

**Deputy Chief Executive's Office**

A. Faulder (Interim)

**TO MEMBERS OF Audit and Corporate Governance  
Committee:**

ACR Chappell (Chairman), MJ Fishley, JHR Goodwin,  
PJ McCaull, R Mills, RH Smith (Vice-Chairman) and AM Toon

Your Ref: N/A

Our Ref: Monday 28 September 2009

Please ask for: Name

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22nd September, 2009

Dear Councillor,

**Audit and Corporate Governance Committee - Monday 28 September 2009 -  
SUPPLEMENTARY REPORT**

Please find attached a supplementary report that was not available prior to the publication of the agenda for the forthcoming meeting of Audit and Corporate Governance Committee . Please bring these papers to the meeting.

**4. MINUTES**

To approve the Minutes of the meeting held on the 19 June 2009.

Yours sincerely,

**Paul Rogers**  
**Democratic Services Officer**



**Audit and Corporate Governance Committee**  
**Review of Procurement Briefing Note**

1. The Review of Procurement Report prepared by the Audit Commission includes a number of statements in relation to the Service Delivery Review of the Council's Strategic Partnership with Amey. The report recognises that the review was a "snapshot" in time part way through the project and officers have agreed the action plan contained in the report to ensure the Service Delivery Review is completed successfully. However, a number of the statements in the report are not accepted and prejudice the outcome of negotiations that had not yet started. This briefing note responds to some of these key points within the report.
2. Comments made in paragraphs 13 and 30 and elsewhere suggest that the management of the Service Delivery Review project was unclear and that resources were not identified for the project. This is not the case. The management of the renegotiation project and the review has been clear from the start. The Director of Environment and Culture is the project executive with overall responsibility and has chaired a project board with clear roles and responsibilities. The project has been led by the Assistant Director Environment and Culture (responsible for Highways) and sound project management and resource has been provided from the Council's Corporate Programmes team, in accordance with good practice highlighted elsewhere within the report. Resources of £200,000 were allocated to support the renegotiations and this has enabled the use of external procurement and financial analysis expertise. Reference is also made to issues being unresolved or incomplete at the time of the audit. This is entirely understandable given the stage at which the project had reached when the audit was carried out prior to commencing negotiations with Amey.
3. Paragraph 32 refers to the reports to Members concerning the review. Environment Scrutiny Committee and Strategic Monitoring Committee considered detailed and comprehensive reports prior to a full report being presented to Cabinet in September 2008. This report contained all necessary information to enable a decision to be taken to authorise negotiations to commence. A subsequent report following initial negotiations was considered by Cabinet in January this year to seek approval to complete detailed negotiations.
4. The report makes reference in a number of paragraphs to perceived deficiencies in the current contractual arrangements and future approach (particularly paragraphs 35 to 39). Given that the audit was undertaken prior to the commencement of negotiations, these comments appear premature in commenting upon the future arrangements but do highlight areas that the renegotiations have been seeking to address and improve.
5. Paragraphs 40 and 41 refer to the management of risk. A risk register for the project has been used throughout the project and regularly reviewed by the project board to ensure risk is being effectively managed. Mitigation measures have been implemented where necessary including the utilisation of external procurement and financial analysis expertise to support the renegotiations. The future management of risk is clearly important and this was included in the action plan for concluding the renegotiations.
6. Reference is made to timescales having slipped in relation to the review. Whilst it is accepted that optimistic timetables have been set, the Director has always recognised the importance of ensuring the best outcome for Herefordshire. As with all commercial negotiations, where allowing additional time can achieve a better result this has been considered by the project board and appropriate decisions taken. The proposed new arrangements with Amey could be in place for a further 14 years and as such it is crucial that the right foundations are put in place for a successful long-term relationship that will deliver quality and value for money for Herefordshire.

**Michael Hainge**  
**Director of Environment and Culture**



## REPLACEMENT PAGE 24 OF STATEMENT OF ACCOUNTS

restated to reflect this. The directorate figures shown in paragraph 2.2.4 include some items which are required to be shown after the net cost of services in the Income and Expenditure account.

- 5.4 The Accounting Code of Practice requires that service expenditure analysis should be shown in accordance with the Best Value Accounting Code of Practice (BVACOP) for consistency and comparability among local authorities. The BVACOP analysis is set out below:

2007/08 Net £000		2008/09 Expenditure £000	2008/09 Income £000	2008/09 Net £000
	<b>BVACOP Analysis of Services</b>			
39,431	Adult Social Care	66,062	19,033	47,029
	Cultural, Environmental, Regulatory and			
32,356	Planning	55,536	17,492	38,044
32,454	Children and Educational Services	153,836	116,454	37,382
14,413	Highways and Transport Services	24,478	7,274	17,204
5,478	Housing Services	44,179	36,398	7,781
4,281	Corporate and Democratic Core	4,371	644	3,727
3,438	Non-distributed Costs	950	0	950
2,182	Central Services	15,164	12,773	2,391
235	Court Services	280	0	280
1,271	Other Services	1,204	1,411	(207)
135,539	<b>Net Cost of Services</b>	366,060	211,479	154,581

- 5.5 In both versions of the Income and Expenditure account the net cost of services is shown after support services have been recharged, so that the recharged cost is reflected only in the accounts of the service receiving it. This is also a requirement of BVACOP.

- 5.6 Under the BVACOP analysis of the Income and Expenditure Account:

- a. **Central Services** includes local tax collection, registration of births, deaths and marriages, elections, emergency planning, and local land charges.
- b. **Corporate and Democratic Core** includes two categories of expenditure, Democratic Representation and Management (DRM) and Corporate Management Costs. DRM includes all aspects of members' activities and Corporate Management includes activities that provide the infrastructure that allows services to be provided e.g. the Chief Executive, external audit, corporate level financing and treasury management.
- c. **Non-distributed costs** include costs relating to retirement benefits and capital charges for non-operational assets.

