



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

**TUESDAY 15 MARCH 2011
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

Councillor N Rankin
Councillor D Grant
Councillor J Caldwell
Councillor K McLeod
Councillor T Trotter
Councillor J Williamson

Council Officials Present:

Mr A Blackie, Chief Executive
Mr A McCrorie, Executive Director of Corporate Resources
Ms M Patterson, Executive Director of Community Services
Mr J Lamond, Head of Governance and Performance Management
Mr P Vestri, Corporate Policy Manager
Mr D Spilsbury, Head of Finance
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor
Mr B Cooper, Transportation Manager
Mr R Sinclair, Press Officer
Mr A Strickland, Policy Officer

Clerk:

Ms J Totney

Visitors Present:

Mr A Perston, Audit Scotland
Ms G Woolman, Audit Scotland

Apologies:

Councillor A Forrest
Councillor J McNeil

1. MATTERS ARISING

There were no matters arising.

2. EAST LoTHIAN ANNUAL AUDIT PLAN

Audit Scotland submitted a report entitled East Lothian Annual Audit Plan 2010/11.

Ms Woolman spoke to the report at length and highlighted that this is the 5th annual audit by Audit Scotland, outlined each parties' responsibilities, covered the changing requirements in respect of financial reporting and referred to matters including the severe financial challenges facing East Lothian Council, the Corporate Asset Strategy, Single Status, the Corporate Risk Register, the accounting treatment for **enjoy** East Lothian Ltd and internal quality control arrangements.

At the request of Councillor Rankin, Chair of the Audit and Governance Committee, the Executive Director of Corporate Resources updated members with regard to available reserves. Ms Woolman pointed out that East Lothian Council had not included **enjoy** Ltd in their Group accounts for 2009/10 to which the Head of Finance confirmed that overall, the same approach would be taken in 2010/11, emphasising the need for consistency and making it clear to members that the Accounting Standards had been, and would continue to be, complied with and that key dates would be met. In response to Councillor Grant, Ms Woolman advised that Audit Scotland do not audit Ltd Company accounts.

Councillor Rankin thanked MS Woolman for the useful paper and summary, adding that it would be important to keep a close eye on efficiency savings. The Executive Director of Corporate Resources advised that budgets are monitored in respect of efficiency targets. The Chief Executive summarised that there is transparency and accountability with quarterly reports on financial performance being submitted to Cabinet and that the Corporate Management team receiving monthly reports. He added that any variations would be reported to Cabinet and that quarterly reports will now also be lodged in the Members' Library Service by the Head of Finance.

Decision

The Committee noted the report.

3. MAINTAINING SCOTLAND'S ROADS: A FOLLOW-UP REPORT

Audit Scotland submitted a follow-up report on Maintaining Scotland's Roads.

Mr Perston spoke in great detail to the report, informing the Committee that this was a follow-up to the November 2004 report. He outlined the main contents and concerns and pointed out that the report does not cover the impact of the 2010/11 winter. In particular, he reported that road conditions have worsened, there is increasing public dissatisfaction with roads maintenance, acknowledged that East Lothian Council

injected an additional £3 million into the Roads Network in 2009/10 and advised that the Roads Action Plan would indicate key priorities for the Council.

The Transportation Manager responded to the report and advised that the road maintenance would continue to be monitored through the Council's Policy and Performance Review Committee, referred to the capital investment in the Roads Network in recent years, outlined the framework in place with Scottish Borders Council and advised that there is ongoing dialogue regarding shared services. In response to Councillor Caldwell, he advised that materials and processes were reviewed in 2010 with a move away from traditional techniques which should prolong the life of the road surfaces. Responding to Councillor Rankin, he confirmed that some traditional techniques are still appropriate for rural roads in East Lothian. He concluded by stating that there was no significant increase in the number of pothole claims over the previous year and that it is important to eliminate backlogs.

The Chief Executive reassured members that East Lothian Council either has work in progress, or already completed, in respect of the Key Messages and Recommendations in the report. He added that East Lothian Council benchmarks well when compared with the likes of Midlothian, Edinburgh, Fife and Borders and that a private sector consultancy has recently proven that East Lothian Council obtains value for money in respect of road repairs. However, he pointed out that EU legal and procurement constraints are impeding the desire to share more services.

Councillor Grant drew attention to the finding in the report regarding a shift to funding structural maintenance from capital rather than revenue budgets. The Head of Finance advised that this depends on the nature of the works and is not purely a matter of choice. The Transportation Manager advised that a Contractors' Scheme is under consideration and that a report will be presented to committee during the forthcoming financial year.

Councillor Rankin commented that East Lothian Council is the envy of many other Councils with regard to maintenance of road networks and requested that this report be placed on the agenda for the next meeting of the Policy and Performance Review Committee.

Decision

The Committee noted the report.

Sederunt: Councillor McLeod and Mr B Cooper left the meeting

4. THE COST OF PUBLIC SECTOR PENSIONS IN SCOTLAND

Audit Scotland submitted a report on The Cost of Public Sector Pensions in Scotland.

Mr Perston summarised the report, highlighting that it is important that the Committee is aware of the impending changes and the impact of these when planning ahead in respect of budgets. The Chief Executive advised that there is an annual report to

Council from the Lothians' Pension Fund and that the matter will be of more importance after the next fund valuation in 2012.

In response to Councillor Caldwell, the Head of Finance advised that Councils in the Pension Fund could potentially have different rates of Employer's Contribution. Answering a question from Councillor Grant, Mr Perston confirmed that it is also the intention to review Police and fire fighters' pensions and pointed out that these schemes have a higher contribution rate and a different benefits package.

Decision

The Committee noted the report.

5. INTERIM REPORT ON THE REVIEW OF THE IMPACT OF MULTI-MEMBER WARDS AND OFFICER/MEMBER RELATIONS

A report was submitted by the Chief Executive.

The Corporate Policy Manager spoke to the report, informing Members that this is an interim report and highlighted the reasons for the review, as detailed in the report. He summarised the key points in relation to the Scope of the Review, the methodology used, the interim findings, the impact of Multi-Member Wards, the relationship between Councillors and Officers, and covered the background regarding guidance, information and training support for Elected Members. In particular he referred to Members' workshops to support the new Code of Conduct and commented that there has been an increase in Councillors' workload since 2007.

The Chief Executive advised that the review was not looking at the efficiency of Councillors and he reminded the committee that this is an interim report and that the general strength of the relationships between Elected Members and Officers should be reflected in the final report.

Councillor Grant referred to some of the factors that have resulted in an increased workload, including involvement with/number of Community Councils, Parent Councils and Tenants and Residents' Associations.

In response to Councillor Williamson, The Corporate Policy Manger advised that costs for an electronic case load management system, if approved, would be included in the final report and advised that the system under consideration would integrate with the Council's current feedback system.

Decision

The Committee unanimously agreed to note the interim findings from the surveys of councillors and officers, comment on the draft recommendations arising from these interim findings and note the proposal to consider the matter further as part of the proposed members' workshop on the Councillors Code of Conduct.

6. OVERVIEW OF LOCAL GOVERNMENT IN SCOTLAND

A report was submitted by the Chief Executive.

The Head of Governance and Performance Management spoke to the report, referring to the attached Audit Scotland report entitled: An overview of local government in Scotland 2010. He advised the committee that this annual Audit Scotland report identifies issues that have arisen from their local authority audits and summarises the position of East Lothian Council in relation to these findings, other inspection activities and self evaluation carried out by East Lothian Council. With regard to the section on Finance, he commented that in common with all other public sector bodies, East Lothian Council's financial position is now less stable than when the Audit Scotland report had been produced but pointed out that a number of very positive measures are in place to regularly report financial management matters to East Lothian Council and stakeholders. Turning to the Workforce section in the report, he advised that East Lothian Council had not experienced a significant reduction in staff and suggested that management of the Pension Fund deficit would need to be part of a future strategy before summarising the Council's position with regard to asset management, procurement, sustainability, user engagement, equalities, public performance reporting, changing approaches to service provision, performance management, and leadership.

In particular, the Head of Governance and Performance Management commented on the strong progress in respect of public performance reporting, exploration on shared services, the development of a range of key performance indicators and the recent changes to the structure and format of scrutiny and review committees.

Sederunt: David Spilsbury left the meeting

Councillor Rankin enquired if the appendix (ie the Audit Scotland report) would be reported to a meeting of East Lothian Council, as he considered it to be a very useful document. The Head of Governance and Performance Management advised that many of the related key actions would be included in the Corporate Improvement Plan that would be reported to Council and consideration could be given to including this appendix.

Ms Woolman commended that East Lothian Council for their timely review and drew attention to a common theme running through this meeting. Specifically, she drew attention to the fact that decisions taken now will have longer term implications. She stressed the need to be aware of the implications of borrowings and pension liabilities and the need to promptly address roads maintenance issues to prevent building up financial difficulties for the future.

Decision

The Committee agreed to note that the areas identified in the Overview as possible areas for improvement that will be addressed in the Corporate Improvement Plan due to be considered by Cabinet on 29 March 2011.

7. AUDIT AND GOVERNANCE COMMITTEE ACTION SHEET

There were no outstanding actions.

Signed

Councillor Neil Rankin
Convener of the Audit and Governance Committee