

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on 30 January 2015.

PRESENT: Councillors Clark, (Chair), Junier, P Sharrocks and N J Walker

ALSO IN ATTENDANCE: A Ross, Deloitte LLP

OFFICERS: M Barker, S Lightwing and M Padfield

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors McIntyre, Mrs H Pearson, OBE, and P Purvis.

DECLARATIONS OF INTERESTS

There were no declarations of interest at this point in the meeting

14/29 MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE - 4 DECEMBER 2014

The minutes of the meeting of the Corporate Affairs and Audit Committee held on 4 December 2014 were taken as read and approved as a true record.

14/30 UPDATE TO THE ISA260 REPORT FOR THE YEAR ENDED 31 MARCH 2014

The External Auditor presented a report summarising the changes made between the ISA260 report on Middlesbrough Council's accounts for the year ended 31 March 2014 presented as a progress report to the Corporate Affairs and Audit Committee on 26 September 2014 and the final report presented on 30 January 2015.

When the ISA260 report was presented in September there had been a number of procedures outstanding. The Auditor confirmed that those procedures had been completed prior to signing an unmodified opinion on the accounts by the 30 September 2014 deadline. An unmodified opinion on the Value for Money conclusion was also issued on 30 September 2014.

As previously reported, an objection to the accounts had been received which might have affected the Auditor's ability to provide an opinion by 30 September. However, the Auditor had considered the substance of the objection and concluded that it did not constitute a material risk to their opinion on the accounts or Value for Money conclusion. The Auditor had issued a draft statement of reasons for their conclusion on the objection to the Audit Commission and was awaiting a response within the next fourteen days. The response would be issued to both the Council and the objector, who would both have the opportunity to comment.

The Auditor's opinion on the Whole of Government Accounts (WGA) had been submitted to the National Audit Office (NAO) by the 3 October 2014 deadline and the opinion issued was that consolidation pack was consistent with the audited accounts.

The ISA260 report had been updated in respect of two risks identified as part of the audit procedures which were: the recognition of grant income and management override of controls, the details of which were contained in the submitted report.

There were no further adjustments identified which were not reported to the Committee in the progress report or by verbal update by officers at the Corporate Affairs and Audit Committee meeting on 26 September 2014.

It was highlighted that a session with key finance staff around improvements to the financial reporting and audit process had been arranged and would be held in February 2015.

AGREED that the information provided was received and noted.

14/31 MIDDLESBROUGH COUNCIL MANAGEMENT LETTER 2013/2014

The External Auditor presented the Management Letter 2013/2014 which summarised observations and insights identified during the course of the audit of the Council's financial statements. The Letter was provided to assist management in identifying areas for improvement, opportunities to strengthen the control environment and to generate efficiencies in controls and processes to help the organisation. The Letter was also designed to assist the Corporate Affairs and Audit Committee and the Council discharge their governance duties.

The Auditor's recommendations were summarised into a number of key areas as follows:

- Recommendations to assist with the financial reporting process
- Recommendations around Property, Plant and Equipment (PPE) and Intangible Assets.
- Recommendations around Debtors.
- Recommendation around Revenue and Government Grants.
- Recommendations regarding Transparency Disclosures.

A Management comment on each recommendation was included in the submitted report.

It was noted that those Members who had not yet submitted a related party disclosure form for 2013/2014 had been contacted. Regular reminders would be sent during the closure of accounts period to Members who had not submitted returns by the specified deadline.

AGREED that the information provided was received and noted.

14/32 LOCAL COUNCIL TAX SUPPORT 2015/2016

The Client Benefit Manager presented a report to update Members of the Corporate Affairs and Audit Committee on the position regarding Council Tax Support as at 30 September 2014 and to seek approval to the Council Tax Support (CTS) scheme for 2015/2016.

The number of households in Middlesbrough currently receiving CTS was 20,825. Included in the 20,825 households were 4,796 households who received full CTS with no Council Tax to pay. This figure included pensioner households where CTS had been calculated on 100% of their Council Tax liability and their income was low enough to qualify for full CTS.

The remaining 16,029 households were 2,537 pensioner households who had their CTS worked out based on 100% of their Council Tax liability, but did not qualify for full CTS due to their income, capital or personal circumstances. In addition, there were 13,492 households who were of working age and had their reduction calculated based on 80% of their Council Tax liability. All of those households had to pay at least 20% of their Council Tax.

Of the 16,029 households in receipt of CTS who had something to pay, 1,945 had paid their Council Tax in full, 9,641 had made payments towards their Council Tax and 4,443 had not paid anything.

From 1 April 2014 until 25 November 2014, 10,851 summonses to Court had been issued for non-payment of Council Tax. This included 4,926 accounts who received CTS.

It was noted that once a summons to Court had been issued an additional £65 was added to the Council Tax account. If Court Bailiffs were instructed, this generated an additional £75 cost. In line with legislation, the maximum amount for an attachment order to earnings was £3.80 per week and the Court costs had to be repaid in the first instance, before the Council could begin to reclaim the Council Tax arrears.

The financial values to date, as at 25 November 2014 were as follows:

- The total net Council Tax liability for 2014/2015 for accounts where CTS was applied at 30 September 2014 is £4,486,392.19.
- The balance outstanding against the same liability was £2,196,781.72, representing an in-year collection rate of 51.03%.
- This compared to an overall in-year collection rate of 67.75%.

It was stressed that the collection rate of 67.75% was in-year and not for the full financial year and would therefore change.

The Department for Communities and Local Government (DCLG) had stated their intention to update details for the scheme for pensioners from 1 April 2015 as follows:

- (a) Personal allowances in line with Pension Credit rates.
- (b) Premiums in line with Consumer Price Index.
- (c) Non-dependant deductions in line with growth in eligible Council Tax.

In light of this, it was proposed that the approved local CTS scheme was updated in line with the national CTS scheme for Pensioners. Where amounts were to be updated for working age people, it was proposed that the amounts would be updated in line with the amended Housing Benefit regulations for working aged people for 2015/2016 when they were published by the Department for Work and Pensions in January 2015.

ORDERED as follows that:

1. The national updated figures laid down through the Prescribed Requirement Regulations for Pensions were included in the CTS Scheme for 2015/2016.
2. The amounts used when calculating CTS for working age claimants were updated in line with the amended Housing Benefits regulations and any deductions taken in respect of non-dependants living in a property were also updated in line with the Prescribed Requirement Regulations.
3. The Local Council Tax Scheme 2015/2016 for Middlesbrough was approved.

14/33 **INTERNAL AUDIT - COUNTER FRAUD REPORT**

AGREED that Agenda Item 8 was **DEFERRED** until the next meeting of the Corporate Affairs and Audit Committee.

14/34 **EXCLUSION OF PRESS AND PUBLIC**

AGREED that Agenda Item 9 was **DEFERRED** until the next meeting of the Corporate Affairs and Audit Committee.

14/35 **INTERNAL AUDIT - COUNTER FRAUD REPORT - APPENDIX 1**

AGREED that Agenda Item 10 was **DEFERRED** until the next meeting of the Corporate Affairs and Audit Committee.