

**CORPORATE AFFAIRS COMMITTEE**

A meeting of the Corporate Affairs Committee was held on 26 September 2012.

**PRESENT:** Councillors Clark (Chair), Brunton (Vice-Chair), Mrs H Pearson, OBE and P Purvis.

**OFFICERS:** B Baldam, S Harker, R Long and J White.

**APOLOGIES FOR ABSENCE** were submitted on behalf of Councillors Hawthorne and McPartland.

**DECLARATIONS OF INTERESTS**

<b>Name of Member</b>	<b>Type of Interest</b>	<b>Item/Nature of Interest</b>
Councillor Brunton	Non prejudicial	Agenda Item 5 - Final Statement of Accounts 2011/2012 - Member of Cleveland Fire Authority, Trustee of Brian Clough Memorial Fund and Levick Trust and Director at Kings Academy.
Councillor Clark	Non prejudicial	Agenda Item 5 - Final Statement of Accounts 2011/2012 - Member of Cleveland Fire Authority.
Councillor Mrs H Pearson, OBE	Non prejudicial	Agenda Item 5 - Final Statement of Accounts 2011/2012 - Member of Cleveland Fire Authority.

12/9 **MINUTES - CORPORATE AFFAIRS COMMITTEE - 19 JULY 2012**

The Minutes of the meeting held on 19 July 2012 were taken as read and approved as a true record.

12/10 **SUSPENSION OF COUNCIL PROCEDURE RULE NO 10 - ORDER OF BUSINESS**

In accordance with Council Procedure Rule No. 10, the Committee agreed to vary the order of business to deal with the items in the following order: Agenda Item 6, Agenda Item 4, Agenda Item 5, Agenda Item 7, Agenda Item 8 and Agenda Item 9.

12/11 **CHANGES TO POLLING STATIONS**

The Director of Legal and Democratic Services presented a report, the purpose of which was to seek Members' agreement to proposed changes to the location of polling stations currently based at North Ormesby Youth and Community Centre, Grove Hill Library and Grove Hill Youth and Community Centre.

Due to changes arising from Council decisions on the use of Council assets, the locations identified were no longer available as the accommodation was either undergoing refurbishment or was going to be demolished.

The report outlined the proposed changes and clarified that there was no appreciable change to travel distances from the present polling station locations.

**ORDERED** that:

1. North Ormesby Library be approved as an alternative polling station within the North Ormesby and Brambles Farm Ward.
2. St Edward's Primary School and Grove Hill Resource Centre be approved as alternative polling stations within the Clairville Ward.

12/12 **FINAL STATEMENT OF ACCOUNTS 2011/2012**

The Deputy Director of Resources presented a report for Members of the Corporate Affairs Committee to receive and review the Middlesbrough Council Statement of Accounts 2011/2012. The 2011/2012 Statement of Accounts had been prepared in compliance with International Financial Reporting Standards (IFRS).

- A list of the main alterations made to the Accounts since the draft was presented to the Committee in June 2012 was detailed on page two of the submitted report and were as follows: The reclassification of car parks from Property, Plant and Equipment to Investment Property. This resulted in a change of £7.119 million between the two headings under Long Term Assets on the Balance Sheet. There was nil impact overall.
- The valuations of all the Council's car parks had been reviewed because of the significant fall in income over the past couple of years. This review resulted in a net decrease in the asset values. The value of the Council's Long Term Assets was reduced by £1.569 million.
- The valuations of all the Council's administrative buildings were reviewed because of a reduction in the rental value per square metre over the past couple of years. This review resulted in a net decrease in asset values. The value of the Council's Long Term Assets was reduced by £1.674 million.
- The Property, Plan and Equipment valuations had included an amount for capital finance costs. The CIPFA accounting guidance specified that these costs should have been excluded. The revised valuations had resulted in a net decrease in asset values. The value of the Council's Long Term Assets was reduced by £8.255 million.

The Deputy Director of Resources informed the Panel that the Council had challenged the figures in the accounts for the IAS26 pension liability calculation for Middlesbrough Council and Teesside Pension Fund. The IAS26 Report was produced annually and was based on fixed assumptions for Retail Price Index (RPI) changes/Consumer Price Index (CPI) changes/salary increases, discount rates for a certain Bond, which were used nationally. The Council had challenged the figures used in these assumptions, bringing them more into line with those used by actuaries for other pension funds across the country. This had resulted in a £65 million reduction in the pension liability for Middlesbrough Council and £367 million reduction for the Teesside Pension Fund liability. The annual IAS26 figures were simply an annual technical accounting exercise and there was no impact on the outturn for the year or the Council's overall financial standing.

Every three years the Actuary carried out a valuation of the Teesside Pension Fund and the results of this exercise had a real impact on both Middlesbrough Council and the Pension fund. The fund was 99% funded at the last valuation in 2010.

The final Accounts had undergone a major review this year to change the presentation and content in order to reduce the amount of technical information, ensure figures were comparable throughout, and make the accounts easier to read and understand. For next year, it was intended to produce a simplified and reduced version consisting of the foreword, main accounting statements and key notes.

As previously requested by the Committee, two years' figures were now included in the Statement of Accounts, along with local and national indicators, so that comparisons could be drawn. It was highlighted that the key indicators of the state of the local economy were generally deteriorating and this was a national trend. It was also highlighted that the Council's performance at collecting Council Tax had improved in 2011/2012 with 96.1% being collected in-year compared to 95.9% the previous year.

A copy of the full Statement of Accounts had been made available to all Members of the Corporate Affairs Committee and a copy placed in the Members' Library. Once the External Auditor had signed them, a copy of the Accounts would be available on the Council's website. The final Statement of Accounts had been produced within the timetable.

Notice had been given in the local press for any interested persons to inspect, and make copies

of the Statement of Accounts and other supporting documents between 3 July and 30 July 2012. There were no interested persons again this year.

**ORDERED** that the Middlesbrough Council Statement of Accounts 2011/2012 be approved.

12/13

#### **UPDATE REPORT - EXTERNAL AUDIT**

The External Auditor presented a report on the principal matters that had arisen to date from the audit for the year ended 31 March 2012. The audit testing was not yet complete and the results of the work carried out to date in relation to significant risks were summarised in the Executive Summary. Although certain procedures were still outstanding and needed to be completed before the audit could be finalised, the External Auditor expected to complete the audit in line with the statutory timetable, with the Accounts being signed by 28 September 2012. Details of the outstanding items were listed on page four of the External Auditor's report.

The following significant risks had been identified and the External Auditor provided a detailed explanation and update as to the current position for each of the following items:

- Revenue recognition: recognising grant income.
- Recoverability of investments.
- Valuation of fixed assets.
- Accounting of heritage assets.
- Disclosure of related parties.
- Presentation of summary financial statements.
- Risk of Accounts Payable control deficiencies.
- Management override of internal control.
- Financial standing.

The External Auditor was required to form a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, known as 'value for money'. The key audit risks identified were as follows:

- Financial sustainability.
- Asset management and development of the property hubs.
- Management of information across the Council.

There were no issues that impacted on the value for money conclusion and more detailed findings and conclusions would be reported to the Audit and Governance Committee in a separate management letter.

With regard to risk of Accounts Payable control deficiencies and the fraud that had been outlined at the June meeting, the External Auditor explained that some testing had been carried out to check whether the new controls were operating correctly. The External Auditor would be making some additional recommendations to further strengthen controls.

The External Auditor had focussed on a case study on the information flows on safeguarding within Children Families and Learning, due to continued pressures in that service area. No issues had arisen that impacted on the Value for Money conclusion, however a number of observations and recommendations in relation to the sources of information available to the Council and how that information was used had been noted and would be reported in the management letter.

An updated Appendix 1: Audit adjustments and uncorrected misstatements was tabled for Members' information. The impact of these adjustments was to decrease the net assets by £11.5m and increase the net deficit by £4.5m, with nil impact on the general fund. Uncorrected misstatements identified to date would decrease net assets by £581K and increase the net deficit by £84K. Management had concluded that the total impact of the uncorrected misstatements was not material in the context of the financial statements as a whole. The impact of the IAS19 pension adjustment was £65.2m. The total impact of the adjustments was a £53.7m increase in net assets.

A copy of the representation letter to be signed on behalf of the Council was included at Appendix 2 to the submitted report. It was confirmed that the audit fees were in line with the original plan.

On satisfactory completion of the outstanding matters, the External Auditor anticipated issuing an unqualified audit opinion on the truth and fairness of the financial statements, in addition to giving an audit opinion on the whole of government accounts forms. The External Auditor did not anticipate reporting any matters in respect of the Council's overall Value for Money arrangements.

**ORDERED** that the External Auditor's progress report on the audit of Middlesbrough Council Statement of Accounts 2011/2012 be received and noted.

12/14 **EXCLUSION OF PRESS AND PUBLIC**

**ORDERED** that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as defined in Paragraph 6 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

12/15 **SCHOOL GOVERNING BODIES - APPOINTMENT OF LA 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 and any vacancies deferred from previous meetings of the Corporate Affairs Committee.

It was noted that there were currently 17 vacancies out of a total of 142 Governorships for Local Authority representatives, which equated to 11.9%. The nominations received for such vacancies were outlined in Appendix 1 of the report submitted.

**ORDERED** as follows:-

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

Beech Grove Primary - Councillor Rooney (wef 27.9.12)

Easterside Primary - Mrs G Smith (wef 28.1.13)

Lingfield Primary - Mrs J McArthur (wef 25.1.13)

St Bernadette's RC Primary - Mrs M Kilgallon (wef 12.2.13)

Ormesby School Academy Trust - Mrs J White (wef 27.9.12)