

CORPORATE AFFAIRS COMMITTEE

A meeting of the Corporate Affairs Committee was held on 29 June 2010.

PRESENT: Councillor Clark (Chair), Councillors Carter (as substitute for Cllr Brunton), Cox, McIntyre, McPartland and Mrs H Pearson, OBE.

OFFICERS: B Baldam, C Davies, S Harker, R Painter, P Slocombe and J White.

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

****ALSO IN ATTENDANCE:** C Craig, Director, Assurance and Advisory, Deloitte.

**** DECLARATIONS OF INTEREST**

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

****MINUTES**

The Minutes of the meeting held on 2 June 2010 were taken as read and approved as a true 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 that 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 10 vacancies out of a total of 142 Governorships for Local Authority representatives, which equated to 7.04%. The nominations received for such vacancies were outlined in Appendix 1 of the report submitted and a further update was tabled at the meeting.

In light of the fact that Hall Garth and King's Manor Schools were due to close in September 2010, it was recommended that existing vacancies on these Governing Bodies were not filled.

Members were informed that there was currently no written protocol for appointment of Local Authority School Governors in Middlesbrough and it was suggested that a draft protocol be brought to a future meeting for Members' consideration.

ORDERED as follows:-

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

<u>School</u>	<u>Governor</u>
Berwick Hills Primary School	Mr D McGovern (wef 29.6.10)
Brambles Primary School	Councillor L Junier (wef 29.6.10)
Breckon Hill Primary School	Miss C Newsham (wef 29.6.10) Mr P Mack (wef 29.6.10) Mr M Owen (wef 29.6.10)
North Ormesby Primary School	Mrs M Grieves (wef 29.6.10)
Pallister Park Primary School	Mr A Gaw (wef 26.9.10)
Park End Primary School	Miss V Hill (wef 29.6.10)
Rose Wood Primary School	Mr M Towell (wef 29.6.10)

St Clare's RC Primary School

Councillor Mrs H Pearson, OBE (wef 31.8.10)

2. The Governor Development Service Manager would produce a draft protocol for Appointment of Local Authority School Governors for Members' consideration.

DRAFT STATEMENT OF ACCOUNTS 2009/2010

The Deputy Director of Resources presented the Draft Statement of Accounts 2009/2010. Approval of the accounts by the Corporate Affairs 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 included the accounts for Teesside Pension Fund, for which the Council was the Administering Authority. The Statement of Accounts 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.

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

The key changes introduced by the recent SORPs were as follows:

Accounting for Council Tax

From 1 April 2009, the Council Tax income included in the Income and Expenditure Account would be the accrued income for the year. The Cleveland Police and Fire Authorities would become debtors or creditors depending on the surplus or deficit on the Collected Fund for the year. This replaced the requirement to only include the precept amounts as in previous years. This was a major change and required a prior year adjustment to the previous year (2008/2009) figures in these accounts. There was no impact on the Authority's bottom line/Council Tax.

True and Fair View

For the first time in 2009/2010, the Director of Resources was required by the Accounts and Audit Regulations to certify that the accounts presented a true and fair view. This replaced the "presents fairly the financial position" required in previous years.

Reporting Senior Officers' Remuneration

With effect from 1 April 2009, Local Authorities were required to disclose details of Officer remuneration in greater detail. The effects of the changes were twofold:

- The salary bandings were grouped into bands of £5,000 rather than £10,000 previously. (Starting at £50,000).
- An additional disclosure relating to the remuneration of "Senior Officers" required that the benefits paid to these individuals was disclosed in greater detail.

Removal of Disclosure Notes

Five disclosure notes had been removed as requirements of the 2009 SORP as follows:

- Section 137 expenditure.
- Expenditure on publicity.
- The Building Control Account.
- Business Improvement District Schemes.
- Income under the Local Authorities Goods and Services Act.

None of these disclosures were required in the Statement of Accounts by accounting standards or legislation.

The Explanatory Foreword to the Accounts included information regarding impact of the current economic climate on the people of Middlesbrough and the Council as a whole. The key areas impacting on the Council included:

- Increase in bad debts.
- Requests for Hardship Relief/Empty Property Relief/Small Business Rate Relief for Business Rates increased substantially.
- Large increase in benefit claimants.
- Reduced income from car parks/commercial property rents and planning fees.
- The Council's share of Right-to-Buy receipts decreased significantly.
- Increase in the number of children taken into care.
- Significant increase in the numbers of free school meals.
- Capital receipts reduced and delayed.

Despite a net pressure of £1.5 million on the Children, Families and Learning budget and significant pressure on Social Care, there was an overall saving for the year of £182,000. This had been achieved through the use of grant funding in a number of areas.

Members' attention was drawn to the Balance Sheet, a copy of which was attached to the submitted report as Appendix D. The Balance Sheet provided details of the value of assets owned by the Council, the level of creditors, the level of debtors and the level of provisions and balances maintained by the Council as at 31 March 2010.

The value of the Authority's fixed assets as at 31 March 2010 was £642 million, which was an increase on the previous year of £76 million due to increases in the value of its assets and new schools buildings etc. The Council's debtors had decreased by £4.7 million to £39.7 million, however the current liabilities were £55.2 million which was an increase of £9.6 million on the previous year. The increase in the Council's creditors was due mainly to outstanding early retirement/voluntary redundancy payments, outstanding payments to contractors on the Building Schools for the Future scheme and income received in advance.

Long-term borrowing was reduced by £20.1 million to £80.4 million during 2009/2010 as the Council utilised cash balances to repay loans and reduce capital financial interest charges. The Pension Liability increased to £192.95 million from £97.16 million the previous year due to significant reductions in bond yields. The Council used £1.2 million of Provisions, which it had set aside to deal with long term liabilities including single status, equal pay and Building Schools for the Future and a full list was included at Appendix F to the submitted report.

The Council used £9.5 million of earmarked reserves to fund investment in the Change Programme, pay insurance claims and cover increases in the demand for services in Social Care and Children Families and Learning. However, the reserves were topped up during the year by £7 million to leave the balance of £8.8 million to cover financial risks in future years.

The Teesside Pension Fund value at the end of the Financial Year had risen to £2.37 billion which was the highest value the Fund had ever reached and this was due to the positive impact of the recent share market rises. The membership of the Fund had increased slightly and the total membership was now just under 60,000. However, for the first time in recent years the number of active, contributing members had fallen. A contributory factor was the significant number of early retirements, although the Fund recovered the cost of an early retirement from the employer at the outset. The Fund raised over £10 million from early retirement recharges in 2009/2010, up from £6 million in 2008/2009. Members noted that the average pension paid in 2009/2010 was £3,600.

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 £182,000 (0.14%). Actual capital spend in the year was £67.4 million, compared with a budget of £78.8 million. Expenditure during the year was mainly funded from grants (79.8%), from usable capital receipts (1.8%), from borrowing (14.1%), from revenue contributions (2.9%) and from capital contributions (1.4%). The percentage of spend achieved compared to the budget represented 85.5%.

From 1 April 2010 the Council was required to produce the annual financial statements using International Financial Reporting Standards (IFRS). The move to IFRS required a number of significant accounting changes. Internal systems, procedures and processes would require adjustment to produce the necessary information required for IFRS. Although full implementation was not required until the 2010/2011 financial year, the need for comparative information in the 2010/2011 statements meant that the 2009/2010 statements had to be restated into IFRS format. The restatement of the 2009/2010 accounts into IFRS format would be completed by September 2010.

ORDERED that the draft Statement of Accounts 2009/2010 be approved.

ANY OTHER URGENT ITEMS

A request was made by a Member of the Committee for consideration of an urgent item.

The Chair sought advice from the Members' Office Manager as to whether the item could be considered. The Committee was informed that in accordance with the Council's Constitution it was at the discretion of the Chair as to whether the matter was taken as an urgent item. The Officer's advice was that an urgent matter was generally interpreted as one that had arisen in the last seven days.

ORDERED that the item was not considered.