

**MINUTES of the meeting of Audit and Corporate Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Friday 19 June 2009 at 10.00 am**

**Present:** Councillor ACR Chappell (Chairman)  
Councillor RH Smith (Vice Chairman)

**Councillors:** JHR Goodwin, PJ McCaull, R Mills, AM Toon and NL Vaughan

**In attendance:** Councillors AT Oliver and PJ Edwards.

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor MJ Fishley.

**2. NAMED SUBSTITUTES(IF ANY)**

Councillor NL Vaughan substituted for Councillor MJ Fishley.

**3. DECLARATIONS OF INTEREST**

Councillor RH Smith declared a personal interest in item no. 6 on the Agenda, Minute No. 6 refers, being a member of the Courtyard Trust.

Councillor AM Toon declared a personal interest in item no.6, Minute No.6 refers, relating to Social Services.

**4. MINUTES**

**RESOLVED: That the Minutes of the meeting held on the 20 March 2009 be approved as a correct record and signed by the Chairman.**

**5. REVIEW OF PROCUREMENT (Pages 1 - 4)**

The Director of Resources presented a report on the Review of Procurement undertaken by the Audit Commission. The Audit Commission had been requested to carry out a specific audit on procurement with an emphasis on the work that had already commenced to review the partnership arrangement with AMEY. The Director of Environment and Culture circulated a Briefing Note at the meeting, a copy of which is attached to the Minutes as appendix 1, relating to the Council's partnership with AMEY.

Mr T Tobin presented the review by the Audit Commission. He introduced Mr S Weldon, the Audit Commission officer who had dealt with the review. Mr Tobin stated that when the Audit Plan had been considered in 2008, the Chief Executive had requested the work regarding the Council's negotiations with AMEY so that issues raised by the Audit Commission could be taken into account and this was, in his view, a commendable approach. He emphasised however that the views taken in November/December 2008 were as at that time and since then negotiations had rapidly moved forward. The Chief Executive had requested that the Audit Commission review what had taken place in the negotiations since then and it was found that the issues which had been highlighted had been picked up by the Council's officers.

A Member commended the involvement of the Audit Commission during the AMEY contract negotiations which, in her view, was a benefit rather than at the completed stage.

Mr Weldon informed the Committee that the Commission had considered the procedures and outcome in the negotiations against a best practice approach throughout the negotiations. Although the negotiations at the early stages in September/October were not fully in keeping with best practice, since then that ethic was being embedded and was ongoing with the officers recognising the high awareness of procurement. With regard to the completed contract, the main findings were that innovative methods were used in negotiations together with the value for money concept. The Council knew what it wanted to achieve. There was a lack of clarity in the early part of the negotiations but with this highlighted, the Council had responded and improved this issue.

The Director of Environment and Culture stated that lessons learned in the previous contract prior to AMEY had been taken forward in the review with AMEY.

The Vice-Chairman asked about the benefit of Members sitting in on procurement training for officers with Members' perception being useful.

The Director of Resources disagreed and advised that detailed training in procurement was given in sessions to a maximum of three Council officers with two officers of the Primary Care Trust's Integrated Commissioning being trained with individual officers being trained as champions. He suggested that a Member event could be held in relation to Procurement.

With regard to the project management arrangements for procurement, the Director of Resources referred to the use of the Project Team for Procurement across the Council's services where appropriate and the upward trend was for the Team to be used. He emphasised that since the Crookall report, Procurement issues were being tightened up and that there were 'low level' enquiries in respect of procurement matters being made of the Project Team.

In answer to a question from the Vice-Chairman, the Director of Resources advised that three procurement posts were in the central structure and that their expertise was drawn upon by officers in other directorates where appropriate. He had indicated to directorates the model to follow where procurement issues were concerned. He advised that his role was to guide the support for bigger projects and directorates engage the appropriate number of staff to exercise the role.

The Vice-Chairman referred to paragraph 32 of the Commission's report and, in particular the submission for approval to Members for the selected option was unsatisfactory and asked if the Chief Executive had addressed the issue. The Legal Practice Manager stated that he did not have that answer and that he would give a written answer to Members following the meeting.

The Vice-Chairman proposed the following:

- (i) The introduction of procurement and contract performance reporting systems, recommendation R2 paragraph 14 of the Audit Commission's report refers, be extended to the Heads of Service and Directors;
- (ii) The Audit and Corporate Governance Committee work plan be amended to make specific provision for procurement investigation and reports;

- (iii) The Audit and Corporate Governance Committee work plan to include oversight of completion of training needs analysis of in-house procurement expertise throughout Council directorates.

The Chief Internal Auditor advised that the staff review and development process would take into account any training issues and that he would report appropriately to the Committee.

With regard to a registration of tenders on-line, the Director of Resources informed Members that there was currently a review of contracts taking place with legal services. As part of the new Procurement Strategy, tenders over the sum of £5000 would be entered on the portal which would give greater visibility.

A Member questioned the Council's governance and controls regarding the approved list of contractors employed by AMEY. The Director of Resources informed Members that contracts were awarded to AMEY up to £200,000 and such contracts were awarded by AMEY to a contractor from their contractor list. He advised that the Council had two observer posts for AMEY Board meetings which were held by the Cabinet Member for Resources and the Director of Resources. He emphasised that the need for the Council to demonstrate value for money was a key issue which his property services team had raised regularly. He informed the Committee that his officers were currently in the process of reviewing the value for money aspects with regard to AMEY's administration of some contracts.

The Director of Environment and Culture informed Members that although AMEY's accredited contractor list was their responsibility, the Council had included key drivers within the contract with AMEY. In this regard 80% of contracts awarded were directed to local contractors and over 500 people were employed from within the County. In terms of monitoring their work relating to the contracts they award, the Council's officers had access to AMEY IT systems which would enable any specific concerns by Members to be investigated. The officers did not, however, make spot checks on AMEY contracts.

Mr Weldon stated that it was his understanding with regard to the depth of contract monitoring, that the Council was expected to monitor issues as and when necessary.

The Vice-Chairman made reference to paragraph 40 of the Audit Commission's report and suggested that a report be submitted to the Committee on the management of risk and the way in which it is used.

The Chief Internal Auditor informed Members that when the audit plan was compiled, AMEY is set out as a risk. Therefore, as part of the plan, audit will look at the transactions carried out by AMEY and that this is carried out on an annual basis.

The Vice-Chairman referred to paragraph 43 of the report and suggested that as cost control was unsatisfactory on the AMEY contract, a report be submitted to the Committee on the current provisions for the control of costs for the future contract.

The Director of Resources informed Members that there had been a further review of property services and ways had been found to take this forward. A report would be submitted to Cabinet setting out where property services should stand in relation to shared services and that this would determine the way the cost control issue would be taken forward.

**RESOLVED: That**

- (i) the review of Procurement report by the Audit Commission be noted;**
- (ii) the introduction of procurement and contract performance reporting systems, recommendation R2 paragraph 14 of the Audit Commission's report refers, be extended to the Heads of Service and Directors;**
- (iii) the Audit and Corporate Governance Committee workplan to include oversight of completion of training needs analysis of inhouse procurement expertise throughout Council directorates;**
- (iv) a report be submitted to the Committee on the process the Council follows for risk management and the way the risk register is used and updated as a positive aid to management; and**
- (v) a report be submitted to the Committee on the provisions currently in place for the control of costs for the future AMEY contract.**

**6. STATEMENT OF ACCOUNTS**

The Acting Head of Financial Services presented a report on the 2008/09 Statement of Accounts which, in accordance with the Accounts and Audit regulations 2003, had to be approved by 30 June 2009. She emphasised the core statements in paragraph 7 of the report and that there were no significant changes from the previous year except some technical issues. Although the income and expenditure account was in deficit as detailed in paragraph 13, there was a net underspend of £249,000 in 2008/09 on revenue spend. She further emphasised that the balance sheet long term assets had increased by £24.811m to £403.576m during the year.

Circulated at the meeting was a replacement page 24 of the Statement of Accounts, a copy of which is attached to the Minutes.

With regard to a Member's question that paragraph 2.2.5 b of the report did not show the Youth Service annual spend, the Acting Head of Financial Services informed the Committee that it had not been reported as there had not been a significant variance.

With regard to the Local Government Pension Scheme which is administered by Worcester County Council, the Chairman suggested that this Council should have a representative on the County Council Panel dealing with the issue. The Director of Resources advised that although this Council was a significant contributor, the County Council has stated that they have not admitted this Council because this would mean they would have to admit other contributors.

The Acting Head of Financial Services referred to the surplus monies in relation to the collection fund, paragraph 28 of the report refers, and informed Members that this was as a consequence of the number of assumptions which had been made around the Council tax base when setting Council tax. A Member asked if there were collection indicators. The Director of Resources advised that the Council did have collection indicators for the collection of rates. He informed Members that approximately 99 per cent of the Council tax was collected.

The Vice-Chairman took the view that Section 75 of the Health Act 2006 Partnership Schemes, paragraph 10.8 in the Statement of Accounts, were still unclear and

questioned the apparent adverse trends in creditors and debtors, page 62 refers, and the net worth to the Council if these trends were reversed. The Acting Head of Financial Services advised that long term debtors were increasing due to a build up of Private Finance Initiative assets and a change of accounting arrangements in Adult Services. There was however no real increase in long term debt as such. In debtors, the main increases were around contributions towards capital schemes (including Department of Children Schools and Families (DCSF) grants) and the Primary Care Trust. With regard to creditors, the figures included receipts in advance. Government grants were being received in advance which were being held before being spent. The cut off date for grants being spent was 31 March and any of those grants which were not spent before that date would be returned to the DCSF.

In answer to a Member's question, the Acting Head of Financial Services advised that the overspend on ICT projects as referred to in paragraph 2.2.5 c, was a result of making amendments to the Thorn Centre instead of providing a new centre. With regard to the overspend in Member's Services on additional staff costs, referred to in the same paragraph, the Director of Resources stated that this was due to an underlying issue of the base budget in Member's Services not being correct for a number of years which was now being rectified.

A Member asked the Committee to note the slippage on the Herefordshire Connects programme which had resulted in less reserves being drawn on in 2008/09, paragraph 2.2.5 c page 41 of the report refers.

The Chairman expressed thanks to the Acting Head of Financial Services and her team for the work in producing the Statement of Accounts.

**RESOLVED: That the 2008/09 Statement of Accounts be approved.**

## **7. DATA QUALITY - ANNUAL REPORT**

The Head of Policy and Performance presented a report on progress against the data quality action plan 2008/09 and the plan for the next 12 months. However, the action plan had not been completed according to the timetable and since the action plan had been approved, two thirds of the plan had been completed. Although the statistic was disappointing, more of the plan had been completed since the first report to the Committee. The Audit and Inspection letter indicated that there were adequate arrangements in place currently. Much of the action plan had been implemented after the audit period, but assuming this was effective, future letters might be able to report further improvements in the Council's arrangements.

The Chairman referred to paragraph 6a of the report and expressed concern and disappointment that it was unclear whether partners were willing to follow the Council's data quality policy or had something better to offer. The Head of Policy and Performance informed the Committee that there were a number of formal protocols where partners share the information. Of the 20 organisations being chased for the information, 9 had responded.

The Vice-Chairman drew Members attention to the average delay for completion of 14 months in respect of the 19 incomplete tasks, paragraph 6 of the report refers. He asked if the Risk register had been amended on data quality.

The Head of Policy and Performance informed Members that the corporate risk register currently showed a score of 15 (the maximum being 25) which would be reduced to a residual score of 9 if the action plan was completed. He saw no reason to change either

score at present. The delay in completing the action plan simply meant that it was taking longer than previously hoped to reduce the risk score to 9.

**RESOLVED: That**

- (i) progress against the 2008/09 data quality action plan be noted and the 2009/10 plan at Appendix 1 to the report be supported;**
- (ii) a list be submitted to the Committee of staff in directorates still requiring training on data quality controls; and**
- (iii) the extent that directorates local procedures on data quality have been produced.**

**8. SECTION 106 PLANNING OBLIGATIONS**

The Planning Monitoring Officer presented a report which outlined the Action Plan that the Planning Obligations Manager would undertake in the next six months in developing a monitoring system for Section 106 Agreements.

The Head of Planning and Transportation was pleased to report that major changes and systems had been put in place which would result in a closer monitoring of Section 106 Agreements. He advised the Committee that due to the Section 106 levy decreasing and, therefore, preventing the funding of the Monitoring officer post, that a Senior Planning officer had been seconded to the post. It was necessary for new systems to be put in place and the trialling of those systems before the benefits could be seen. It was evident from the first 2 to 3 months of the secondment to the post, the benefits achieved had been extremely positive.

The Planning Obligations Manager drew Members' attention to the work programme for the first 6 Months as set out in paragraph 10 of the report. She emphasised that all the information relating to Section 106 Agreements would be transferred onto one Section 106 database. The database would capture income, expenditure, projects benefitted and an audit trail would be established. She informed the Committee that she had met with 17 other local authorities and Herefordshire Council was the only Authority to have adopted the Supplementary Planning Document on Planning Obligations. Currently, there was potential to achieve from developments approved from April 2008 to April 2009, an income of £4.1million. The research on existing Planning Obligations was an ongoing process. To date, £410,000 income had been secured from historical agreements which would not have been achieved without the system changes. Parish Councils were being consulted with a view to compiling a wish list where Section 106 income could be spent. A training schedule for Councillors would be put in place regarding Section 106 Agreements.

The Head of Planning and Transportation informed the Committee that the Planning Obligations Manager would be securing a link between the new monitoring system and the Integrated Environment Regeneration Scheme (Civica). He emphasised that Income is received from new Section 106 Agreements when development is completed whereas the income from the old style agreements was received in a variety of forms from when development is commenced, through phasing of a development and sometimes on completion. The income had to be spent within a time period otherwise it had to be repaid. The new system would track this issue.

The Planning Obligations Manager stressed that if developers did not pay the

Section 106 monies on time, the Agreements contained penalty clauses that would mean developers owing additional money above the Section 106 Agreement money.

Members expressed satisfaction with the report.

**RESOLVED: That the report be noted.**

The meeting adjourned at 12.20 pm for lunch and reconvened at 12.50 pm.

#### **9. 2008/09 AUDIT OPINION PLAN**

The Committee considered the external Audit Opinion Plan submitted by the Audit Commission.

Mr T Tobin, Audit Commission, presented the Audit Opinion Plan (AOP). He emphasised that an initial AOP was issued for 2008/09 and was presented to the Committee on 20 June 2008 and set out the work which the Audit Commission proposed to undertake. Since that report, the Commission had revised its risk assessments including the highlighting of significant risks and the table in paragraph 12 on page 122 set out the revisions. The general issue was property valuations which were currently being addressed. The other two issues were, however, more important. The payments to independent care providers and the ISIS payments system was currently under review, with issues centring on reconciliations around various systems and authorisations. The final issue was regarding the authorisation of payments to creditors and fraud risks. As a consequence, the Internal audit would be carrying out substantive testing of creditors and fraud risk identification.

The Director of Resources informed Members that staff had been asked to refer back payments which had not been authorised and that this addressed the unauthorised payments issue referred to.

Mr Tobin advised that the three significant risk issues were the sort of issues the Commission was investigating. The Commission was also looking at the National Policy for liability for teachers and how teachers are accounted for.

The Chief Internal Auditor informed the Committee that his team were looking at the last financial year with regard to the payments to independent care providers. Regarding the points raised on creditor payments, the Audit Services Assurance report would provide the reporting mechanism for those matters.

**RESOLVED: That the Audit Opinion Plan be noted.**

#### **10. ANNUAL AUDIT FEE 2009/10**

The Committee considered a report regarding the work to be undertaken by the Audit Commission in 2009/10 financial year and which highlighted the Commission's total indicative fee.

Mr T Tobin, Audit Commission, referred to the letter attached to the report and informed the Committee that the Commission's work would focus on the use of resources assessment. The letter set out the use of resources work and that there would be specified areas of work and these were itemised in the table on pages 178 and 179.

The Vice-Chairman asked whether the specified areas of work were a good use of Audit Commission resources. The Director of Resources concurred with the focus work areas. He made reference to double counting any projected savings on shared services which he highlighted as an issue. He welcomed the review particularly around the shared services and Herefordshire Connects.

With regard to a Member's question, the Director of Resources informed the Committee that the Primary Care Trust and the Council were jointly exploring the way services are provided in relation to back room staff with good practice being a key factor.

The Director of Resources informed Members that the proposed fee was increased slightly from last year, page 177 refers, and his view was that the fee was acceptable.

**RESOLVED: That the content of the Annual Audit Fee Letter be noted and the proposed fee be approved.**

## **11. ANNUAL GOVERNANCE STATEMENT**

The Chief Internal Auditor presented a report which requested approval of the draft Annual Governance Statement for 2008/09. He drew Members' attention to the five principles outlined in the Council's Code of Governance which had been linked to the six principles of good governance outlined in the SOLACE/CIPFA publication 'Delivering Good Governance in Local Government, paragraph 7 of the report refers. He also highlighted the corporate objectives and priorities which were set out in a number of key plans and strategies in addition to the Corporate Plan, paragraph 9 refers. He referred to the Council's responsibilities to comply with the Code of Corporate Governance and that these were set out in the five principles, paragraphs 3.3 to 3.28 of the report refers. The Council had to review annually the effectiveness of the governance framework and this review had been set out in paragraphs 4.5 to 4.66 of the report. The content of the report had been discussed with the Chief Executive, Directors, Leaders and the Chairman and Vice-Chairman of the Committee.

The Vice-Chairman asked when the results would be available in relation to the Herefordshire quality of life survey. The Chief Internal Auditor advised that the appropriate government department would be issuing that information but no timescale had been given by the government for the issue.

The Vice-Chairman referred to paragraph 3.28 of the report and stated that the PACT process was under review and that the paragraph did not include this issue. It was suggested that the paragraph be amended to include the words 'The process is nevertheless under review'.

The Vice-Chairman referred to paragraph 4.12 of the report and took the view that the Monitoring Officer's report was incomplete. The Legal Practice Manager informed Members that he was unaware of any outstanding issues. The progression of the responsibilities of the Monitoring officer would be recommenced shortly with the appointment of the Interim Deputy Chief Executive Legal and Democratic. The Chief Internal Auditor stated that there were no apparent issues from the Monitoring Officer but that if there was concern about the content of the report referred to then the final sentence of paragraph 4.12 could be deleted.

The Vice-Chairman took the view that paragraph 4.56 of the report significantly understated the Audit Commission's findings. The Chief Internal Auditor advised Members that the issues for improvement as set out in paragraphs 4.56 and 5.9 had



been added into paragraph 4.55. The Director of Resources suggested that the Committee might wish to reinforce paragraph 4.56.

The Chief Internal Auditor would amend the wording of paragraph 4.58 with the addition of the words 'presented to Children's Services Scrutiny Committee on 30 March 2009' after the word 'report'.

With regard to the view of a Member that the Annual Governance Statement could contain additional documentation to add clarity to the points highlighted, the Director of Resources advised that to achieve the Statement in the form submitted to the Committee was an art and had been accomplished through skill and expertise.

A Member was of the view that to attach the necessary documentation as back up to the Statement would be extremely unwieldy.

A Member asked if paragraph 5.6 referred to data from its partners. Mr T Tobin, Audit Commission, informed the Committee that this paragraph referred to data from its partners and the Council.

**RESOLVED: That subject to the following amendments, the Annual Governance Statement for inclusion in the Statement of final accounts for 2008/09 be approved:**

- (i) **the words 'The process is nevertheless under review' be added after the word '(PACTS)' in paragraph 3.28 of the report;**
- (ii) **the final sentence in paragraph 4.12 of the report be deleted;**
- (iii) **the words in paragraph 4.56 of the report be replaced with the words 'The Audit Commission has identified a number of significant areas for improvement and these will be followed up by the Council and overseen by the Audit and Corporate Governance Committee'; and**
- (iv) **the words 'presented to Children's Services Scrutiny Committee on 30 March 2009' be added after the word 'report' in paragraph 4.58 of the report.**

## **12. AUDIT SERVICES ASSURANCE REPORT 2008/09**

The Committee considered a report which provided the Chief Internal Auditor's final audit assurance report for 2008/09. He emphasised that the Annual Governance Statement for 2007/08 identified the key governance and internal control issues that needed addressing in 2008/09. He referred to paragraph 40 on page 157 regarding the 'Critical 1' recommendation relating to the Payment of Independent Providers Review and further emphasised that additional work was being carried out and this work would be included in the assurance work as part of the year. The appendices attached to the report had been updated with this information.

The Vice-Chairman referred to items 39, 40, 42 and 44 in appendix 1, and asked when would the information which was outstanding be provided by the responsible officers. The Chief Internal Auditor advised that he would request a timescale from the officers.

The Vice-Chairman also referred to item 84 in appendix 2 regarding major projects and reminded the Committee that a position statement on these was to be included as a standard item on each agenda. The Director of Resources informed the Committee that

with due regard to the heavy Agenda, he did not include the report. It would however be submitted to the September meeting of the Committee.

Drawing attention to Minute No.148 of the meeting held on 20 March 2009, the Vice-Chairman recalled that specific fraud training was under consideration and asked that this be added to appendix 2.

**RESOLVED: That**

- (a) subject to the following, the report be noted:**
  - (i) the responsible officers for Items 39, 40, 42 and 44 of appendix 1 be requested for a timescale for completion;**
  - (ii) fraud training be added to the training for Members schedule, Item 61 on page 6 of appendix 1 refers;**
- (b) a communication be sent to all officers reminding them of the need to ensure the accuracy of information being given on the current position on resolutions and recommendations made by the Committee on various subjects.**

The meeting ended at 1.50 pm

**CHAIRMAN**

**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 & 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.

