

CORPORATE AFFAIRS COMMITTEE

A meeting of the Corporate Affairs Committee was held on 25 June 2009.

PRESENT: Councillor Clark (Chair), Councillors Elder, McIntyre, McPartland and Purvis.

OFFICERS: B Baldam, C Davies, G Gallagher and S Harker.

**** DECLARATIONS OF INTEREST**

No declarations of interest were made at this point of the meeting.

****MINUTES**

The minutes of the meeting held on 3 June 2009 were taken as read and approved as a correct record.

MEMBERS' IT PROTOCOL

A report of the Director of Legal and Democratic Services was presented in relation to the Members' IT Protocol. A copy of the proposed Members' Protocol on the use of Council IT, E-Mail and Internet Facilities was attached at Appendix 1 to the submitted report.

Since 1998 all elected Members had IT equipment, e-mail facilities and internet access at home. Requirements were in place in respect of the use of Council IT equipment and had been updated in line with IT developments from time to time.

The current protocol was contained in the Members' Handbook. Since the last revision IT provision had moved on. The Council now provided laptops and connection to Council networks via CITRIX and these developments needed to be recognised in the Protocol. In addition to technical advances and developments, conditions of use for Council equipment by Members required revision and clarification, particularly with regard to "reasonable personal use", chatrooms, forums and blogs.

In the current Protocol personal use of IT equipment was only permitted in the context of a Member's position as a Councillor. However, this was felt to be too restrictive. Internet access was now provided for a monthly fee and the cost was not related to the amount of usage. The proposed new protocol allowed the personal/private use of Council IT equipment so long as that use complied with the law (such as copyright, child protection legislation, Data Protection etc) and did not result in a breach of the Members' Code of Conduct.

Since the current Protocol was agreed, the use of chatrooms, forums and blogs had become widely used by national and local politicians, including Government Ministers. The new Protocol recognised these developments and permitted the use of Council IT equipment for these purposes so long as Members did so within the law and within the Code of Conduct.

The current Protocol said little about the use of IT equipment for political purposes. This had become a recurring issue in respect of what constituted political use and whether Members were misusing Council equipment. The proposed Protocol outlined the Standards Board guidance on this matter and gave examples of what might, and what might not, be political use.

The draft Protocol had been sent to all Members for comment and had been considered and agreed by Constitution Committee and the Standards Committee. The attached draft incorporated the comments and suggestions from the above process. The draft Protocol was intended to replace the version currently contained in the Members' Handbook.

In respect of the Councillors' own websites, it was confirmed that an Acceptable Use Policy was in place that complemented the Members' Protocol.

ORDERED that the Members' Protocol on the use of Council IT, E-Mail and Internet Facilities attached at Appendix 1 to the submitted report be approved.

DRAFT STATEMENT OF ACCOUNTS 2008/2009

The Deputy Director of Resources presented a report for Members of the Corporate Affairs Committee to receive and approve the Middlesbrough Council Draft Statement of Accounts 2008/2009. The approval of the accounts by the Committee was intended to provide an opportunity for public scrutiny of the Council's financial statements and meet best practice requirements. The Statement of Accounts also included the accounts for Teesside Pension Fund for which the Council was the administering authority.

Details of the content of the Statement of Accounts and the purpose of each of the Statements were given in the submitted report. Extracts from the draft Statement of Accounts providing details of the main accounting financial statements were attached to the submitted report. A copy of the full draft statement had been made available to all members of the Corporate Affairs Committee.

The Statement of Accounts was a technical publication containing accounting statements that had been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain and the Statutory Accounts and Audit Regulations. The Statement of Recommended Practice (SORP) further supported the accounting framework. The SORP is updated annually and specified the accounting principles and practices required to prepare a Statement of Accounts, which presented fairly the position of a local authority.

The key changes introduced by the recent SORPs included:

- Revenue Expenditure Funded from Capital under Statute.
Deferred Charges had been replaced with a new category of expenditure – Revenue Expenditure Funded from Capital under Statute. This resulted in a change in the accounting policy because the accounting requirements were now different. There was no impact on the authority's bottom line or Council Tax.
- Area Based Grant (ABG).
In 2008/2009 the Council received an Area Based Grant from the government that incorporated a range of grants formerly paid on an individual grant by grant basis. This included grants from the Department of Children, Schools and Families (DCSF), the Home Office, Communities in Local Government (CLG) and the Department of Health and amounted to £18.4 million. The major benefits of the Area Based Grant centred around it being a general grant where the Council had full flexibility to determine its use and relaxations in the administration requirements with regard to reporting. The grant had to be included in the same section of the Income and Expenditure Account as NNDR and Council Tax income.
- Pension Fund Valuation.
The 2008 SORP introduced a change in the valuation method for pension fund investments. They were now required to be valued on a fair value basis. Prior to the 2008 SORP the mid-market price was used as the basis for valuing investments. The effect of this change was dealt with in the Pension Fund accounts for 2007/2008. This resulted in some opening balances being restated in line with the new methods of valuation.

The Deputy Director of Resources highlighted the purpose of several of the Statements within the Accounts as follows:-

- The Explanatory Foreword acted as a guide to the most significant matters impacting on the Council's finances. It gave an indication of where the Council's funding came from, what it was spent on and what services it provided. It also set out the financial position and was intended to assist in the interpretation of the accounting statements.

For the first time a section had been included on the impact on Middlesbrough of the current economic climate. It was highlighted that the Council's medium term budget had been adjusted to compensate for reduced income from Right-to-Buy sales. Under an agreement with Erimus Housing the Council would receive £7million from Right-to-Buy sales over a

period of five years. Due to the economic downturn the budget had now been re-scheduled to anticipate receipt of this income over a period of ten years.

Areas of pressure on the budget had been assessed going forward for the current financial year and for the following three years. An additional £402,000 had been put into the reserve budget for Social Care and Vulnerable Children. The recent Baby P case had had a major impact on the Courts and their decisions and it had been agreed that additional funds should be put into the reserve to cover the risk of additional children and adults going into the care system.

- The Statement of Accounting Policies explained the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. The accounting policies had been reviewed and where appropriate changes made in preparation for the introduction of the International Financial Reporting Standards (IFRS). Policies for Provisions, Self Insured Risks, Contingent Liabilities/Assets and Intangible Assets had been updated.
- Appendix A – The Income and Expenditure Account, provided the net cost for the year of all the Council's functions and services and how those costs had been funded.
- Appendix B – The Statement of Movement on the General Fund Balance, provided reconciliation between the surplus/deficit for the year on the Income and Expenditure Account and the General Fund Balance.
- Appendix C – The Statement of Total Recognised Gains and Losses, summarised all the gains and losses that affected the Council's net worth, including gains and losses from the revaluation of assets and the actuarial valuation of the Pension Fund, which did not pass through the Income and Expenditure Account.
- Appendix D – The Balance Sheet, detailed the value of assets owned by the Council, the level of creditors (amounts owed by the Council), the level of debtors (amounts owed to the Council) and the level of provisions and balances maintained by the Council.
- Appendix E – The Cash Flow Statement, explained the movement in the Council's cash balances over the year and summarised the inflows and outflows of cash.
- The Teesside Pension Fund Accounts showed the contributions to the Council's Pension Fund for employees employed by the sixty plus contributing bodies during 2008/2009, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the fund as at 31 March 2009.

The 2008/2009 financial year had been difficult for the Teesside Pension Fund with the downward trend that started in the final quarter of 2007/2008 continuing. The Fund's total had reduced by £347 million from £2,048 million to £1,701 million, a reduction of 17% in the year, due to the fall in the market value of the Fund's investments. However the Funding Level was still well above the average LGPS Fund and significantly above the value of the Fund five years ago.

Internationally a number of accountancy regulatory bodies had agreed to a convergence of accounting standards and practices globally to enable easier comparison of accounts across countries. Local Government accounts were moving to a standard known as International Financial Reporting Standards (IFRS). This had, and would, lead to significant changes to the format and accounting practices for local government. The Council had commenced the implementation project.

At its meeting on 3 June 2009 the Corporate Affairs Committee received the Corporate Governance Statement. Following a request by the Committee an overall assessment of the six core principles had been carried out and a summary of the outcome had been included in the Corporate Governance Statement incorporated into the 2008/2009 draft Statement of Accounts.

The preparation of the Statement of Accounts had been undertaken in accordance with an internal quality assurance framework to ensure the accounts were prepared in accordance with

the SORP and other relevant legislation. A copy of the full statement had been deposited within the Members' Library. In addition a copy of the accounts would be made available on the Council's website. A combined Annual Report/Summary of Accounts would be produced for 2008/2009 including performance information and summary financial data and would be published in the summer edition of Middlesbrough News.

The Statement of Accounts would be subject to external audit by Deloitte which would commence on 3 August and was expected to be completed by 24 August 2009. A statement (ISA +260) would be produced which detailed any unadjusted misstatements found during the course of the audit.

Overall the accounts showed a sound financial position for the Council with the level of balances being in line with the Council's Medium Term Financial Plan. The application of sound financial management across all services was reflected in the final outturn for the year with a net saving compared to budget of £61,000 (0.1%).

Actual capital spend in the year was £52.6 million, compared with a budget of £59.2 million. Expenditure during the year was mainly funded from grants (68%), from usable capital receipts (9%), from borrowing (15%), from revenue contributions (3%) and from capital contributions (5%). The percentage of spend achieved compared to the budget represented 89%.

ORDERED that the Statement of Accounts 2008/2009 be approved.