior Management Restructure in April 2012 and the new Heads of Service had been reviewing the most appropriate ways of delivering services with a collaborative “One Council” approach. She was therefore confident that progress would be made. Jim Lamond stressed the importance of achieving the efficiency savings and stated that he was committed to providing quarterly reports to Cabinet to update Members of financial performance throughout the year. He added that many of the savings had been achieved, but for some, there was an issue of pace of delivery. He further advised that all efficiency savings would now be monitored regularly by the Chief Executive/Council Management Team as reported to Council in October.

Councillor McLeod advised that the Accounts Commission had issued a leaflet outlining Councillors’ role in managing performance.

The Convener stated that although financial reports could be discussed at Cabinet, he believed that the Audit and Governance Committee still had an important role to perform if further scrutiny was required. Mr Lamond confirmed that management were happy to support and respond to such scrutiny.

7. INTERNAL AUDIT REPORT – LOTHIAN VILLA RESIDENTIAL UNIT FOR YOUNG PEOPLE

A report was submitted by the Executive Director (Support Services) informing the Committee of the recently issued audit report on Lothian Villa Residential Unit for Young People.

The Internal Audit Manager, Mala Garden, presented the report, advising that a review of Lothian Villa Residential Unit for Young People was undertaken as part of the audit plan for 2012/13. The objective of the audit had been to ensure that the internal controls in place at Lothian Villa Residential Unit for Young People were operating effectively. Ms Garden advised that a number of recommendations had been made and, with the exception of one recommendation, all had been agreed by the management.

The Convener noted that areas with scope for improvement had been identified and requested a follow up report.

Councillor Forrest noted the comments in respect of purchase cards and Mr Lamond advised that the Council was considering changing the card provider. A new provider would present an opportunity to change procedures.

Decision

The Committee noted the contents of the Executive Summary and Action Plan for Lothian Villa Residential Unit for Young People.

8. INTERNAL AUDIT REPORT – TRAVEL AND SUBSISTENCE

A report was submitted by the Executive Director (Support Services) informing the Committee of the recently issued audit report on Travel and Subsistence.

The Internal Audit Manager, Mala Garden, presented the report, advising that the main objective of the audit was to ensure that all payments made in respect of travel and subsistence claims were valid.

Ms Garden outlined the areas where expected controls were met and the areas with scope for improvement. Five recommendations had been made and all had been agreed by the management.

Decision

The Committee noted the contents of the Executive Summary and Action Plan for Travel and Subsistence.

9. INTERNAL AUDIT REPORT – REVIEW OF STATUTORY PERFORMANCE INDICATORS

A report was submitted by the Executive Director (Support Services) informing the Committee of the recently issued audit report on Statutory Performance Indicators 2011/12.

The Internal Audit Manager, Mala Garden, presented the report, advising that the main objective of the review was to ensure that adequate arrangements were in place for the preparation and reporting of Statutory Performance Indicators and that the information produced was accurate and complete. Five recommendations had been made and all had been agreed by the management.

Decision

The Committee noted the contents of the Executive Summary and Action Plan for Statutory Performance Indicators 2011/12.

Signed

Councillor Stuart Currie
Convener of the Audit and Governance Committee