

**CORPORATE AFFAIRS COMMITTEE**

A meeting of the Corporate Affairs Committee was held on 23 September 2009.

**PRESENT:** Councillor Clark (Chair), Councillors McIntyre, McPartland and Mrs H Pearson OBE.

**OFFICERS:** B Baldam, C Davies, G Gallagher, S Harker, S Joscelyne, R Painter and P Slocombe.

**\*\*ALSO IN ATTENDANCE:** Councillor N J Walker, D Wilkinson and H Wardle, Deloitte.

**APOLOGIES FOR ABSENCE** were submitted on behalf of Councillors Brunton, Elder and Purvis.

**\*\* DECLARATIONS OF INTEREST**

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

**\*\*MINUTES**

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

**SCHOOL GOVERNING BODIES – APPOINTMENT OF LOCAL AUTHORITY SCHOOL GOVERNORS**

A report of the Head of Commissioning and Resources was presented regarding vacancies for Local Authority appointed School Governors which had arisen as a result of resignations, the expiry of terms of office or the removal of Governors due to non-attendance.

It was noted that there were currently 13 vacancies out of a total of 142 Governorships for Local Authority representatives, which equated to 9.15%. The nominations received for such vacancies were outlined in Appendix 1 of the report submitted and a further update was tabled at the meeting.

The Committee was informed that a new process was being developed whereby prospective Community and Local Authority Governors were invited to meet with the Governor Recruitment, Retention and Information Officer, to discuss what was involved in becoming a School Governor. This included information on what the role entailed, what commitment was expected and the training offered. Prospective Governors were also given the opportunity to visit schools that had Governor vacancies.

A suggestion was made that details of Local Authority Governor vacancies could be circulated to staff at Middlesbrough College. It was confirmed that details of Local Authority Governor vacancies were circulated to all Elected Members on a regular basis.

**ORDERED** as follows:-

1. That the following appointments be approved for a four-year term of office:

<u>School</u>	<u>Governor</u>
Captain Cook Primary School	Mr B Fitzgerald (wef 30.10.09)
Chandlers Ridge Primary School	Mr M Guess (wef 23.9.09)
Marton Manor Primary School	Mrs J Meikle (wef 23.9.09)
Newham Bridge Primary School	Mrs Barnbrooke (wef 5.12.09)
Park End Primary School	Councillor P Porley (wef 30.10.09) Mr M Saunders (wef 23.9.09)

Pennyman Primary	Mr B McGregor (wef 23.9.09)
St Pius X RC Primary School	Councillor P Porley (wef 31.8.09)
Sunnyside Primary School	Mrs S Nicolson (wef 30.10.09)
Viewley Hill Primary School	Councillor J Walker (wef 23.9.09)
Acklam Grange Secondary School	Councillor Whatley (wef 27.10.09)
Hall Garth Secondary School	Mrs B R Keville (wef 31.12.09) Mr D H Rudd (wef 31.12.09)
King's Manor Secondary School	Mrs N Coulton (wef 23.9.09)
Trinity College	Mr Dodds (wef 23.9.09)
Holmwood Special School	Councillor Mrs H Pearson OBE (wef 23.9.09) Mrs L Innes (wef 23.9.09)
Tollesby Special School	Ms T Brittain (wef 23.9.09)

2. That appointments to the following vacancies be deferred pending the receipt of nominations in respect of:

Breckon Hill Primary School.  
Rose Wood Primary School.

3. A report on the proposed new arrangements for liaison with prospective Community and Local Authority Governors would be presented to the next meeting of the Corporate Affairs Committee.
4. Details of all Local Authority Governor vacancies would be forwarded to Middlesbrough College, for circulation to staff.

#### **EXTERNAL AUDITORS ISO 260 REPORT – DELOITTE**

A copy of the External Auditors ISO 260 Report by Deloitte on the Council's 2008/2009 Audit was tabled. The Deputy Director of Resources apologised that the report had not been circulated prior to the meeting and explained that the Auditor had discovered a substantial error in the information provided by the Actuary. The Actuary had used the 2007 discount rate (5.4%) instead of the 2008 discount rate (6.6%) which had affected the interest cost for the year, increasing it by approximately £5 million. The error had been discovered only a few days prior to the meeting and the accounts had been revised and forwarded to Deloitte for checking.

The report summarised the principal matters that had arisen from the audit of the Council's financial statements for the year ended 31 March 2009 and on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

The External Auditor identified the following key judgement areas as being critical to the 2008/2009 accounts:

- valuation and completeness of the equal pay liability;
- classification of reserves and provisions in accordance with FRS 12;
- recoverability and valuation of debtors;
- risk of overstatement of grant income and benefits paid to ineligible individuals;
- recoverability of short term investments in the current economic climate;
- risk of overstatement of investment income;
- valuation of fixed assets in the current economic climate;

- valuation of community assets and
- management of override controls.

The External Auditor highlighted the background to each audit risk and the response by Deloitte was detailed in Section One of the tabled report.

One other issue considered by the External Auditor was the depreciation of land items. Historically land and buildings had been held together as one asset within the register and valuations were carried out on the site as a whole. In preparation for the International Financial Reporting Standards (IFRS), assets had now been separated out within the register to include a separate land and building element. However since this had been carried out some of the assets had not been re-valued under the rolling scheme, therefore the value had been assigned to the building element until a full re-valuation exercise had taken place. The implication of the prior treatment was that the value of the land element of these assets was being depreciated as if it were a building. This was a departure from SORP (Statement of Recommended Practice). However given that the estimated useful lives of the buildings was forty years and all assets not currently valued would be valued within the next two years, the impact on the financial statements was unlikely to be material.

Details of the recorded audit adjustments and disclosure deficiencies were included at Appendix 1 to the report. The Auditor concluded that the total impact of the unadjusted misstatements and disclosure deficiencies were not material in the context of the financial statements as a whole. It had been agreed that in future, the Auditor would review the Actuary's figures at an earlier stage in the audit process to ensure that any errors were identified well in advance of publication of the annual report.

With regard to accounting and internal control systems, these were operating effectively during the year and audit procedures were completed in line with those proposed in the Audit Plan. There were no significant findings regarding the Council's system of internal financial control.

The Council's Annual Governance Statement had been reviewed and the External Auditor was satisfied that the disclosures made were in accordance with the Auditor's understanding of the Council's governance arrangements and internal controls derived from their audit work. In terms of Value for Money, a positive conclusion had been issued by Deloitte with regard to proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources.

Details of the External Auditor's fees were included at Appendix 2 to the report and it was noted that the increase in fees for the 2008/2009 was due to the fact that in 2007/2008 a portion of the audit work had been carried out by the Audit Commission.

The External Auditor concluded that the Authority's accounting statements presented fairly the financial position of the Authority as at 31 March 2009, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008.

It was highlighted that the Authority had not yet prepared the Pension Fund Annual Report, which was due by 1 December 2009 and therefore the External Auditor had not yet issued a report on those financial statements.

A copy of the Draft Letter of Representation was included at Appendix 4 to the report.

The External Auditor extended thanks to Officers of the Authority for their assistance in the preparation of the report and for the high quality information that had been produced as required. The Chair, on behalf of the Committee, thanked the External Auditor for his comments.

**ORDERED** that the External Auditor's report on the 2008/2009 Audit be approved.

## **STATEMENT OF ACCOUNTS 2008/2009**

The Director of Resources submitted a report regarding the Middlesbrough Council Statement of Accounts 2008/2009 which presented the overall financial position of the Council as at 31 March

2009. Attached to the report were extracts from the audited Statement of Accounts providing details of the main accounting financial statements as follows:-

- Appendix A – Income and Expenditure Account.
- Appendix B – Statement of Movement on the General Fund Balance.
- Appendix C – Statement of Total Recognised Gains and Losses.
- Appendix D – Balance Sheet.
- Appendix E – Cash Flow Statement.
- Appendix F – Annual Governance Statement.

The full statement had been made available to all Members of the Corporate Affairs Committee and a copy had been placed in the Members' Library. A copy of the Accounts would be available on the Council's Website, once the External Auditor had signed the document.

The Statement of Accounts had had three alterations made from the draft presented to Members in June 2009, which were mainly technical accounting matters, to ensure complete compliance with the revised Statement of Recommended Practice (SORP) requirements and the Best Value Accounting Code of Practice (BVACOP). There was no impact on the outturn for the year or the Council's overall financial standing. The alterations related to Government Grants and Contributions Deferred, Short Term Investments and Pension fund Liabilities

No major issues had been raised by the External Auditor and there had been significant progress in the production of the 2008/2009 Statement of Accounts. The draft and final Statements had been produced within the timetable and the quality of the working papers had again improved.

There had been some significant ongoing pressures dealt with by service areas during 2008/2009 and for the first time a section was included on the impact on Middlesbrough of the current economic climate. A number of the pressure areas are continuing into the current financial year including the following:

- Reduced right-to-buy receipts.
- Reduced income from car parking.
- More vulnerable children in care (residential and fostering).
- Increase in demand led pressures on Older People, Physical Disabilities, Learning Disabilities and Personal Care.

The impact of the present recession on schools with particular regard to more vulnerable children was highlighted and it was noted that additional resources could be needed in this area to provide extra support to individuals as appropriate. Members also requested that the impact on "Education" be highlighted in future Statement of Accounts and reports to the committee.

It was highlighted that the Council's policy was to maintain an appropriate level of reserves and provisions for assessed liabilities and a full list was attached at Appendix G to the submitted report. The financial risks to the Council were identified and revenue and capital funding was earmarked to cover potential costs.

With reference to future accounting developments, 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 been working on implementation for over a year and a significant amount of work had been completed identifying the changes needed to accounting statements, financial processes and SAP, the Authority's main financial system. Training for Members, staff and senior managers was being developed and rolled out.

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%).

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

## **ANNUAL MEMBER REPORTS**

The Chief Executive submitted a report concerning proposals to discontinue Annual Member Reports and replace them with Newsletters. Concerns had been expressed by the Member Development Working Group in relation to the level of take-up and effectiveness of Annual Member Reports. There had been a steady decline in the number of Councillors producing Annual Reports and a relatively low take-up of copies by residents.

Officers had explored the possibility of introducing Annual Member Newsletters which would contain some key elements of the Annual Report. It had been suggested that Ward Councillors could collaborate on the Newsletters rather than producing individual reports. Newsletters could be produced at any time of the year and Members would have greater freedom and flexibility, subject to certain conditions, as to the type of information and images they might wish to include.

It was proposed that Newsletters would be produced in black and white print, for each household in a Ward, per Member. On average this equated to 2500 households per Ward. Each Member would receive fifty copies of their Newsletter printed in colour and the rest would be printed in black and white. The Newsletter would consist of a double-sided A3 sheet, folded down the centre.

The final costs of producing the Newsletter would depend on the uptake from Members. However it was envisaged that savings could be made if Members produced joint Newsletters for their Ward. Costs would be met from the Members' Office budget. An example Newsletter was attached at Appendix A to the submitted report.

Further work would be undertaken on a revision to the editorial policy currently used for Annual Reports, with guidance on the Officer support that could be provided.

**ORDERED** that the production of Annual Member Reports be discontinued forthwith and be replaced with Annual Member Newsletters.