

CORPORATE AFFAIRS COMMITTEE

A meeting of the Corporate Affairs Committee was held on 25 September 2013.

PRESENT: Councillors Clark (Chair), Brunton, Junier (as substitute for McIntyre), Mrs H Pearson, OBE, P Purvis and B Thompson

ALSO IN ATTENDANCE: Councillor G Purvis
D Wilkinson and A Ross, Deloitte

OFFICERS: B Baldam, S Harker, M Padfield and P Slocombe

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors Mawston and McIntyre.

DECLARATIONS OF INTERESTS

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Brunton	Non pecuniary	Agenda Item 4 - Trustee of Levick Court

13/5 **MINUTES - CORPORATE AFFAIRS COMMITTEE - 31 JULY 2013**

The minutes of the meeting of the Corporate Affairs Committee held on 31 July 2013 were taken as read and approved as a true record.

13/6 **STATEMENT OF ACCOUNTS 2012/2013**

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 2012/2013. The 2012/2013 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 2013 was detailed on pages two and three of the submitted report and were as follows:

- LACSEG Grant Income - Additional grant income of £803K relating to 2012/2013 was received and initially recognised in the 2013/2014 Comprehensive Income and Expenditure Statement. The Balance Sheet, Explanatory Forward and the Review of the Year had been amended to reflect the surplus on the revised outturn position.
- Weekly Refuse Collection Grant - This grant had been reclassified from a capital grant to a revenue grant. A transfer of £2,162K had been made between two lines on the Comprehensive Income and Expenditure statement. There was no overall impact.
- Investment Property Capital Receipts - Capital receipts from the sale of Investment Properties had been shown on the wrong line on the Comprehensive Income and Expenditure Statement. A transfer of £2,276K had been made between the two lines. There was no overall impact on the Balance Sheet or Accounts.
- Capital Receipt - Payment for a piece of land sold by the Council had been received on a phased basis. So income of £1,060K was received in 2013/2014 but was

transferred back to the 2012/2013 Accounts. This had increased the usable reserves on the Balance Sheet by the same amount.

- MMI Provision - Resources set aside to cover the cost of potential payments to Municipal Mutual Insurance (MMI) had been reclassified as a provision and transferred from the Insurance reserves. As a result, Usable Reserves on the Balance Sheet had decreased by £1,020K.
- Investment Properties - three assets had been reclassified from Property, Plant and Equipment to Investment Properties, prior to their demolition. £1,371K had been transferred between two lines on the Comprehensive Income and Expenditure Statement and there was no overall impact on the Accounts.
- Heritage Assets Donation - The Council received a donated Heritage Asset during 2012-2013 - The Christopher Dresser Pottery Collection. An increase in income of £617K had therefore been included in the Comprehensive Income and Expenditure Statement and the Usable Reserves on the Balance Sheet had increased by the same amount.
- Officers' Remuneration - details of a number of exit packages had been omitted from the Officers' Remuneration note in error. The note had been amended to include the additional details.
- Asset Valuations

A - A number of additional property valuations had been carried out since the draft accounts were published and the Comprehensive Income and Expenditure Statement and Balance Sheet

had been amended to reflect a net downward revaluation of £176K.

B - As part of the revaluations, prior year adjustments had been made to the accounts to reflect the fact

that four properties had been overvalued. The 2010/011 Balance Sheet had been restated to reflect

the net downward revaluation of £13.6m.

C - The previous valuation of the Bus Station had been overstated and the 2010-2011 Balance Sheet had

been restated to reflect a downward revaluation of £16.9m. The Valuer had miscalculated the size of

the Bus Station and it had therefore been valued incorrectly five years ago. Therefore it was not a

reduction in value as the value of the asset had been overstated originally.

D - The 2012/2013 valuation for Levick House was incorrectly calculated and there was therefore an

increase in expenditure on the Comprehensive Income and Expenditure Statement of £203K. Usable

Reserves on the Balance Sheet had increased by the same amount.

In response to a query regarding the incorrect valuations it was explained that valuations were completed on a rolling programme over a five year period. Since the previous year's External Auditor's report, the programme of valuations had been made more robust. The information

provided on the Balance Sheet had been refined and improved. The External Auditor was confident that all previous errors had been highlighted and addressed. However it was noted that if the basis of a valuation was changed there would always be an impairment.

It was confirmed that following the alterations to the draft Accounts there was no impact on the Council's overall financial standing.

Members suggested that it would be helpful if the summary could include the page number in the Accounts that related to each item, for ease of reference.

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 had been one interested person this year.

ORDERED that the Middlesbrough Council Statement of Accounts 2012/2013 be approved.

13/7

UPDATE REPORT - EXTERNAL AUDITOR

The External Auditor presented a report on the principal matters that had arisen to date from the audit for the year ended 31 March 2013. 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.

The audit status was not as expected for this stage of the timetable as agreed in the Audit Plan. A list of the significant items outstanding at the time of writing were detailed at page one of the submitted report and the External Auditor provided further verbal updates. 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 30 September 2013.

The most significant matter outstanding related to the valuation of fixed assets. The External Auditor had requested that the Council undertake a number of additional valuations, and raised a number of queries of the valuer in support of his valuations.

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.
- Disclosure of related parties.
- Management override of internal control.
- Value for Money Conclusion.

The External Auditor highlighted a number of recommendations for improvements and the Management Response including:

- Communication - improving information flows across the Council in producing the accounts.
- Fixed Asset Valuations - better utilisation of the knowledge obtained by the valuer.
- Related Parties - Senior Officers' Register of Interests.
- NHS Contracts - reviewing contracts where counterparties had changed.
- Treasury Management Policy compliance - increased frequency of reporting to Members.
- Presentation - improving the structure and flow of the accounts.

In relation to the management response to the Related Parties- Senior Officers' Register of Interests, Members requested that the wording be amended to clarify that the Council would create a Register of Interests. The External Auditor undertook to ensure that the wording was amended and the Director of Resources agreed to forward a copy of the amended wording to Committee Members.

The External Auditor also highlighted the Treasury Management Policy which was approved annually by Council. It was suggested that in addition to the closing year end review, a mid year review report was produced.

Appendix 1: Audit adjustments and uncorrected misstatements was highlighted for Members' information. Management had concluded that the total impact of the uncorrected misstatements was not material in the context of the financial statements as a whole.

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:

1. a copy of the amended wording in relation the management response to the item on Related Parties - Senior Officers' Register of Interests would be forwarded to Members of the Committee.
2. in future years, a mid term review report would be produced for the Treasury Management Policy.
3. the External Auditor's progress report on the audit of Middlesbrough Council Statement of Accounts 2012/2013 be received and noted.

13/8 **EXCLUSION OF PRESS AND PUBLIC**

ORDERED that the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraphs 1 and 2 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.

13/9 **SCHOOL GOVERNING BODIES - APPOINTMENT OF LOCAL AUTHORITY SCHOOL GOVERNORS**

A report of the Assistant Director School Partnerships 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.

The nominations received for such vacancies were outlined in the submitted report and an updated version of the report had been circulated at the meeting.

It was noted that with the updated position there were currently 22 vacancies out of a total of 142 Governorships for LA representatives, which equated to 15.49%.

ORDERED as follows:-

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

Captain Cook Primary School - Mr Walton (wef 25.9.13) and Mr Fitzgerald (wef 30.10.13)
Lingfield Primary School - Mr Madden (wef 25.9.13)
Linthorpe Primary School - Councillor McIntyre (wef 17.2.14)
Newport Primary School - Mr G Singh (wef 25.9.13)
Trinity College - Mr Dodds (wef 11.11.13)
Holmwood School - Councillor Mrs Pearson OBE (wef 25.9.13) and Mrs S Pattison (wef 7.2.14)
Priory Woods School - Mrs K Morris (wef 10.3.14) and Mr R Thompson (wef 25.9.13)

2. That having regard to the present position in relation to the Governing Bodies no action be taken with regard to the current vacancies in respect of the following:-

Hemlington Hall Primary School
Rose Wood Primary School
Sunnyside Primary School
Viewley Hill Primary School
Acklam Grange School

3. That the applicant in respect of Park End Primary, Mrs J James, be approved subject to the receipt of the required application form and in consultation with the Chair and Vice Chair of the Committee.

4. That the appointment to the following vacancies be deferred pending the receipt of nominations in respect of:-

Ayresome Primary - 1 vacancy
Corpus Christi RC Primary - 1 vacancy
Pallister Park Primary - 1 vacancy
Park End Primary - 1 vacancy
Newham Bridge Primary - 2 vacancies
Prince Bishop School - 1 vacancy
Holmwood School - 1 vacancy
Complementary Management Board - 1 vacancy