

Corporate Governance Committee – 27 June 2011

Present: Councillor Denington (Chairman)
Councillor A Wedderkopp (Vice-Chairman)
Councillors Beaven, Coles, Gaines, Hall, Hunt, Miss James, R Lees,
Reed, Gill Slattery, Mrs Stock-Williams and Tooze

Officers: Shirlene Adam (Strategic Director), David Woodbury (Health and Safety Advisor), Paul Harding (Performance and Client Lead), Dan Webb (Client and Performance Lead), Chris Gunn (Internal Audit Manager), Tony Brown (South West Audit Partnership) and Richard Bryant (Democratic Services Manager)

Also Present: Councillors Meikle, Morrell and Nottrodt and Brian Bethell (Audit Commission).

(The meeting commenced at 6.15 pm)

33. Apologies/Substitution

Apologies: Councillors Govier and R Lees

Substitution: Councillor Gill Slattery for Councillor R Lees

34. Minutes

The minutes of the meeting held on 23 May 2011 were taken as read and were signed.

35. Declaration of Interests

Councillor Miss James declared a personal interest as an employee of Viridor. Councillor Tooze declared a personal interest as an employee of the UK Hydrographic Office.

36. Health and Safety – Priority Areas Update

Following discussions with the Corporate Management Team and the Corporate Governance Committee and recommendations made by the South West Audit Partnership, the Council's Health and Safety (H&S) Forward Plan had been reviewed.

The Plan identified current and emerging H&S issues and set out solutions designed to raise the standard of knowledge and performance within the Council.

Delivery of the plan within the agreed timescales would:-

- Achieve legal compliance;
- Result in a significant reduction in risk;

- Reduce loss time injury accidents; and
- Support the 'wellbeing' of Council employees and partners.

The Priority Issues for the current year were as follows:-

1. Reviewing and publishing the Council's H&S Management System on Sharepoint;
2. Issuing a mandate that all managers attend the relevant 'H&S Essentials' training sessions and complete their local roles and responsibilities document;
3. The introduction of an H&S Competency framework for all levels of employee, held in a central training data base;
4. Implementing a 'Generic and Dynamic Risk Assessment' approach for all operational service areas;
5. Providing a structured programme of 'Byte sized' training and 'Tool box' talks for all employees;
6. Developing new Corporate performance measures for H&S, specifically:-
 - Management competency and legal compliance;
 - H&S Management System and implementation; and
 - Accident, incident data and lessons implemented.

Details as to who would be responsible for undertaking the above issues, how they would be achieved and in what timescale were presented.

Also reported details of disciplinary action linked to H&S issues which was a response to a question asked at a previous meeting of the Committee.

Resolved that the revised Health and Safety Forward Plan be noted.

37. Audit of Financial Controls

Mr Brian Bethell reported that the Audit Commission would shortly be commencing their formal audit of Taunton Deane's Financial Statements for 2010/2011.

In preparation for this, the Audit Commission had carried out some early work on the Councils financial systems, including General Ledger, Accounts payable (creditors), Accounts receivable (debtors), Payroll, Property Plant and Equipment, Council Tax, Non-domestic Rates, Housing Rents, Housing Benefits, Car Park income, Cash receipting, Treasury Management and Deane DLO (Cosy) system.

This helped identify any risks in the Council's control regime, and this then was built into the auditors work plans.

The conclusion of this early review was set out in the Audit Commission's report which was submitted for the information of Members.

Members were pleased to see the improvement in the financial control environment from last years review. There were a couple of areas where work was still underway (the introduction of the electronic payment request form and the cleansing of the master data on suppliers).

Although these should be completed by the end of March 2012, progress would be monitored by the Strategic Finance Officer.

Resolved that the report be noted.

38. Debt Recovery Update

Considered report previously circulated, detailing how the Council was managing the collection of its miscellaneous income debts.

Southwest One's Accounts Receivable Team provided a key service in managing the sundry debt recovery process on the Council's behalf and since April 2009 had been using the SAP computer system to administer this process.

The Council's Performance and Client Team regularly monitored the level of sundry debt arrears and the level of sundry debt arrears in SAP was reported quarterly to the Executive and Corporate Scrutiny Committee as part of the Council's quarterly Corporate Scorecard.

The audit opinion on how sundry debts were managed was reported in the 'Annual Statement of Governance' published with the annual accounts.

The following tables showed the current Council performance with regard to debt collection compared to the position in the previous financial year:-

(a) Sundry Debts

Debt Type	Responsibility	2009/2010	2010/2011
Sundry Debts in SAP	Southwest One Accounts Receivable Service and TDBC Services	Outstanding 31 March 10: £5.88m	Outstanding 31 March 11: £ 3.53m

During 2010/2011 £317,647.09 of irrecoverable sundry debt was written-off.

Significant progress had been made in reducing the level of sundry debt. In addition, a User Group had been created within Taunton Deane and across the Southwest One partnership in order to share best practice and

comprehensive online guidance material was now available to officers on a dedicated SAP page on the Council's intranet.

(b) Council Tax

Debt Type	Responsibility	2009/2010	2010/2011
Council Tax (In-year)	Southwest One Revenues and Benefits Service	Billed: £49.9m	Billed: £50.7m
		% Collected: 97.74%	% Collected: 98.21%
		Total Outstanding 31 March 2011: £2.2m	

Council Tax was a key source of income to the Council and consequently its collection was a key performance indicator within the Southwest One contract.

The performance in 2010/2011 exceeded the target set of 98% and represented the highest in-year collection achieved by the Council.

At 31 March 2011, 99.43% of the £520m which Taunton Deane had billed in earlier financial years (between 1 April 1993 and 31 March 2010) had been collected.

(c) Non-Domestic Rates

Debt Type	Responsibility	2009/10	2010/11
Non-Domestic Rates (In-year)	Southwest One Revenues and Benefits Service	Billed: £33.5m	Billed: £ 34.8m
		% Collected: 98.90%	% Collected: 99.01%
		Total Outstanding 31 March 2011: £0.72m	

Reported that unlike with Council Tax, the collection of Non-Domestic Rates had no direct financial impact on the Council as any shortfall on collection was met by the central Non-Domestic rating pool. However, poor performance would have a negative impact on the Council's reputation. For this reason, Non-Domestic Rate Council collection was a key performance indicator within the Southwest One contract.

The 2010/2011 performance significantly exceeded the target set of 98.3% and was likely to represent top quartile performance for District Council's nationally.

(d) Housing Benefit Overpayments

Debt Type	Responsibility	2009/10	2010/11
Housing Benefit Overpayments	Southwest One Revenues and Benefits Service	Outstanding 31 March: £ 0.93m	Outstanding 31 March: £ 0.96m

Noted that the collection trend was very slightly downwards. Collection performance was monitored quarterly through Performance Indicators measuring the recovery of in-year and all year Housing Benefit overpayment debt.

Of the £0.96m outstanding, £360,000 was being recovered by deductions from on-going entitlement to Housing Benefit. However, the Government had stipulated that the maximum weekly deduction should be £10.20 or for those with fraudulent overpayments, £13.60. As some individual debts were extremely large, the ability to recover money owing in a timely manner was rather restricted.

Housing Benefit payments were largely reimbursed to the Council through subsidy, but good recovery of overpaid Housing Benefit would bring in much needed income.

In year collection of Housing Benefit debt at 31 March 2011 was 84.35%.

(e) Housing Rent

Debt Type	Responsibility	2009/10	2010/11
Housing Rent (current tenancies)	TDBC Housing Services	97.7% collected	98.1% collected
		Outstanding 31 March 2011: £0.35m	

Although the Housing Service marginally missed the target which they had set for 2010/2011 (98.3%) rent collection performance had shown a stepped improvement on that for 2009/2010.

Rent collection performance was included in the Community Scorecard and presented to both the Executive and the Corporate Scrutiny Committee.

Resolved that the mostly positive collection trends achieved over the past 12 months against the backdrop of the significant economic downturn, be noted.

39. Internal Audit Plan 2010/2011 – Annual Report

Considered report previously circulated, concerning the outturn position of the Internal Audit Plan for 2010/2011.

Details of the audits carried out under the following headings were submitted:-

- Operational;
- Information Systems;
- Key Controls; and
- Governance and Fraud.

As a result of the work undertaken during 2010/2011, the South West Audit Partnership (SWAP) was able to offer a 'reasonable' level of assurance in relation to the internal control environment at Taunton Deane.

Noted that out of a total of 28 audits, nine had been assessed as partial, 16 assessed as reasonable and three as comprehensive. Where weaknesses had been identified, the relevant officers had confirmed that they had or would be taking the necessary action to address these findings.

Further reported that the report also included details of the Audit Plan for 2011/2012 and a Schedule of Key Actions from Internal Audit work completed by SWAP since 1 April 2011.

Resolved that the report be noted.

40. Whistleblowing Policy

Considered report previously circulated, concerning the proposed introduction of an updated Whistleblowing Policy for Taunton Deane Borough Council.

The Council was committed to the highest possible standards of openness, probity and accountability. In line with that commitment we employees and others that we dealt with, who had serious concerns about any aspect of the Council's work, were expected to come forward and voice those concerns.

Reported that the Council's existing Whistleblowing Policy was very out of date. This has been reviewed and an updated version of the policy had been prepared which was supported by the Corporate Management Team and the Unions. A copy of the updated policy was submitted for the consideration of Members.

Once approved, it was intended to publicise it on the Council's website and make it available to all staff.

Resolved that the updated Whistleblowing Policy be approved.

41. Corporate Governance Action Plan

Considered report previously circulated, which provided details of the progress made against the Corporate Governance Action Plan.

Each year the Council received a number of reports and assessments which

resulted in recommendations for improvement. Individual action plans had proved challenging to manage and monitor and, therefore, an aggregated plan provided the details of the scale of improvements required and progress against them in one place.

The Corporate Governance Action Plan had undergone a full review and had been updated to include the most recent audit recommendations. These were in addition to some actions from previous audits that remained outstanding or were still considered as priorities for improvement.

The Corporate Governance Action Plan listed 32 actions, details of which were submitted. The progress monitoring indicated an improved situation compared to the previous report (Minute No. 15/2011). Currently, most actions were on course to be completed by the target date.

Noted however that there were five 'High Priority' action items which might not be completed on time. These were:-

- Completing the Business Continuity (BC) and IT Disaster Recovery Planning (including SW1 services);
- Updating the Workforce Strategy and completing and agreeing a new workforce plan;
- Improving control and monitoring of Section 106 Agreements;
- Ensuring that the Council realised benefits from SW1 and SW1 Transformation Projects; and
- The Council should review its debtor balances to ensure that the amounts included were receivable or if the amounts should be considered for write off.

Further reported that following a review of the Internal Audit findings from 2010/2011, the following four 'high risk' recommendations would be added to the Corporate Governance Action Plan:-

Creditors (data quality)

- That the Section 151 Officer monitored the level of purchase order compliance and encouraged three-way matching;
- That the Section 151 Officer ensured guidance was issued to staff on when the Direct Input payment method was used;
- That the Shared Accounting Manager determined why duplicate payments continued to occur and from this reviewed the effectiveness of appropriate duplicate controls; and

Licensing monies

- That the Performance and Client Lead requested the Business Support Leads for Licensing and Planning works with the IT Department to ensure the kiosk was programmed to ensure it could take cash payments.

Resolved that the Corporate Improvement Plan be noted.

42. Review of the effectiveness of Internal Audit

Considered report previously circulated, regarding a recent review that had been undertaken into the effectiveness of Internal Audit.

The Internal Audit function formed a part of the Corporate Governance and Internal Control Framework that provided accountability to stakeholders on all areas of the Corporate Plan.

The function was provided to Taunton Deane Borough Council and a number of other local authorities in the region by the South West Audit Partnership (SWAP).

SWAP's opinion on the adequacy and effectiveness of the Council's internal control framework formed a key part of the evidence used in preparing the corporate Annual Governance Statement (AGS) for 2010/2011, which would be published at the same time as the Council's Statement of Accounts later this year.

The review was an annual requirement to consider the effectiveness of the arrangements for the provision of Internal Audit services. This included the scope and terms of reference of Internal Audit, independence, ethics and competence, audit committees, relationships, staffing, audit strategy and planning, how audit work was undertaken, due professional care, reporting and performance, quality and effectiveness, as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit.

Details of the review which had been undertaken by the Council's Section 151 Officer, Shirlene Adam, were submitted.

The review had found that overall, the team performed at a satisfactory level, and that this view was supported by the comments of external auditors.

In reviewing SWAP's performance, the Management Board had agreed Standards of Service which would help ensure that each partner received the same level and quality of service. Full details were submitted for the information of Members.

Further reported the progress that had been with the actions which were to have been completed in 2010/2011.

The following actions were recommended for the current financial year:-

- To fully implement the agreed Standards of Service;
- To review the current Governance arrangements of the SWAP Partnership and make recommendations for improvement;

- To support the Council in using the MKI management information system for monitoring progress against audit recommendations;
- To ensure that the controls tested, and the sample sizes used, met the requirements of the Audit Commission for all Managed Audits; and
- To ensure the “Managed Audits” were completed to final report stage by the end of January each year (to support the external audit work).

It was the opinion of the Strategic Director that the system of Internal Audit was effective.

Resolved that the findings of the review and the effectiveness of Internal Audit for 2010/2011 be noted.

43. Consultation Paper – Future of Local Public Audit

Reported that in preparation for the abolition of the Audit Commission, the Department for Communities and Local Government (DCLG) had published a consultation on the future arrangements for local public audit.

The consultation included proposals relating to the possible future role and composition of the Audit Committee. The proposals would result in all local bodies with a turnover exceeding £6,500,000 appointing their own independent auditor.

Four design principles had been used to develop the proposed changes:-

- (1) Localism and decentralisation;
- (2) Transparency;
- (3) Lower audit fees; and
- (4) Higher standards of auditing.

The deadline for responses to the consultation was 30 June 2011.

The report summarised the main issues arising from the consultation and contained a draft response for consideration and comment by Members of the Committee.

Key issues raised in the consultation paper related to:-

- The imposition of independent but unelected Chairman, Vice-Chairman and Members of the Audit Committee;
- The impact on existing arrangements for “corporate governance” in Taunton Deane;
- The potential for over-prescriptive and onerous external audit requirements; and

- The proposed imposition of the role of commissioner of independent examinations and de facto regulator of smaller public bodies operating within the area of Taunton Deane.

The report also set out the suggested options for the scope of the external audit and the work of the auditors and the arrangements that could be put in place for smaller bodies.

Members considered the response of the Strategic Director, Shirlene Adam, to the specific questions set out in the consultation paper and agreed that this should be sent to the DCLG to meet the deadline.

Resolved that:-

- (1) The key issues emerging from the Government's Consultation Paper on the Future of Local Audit be noted; and
- (2) The proposed response to the consultation paper be approved.

44. Forward Plan

Submitted for information the proposed Forward Plan of the Corporate Governance Committee.

Resolved that the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 8.32 pm).

Corporate Governance Committee – 25 July 2011

Present: Councillor Denington (Chairman)
Councillor A Wedderkopp (Vice-Chairman)
Councillors Mrs Allgrove, Beaven, Coles, Gaines, A Govier, Hall, Hunt,
Miss James, R Lees, Mrs Stock-Williams and Tooze

Officers: Shirlene Adam (Strategic Director and Section 151 Officer), Tonya Meers (Legal and Democratic Services Manager and Monitoring Officer), Tracey Healy (Principal Accountant), Adrian Mutter (Accountant), Keith Wiggins (Democratic Services Officer) and Miss N Williams (Administrative Officer)

Also present: Councillors Morrell, Nottrodt and Williams.

(The meeting commenced at 6.15 pm)

45. Apology/Substitution

Apology: Councillor D Reed

Substitution: Councillor Mrs Allgrove for Councillor D Reed

46. Declaration of Interests

Councillor A Govier declared a personal interest as a Member of Somerset County Council. Councillor Miss James declared a personal interest as an employee of Viridor. Councillor Tooze declared a personal interest as an employee of the UK Hydrographic Office.

47. Draft Statement of Accounts 2010/2011

The Council's Section 151 Officer informed Members that the process and timetable for approval of the Statement of Accounts had been changed from previous years. Members would now be asked to approve the accounts in September once they had been commented on by the external auditors, as a result of changes in public audit regulations and the introduction of International Financial Reporting Standards (IFRS).

The Principal Accountant had circulated the revised format Statements on Movement in Reserves and Comprehensive Income and Expenditure, plus the new Balance Sheet. She explained that the accounts must be considered and approved by Members before 30 September 2011.

The format of the Council's accounts had been changed to reflect the requirements of IFRS. Differences from previous years included the treatment of some balance sheet items (now shown as cash) and staff annual leave carried forward.

The information source for the account was from the SAP system and was subject to quarterly monitoring. Members could have confidence in the accuracy of those accounts through the work of the Council's own qualified accountants, plus the internal and external audit work, carried out by the South West Audit Partnership (SWAP) and the Audit Commission respectively.

Members heard that the overall Statement of Accounts now comprised four primary financial statements. These were the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet and;
- Cash Flow Statement.

The key elements of each were explained in turn.

The Movement in Reserves was a new statement which detailed the movements in year on reserves held by the Council. It showed an analysis between useable and unusable reserves and was expected to be the key statement to enable Members to understand the overall financial position of the Council.

The Comprehensive Income and Expenditure Statement (CIES) was shown previously as the Income and Expenditure Account and the Statement of Recognised Gains and Losses. This showed the accounting cost in the year of providing services and detailed day to day revenue spending and income for the year.

The headline figures showed total expenditure (in Cost of Services) of £161m and total income (in Cost of Services) of £77m. This included two large accounting adjustments for the revaluation of Assets (-£75m) and Pensions (+£10m).

The Balance Sheet showed the value of assets and liabilities as at 31 March 2011. The top half was the total assets less total liabilities (both short and long term) – the bottom half matched the top half and was made up of the reserves held by the Council.

Members asked questions on the treatment of prepayment of postal franking and of art work owned by the Council and received answers from officers.

The timetable for the replacement of the Audit Commission as external auditor was discussed – and why it remained necessary to have three levels of audit of the Council's accounts.

The Chairman was of the view that this new system of public sector accountability provided a similar level of oversight to that required of large private sector companies.

Resolved that the circulated statements and presentation be noted.

48. Draft Annual Governance Statement 2011/2012 and Local Code of Corporate Governance

Considered report previously circulated, which detailed the draft Annual Governance Statement (AGS) for Taunton Deane Borough Council prior to its signature by the Leader of the Council and the Chief Executive.

The Council was required to prepare, as proper practice, an Annual Governance Statement to sit alongside the Council's accounts. The purpose of the statement was to provide assurance that the Council had a sound governance framework in place to manage risks that might prevent achievement of its statutory obligations and organisational objectives.

The Section 151 Officer had led the 2010/2011 review of the governance framework, supported by the Monitoring Officer (who had led an associated review of the Local Code of Governance), the Group Auditor and Strategic Finance Officer. The purpose of the review was to highlight any serious governance issues and actions needed to deal with them.

The conclusions from the review were that the Council's governance framework was satisfactory during 2010/2011.

Early in the financial year there were some weaknesses around the effective working of SAP (for example, duplicate payments and debt recovery). These had largely been fixed and controls were now working well. The challenge now was for the Council to ensure that agreed procedures were in place and being followed across the entire organisation.

More recently concerns had been shared on the level of resourcing of the financial advisory service to the Council. Work continued to resolve this matter with Southwest One.

The Section 151 Officer indicated there were some governance issues highlighted within the report that the Council would progress in order to further enhance the control framework. These included:

- Ensuring up to date Business Continuity Plans for all services;
- Ensuring up to date Disaster Recovery Plans for major risk areas of the Council;
- Ensuring our Partnerships realised the benefits they were intended to achieve;
- Ensuring that Equalities Assessments were embedded in our decision making process;
- Strengthening our arrangements for managing and monitoring s106 agreements;
- To update the Council's policies on Fraud and Debt Management and introduce regular briefings on these areas to Members;
- Improve benchmarking and Value For Money arrangements;

- To develop the Council's Strategic IT and Property arrangements;
- To continue to review the operation of and usage of SAP to ensure that the internal control framework remained robust; and
- To update the Councils Financial Regulations.

The Corporate Governance Committee would receive reports on progress being made during the year.

A Councillor referred to Core Principle 4 within the Governance Framework (taking informed and transparent decisions which were subject to effective scrutiny and risk management arrangements) and questioned whether the Council had fallen short of effective scrutiny surrounding a particular issue in Taunton.

The Monitoring Officer responded that the decision had been subject to significant scrutiny and followed the process and principals of the code. The Leader of Council, Councillor Williams, added that most members had accepted that due process had been followed.

Resolved that the Annual Governance Statement be approved.

49. Corporate Governance Committee Forward Plan

Submitted for information the proposed Forward Plan of the Corporate Governance Committee.

Resolved that the Corporate Governance Committee Forward Plan be noted.

50. Exclusion of Press and Public

Resolved that the Press and Public be excluded from the meeting for the following item because of the likelihood that exempt information would otherwise be disclosed relating to Clause 3 of Schedule 12(A) to the Local Government Act 1972 and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

51. Section 106 Agreements - Review of Management and Controls

Considered report previously circulated, regarding a recent review of the key issues on the management of Section 106 Agreements for the Council.

Section 106 (s106) of the Town and Country Planning Act 1990 provided the legal framework for Taunton Deane Borough Council (as the Local Planning Authority), when granting planning permission, to enter into an associated legally binding agreement for that land.

Traditionally, authorities used this framework to provide funding for changes to highways, contributions towards the provision of schools, the creation and

future maintenance of open spaces, the provision of leisure facilities and affordable housing.

S106 Agreements were negotiated by the Council's Development Management function. The associated documentation was then prepared by the Legal Services Team.

The "obligation" in the agreement could be delivered by the developer, or they could transfer a sum to the relevant local authority for them to carry out the obligation on their behalf. The obligation might not be activated until some time after the development began.

The management of s106 agreements was currently spread through many departments.

The Audit Commission had identified concerns with regard to the controls around the management of s106 agreements last year. Following this an internal audit review of the s106 process was commissioned (across Somerset) to try and gain some learning from other authorities. The confidential internal audit report was provided to Members as an appendix to the public report.

The final section of the public report provided an update on the new legal framework (Community Infrastructure Levy) that replaces the 1990 Act, and set out how this would be managed at Taunton Deane.

Resolved that the proposed changes to the management of Section 106 agreements be supported.

(The meeting ended at 7.56 pm).