

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).