

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 27th September, 2012, 5.30 pm

Councillors: Andrew Furse (Chair), Gerry Curran, Dave Laming, Barry Macrae, Will Sandry, Brian Simmons and Geoff Ward

Independent Member: John Barker

Officers in attendance: Jeff Wring (Divisional Director, Risk Assessment & Audit Services), Tim Richens (Divisional Director for Finance), Jamie Whittard (Financial Accounting and Planning Team Leader), Graham Sabourn (Director of Housing and Health)

Guests in attendance: Victor de Cunha (Curo), Dominic Lynch (Curo).

14 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

15 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

17 DECLARATIONS OF INTEREST

There were none.

18 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

19 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

20 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

21 MINUTES - 15TH MAY 2012

The minutes (moved by Councillor Ward and seconded by Councillor Curran) were unanimously approved as a correct record and signed by the Chair.

22 PROPOSED CHANGES TO SOMER/CURO

The Chair (Councillor Andy Furse) introduced the report and explained that the Corporate Audit Committee were considering this issue as a result of a referral from the Housing and Major Projects Policy, Development and Scrutiny Panel. He welcomed the representatives from Curo and informed the Members that they had been invited in order to answer any factual questions the Committee might have.

He asked the Associate Director of Housing and Health to present the report. The officer explained the background to the recent proposed changes to Somer Housing and Curo together with the concerns highlighted by the Housing, Major Projects Policy, Development and Scrutiny Panel. These centred around the nature of the Council's representation on the Board and changes to the tenants' representation.

Mr de Cunha (Curo) was invited to respond. He said that there was concern that representation would compromise the influence that the Council had on the Board, but he pointed out that the law requires that non-executive directors set aside other interests if they become members of a charitable Board. In response to the second concern he said that arrangements for the residents' involvement were evolving, but that they were not constitutional. Curo wished to modernise its governance according to best practice. It was Curo's opinion that the special relationship with Bath and North East Somerset Council was not best served through Board membership, but through meetings between senior officer of Curo and senior politicians.

Cllr. McRae said that he had come to a different conclusion and that it was not possible for representatives to wear two hats. He was concerned that, according to the proposed model, meetings with Curo would not be in the public forum and therefore not democratic. He welcomed modernisation and the adoption of best practice, but emphasised the need for transparency.

Cllr Curran said that it was inevitable that B&NES had a special relationship with Curo as they held 80% of the authority's social housing stock. However, this should not be to the exclusion of other responsible social landlords (RSLs). It was important not to downgrade the relationship with Curo but to upgrade the relationship with other RSLs.

Cllr Ward asked whether it was possible to create a body underneath the Board where councillors and residents can consult. Mr de Cunha replied that the current arrangement with B&NES was a quarterly meeting with councillors, recently re-named as a strategic partnership forum. Its aim was to discuss mutual interest and vision for the future and Curo felt that this kind of engagement was more appropriate. It could be possible to develop the forum further to include political party representation and work at a strategic level for senior officers and politicians.

Cllr Ward commented that if that were the interface between the Council and Curo then he was not sure that a councillor needed to be on the Board, especially if they were not allowed to report back. He asked how Curo consulted with other local authorities. The Associate Director of Housing and Health added that it was not usual for housing associations to have councillors on their Boards. There were other ways of maintaining influence. He felt that ward members brought a lot to Boards in reflecting residents' interests.

Cllr Sandry said that Boards have members who have no experience of social housing. He was concerned about the charitable objectives of Curo, specifically where there had seemed to have been a recent culture change at residents meetings where they were told what was happening rather than being consulted.

Cllr Curran said that he felt it was not necessary for the Council to have a representative on the Board, but it was necessary to operate as a strategic partner. He asked how differences of opinion would be resolved.

Cllr Furse added that there was a corporate risk to the Council from Curo in that residents tend to say that was 'the council' that e.g. did not cut their hedges rather than Curo.

Mr de Cunha replied that Curo was still essentially a charity and primarily existed for the social good alongside engaging in a small amount of commercial activity. Part of their modernisation was the setting-up of a fit-for-purpose Board which would include members who have empathy for residents. A local councillor could apply to become a non-executive member in order to bring those skills to the Board. Mr de Cunha admitted that Curo had made mistakes but was now working closely with local resident groups to create estate action plans. They had completed a 9 month consultation and were hoping to change local accountability structures towards more flexible models of joint working.

Cllr McRae said he was pleased to hear Curo's response and that he was happy that the Housing Manager would represent Council views. However, he wanted to know what the risk to the Council was about not having a Board member.

Cllr Ward agreed that the Council did not need a Board member but that there should be a strong forum.

Cllr Sandry asked whether the charitable objectives for Somer Housing were different from those of Curo. Mr de Cunha replied that Curo were hoping to broaden their charitable objects. Cllr Sandry pointed out that the local area panels used to be able to set their own agendas, but that now there was no opportunity for residents' involvement on the agenda. Mr de Cunha replied that Curo had set up residents' scrutiny committees (a regulatory requirement) which have an unfettered line to the Board.

Cllr Curran said that, with reference to the rejection of a recent planning application for social housing in Clutton, he was keen that the Council work with Curo to minimise the occurrence of planning refusals.

Recommendations

The Corporate Audit Committee –

- Supports the development of the Strategic Partnership meeting outlined in section four of the paper to manage the Council's relationship and influence on Curo as its key strategic housing partner;
- Supports the further development of the Council's relationship with all registered social landlords in the Bath & North East Somerset community;

- Supports Curo in its determination to improve tenant participation and put customer service at the heart of its business;
- Supports Curo in the strengthening of its governance arrangements but believes it is a matter for individual councillors to decide whether they wish to apply for a place on the Curo Board as the role is not to represent the Council but to support the operations of Curo. It therefore does not believe the proposals pose any significant corporate risks to the Council.

NOTE OF CLARIFICATION (agreed at the meeting of 4 December 2012: "The outcome of the discussion was that the Curo Board has full responsibility for management and governance, and that any Councillor appointed to the Curo Board would not be representing B&NES Council."

23 BATH & NORTH EAST SOMERSET COUNCIL AUDITED STATEMENT OF ACCOUNTS 2011/12 & GOVERNANCE REPORTS FOR COUNCIL AND AVON PENSION FUND

The Divisional Director for Finance introduced the report and said that he was pleased with the improvements in the presentation of the accounts.

Audited Statement of Accounts 2011/12

Cllr Ward asked whether there were any changes in the Council's reserve position from last year and were there any concerns. The officer replied that the general fund balance had increased, as had the reserves. They were at a healthy level with which to face the current challenges. Cllr Ward further asked how the Keynsham development would be funded and was informed that it would mainly be through borrowing. As the Council has cash reserves, they can apply for cashflow funding for the project. Cllr Ward asked whether there were any departments where spending was above budget levels and was informed that every department was being closely monitored, with specific detail contained within the forward to the Accounts.

In response to a question from Cllr Laming, the officer confirmed that £11m had arisen from the Spa settlement and the 2nd payment (£13m) arising out of the Southgate development was also due later this year.

Cllr Sandry asked about the accuracy of the heritage asset values and whether it was a good idea to publicise them individually. The officer replied that the Council had to apply International Accounting Standards, but took a pragmatic approach and used insurance or heritage service valuations.

Cllr McRae said that he was re-assured by the professionalism of the external auditors. He thanked them and the wider finance team.

Annual Governance report – B&NES Audit 2011/12

Wayne Rickard (District Auditor) and Chris Hackett (Audit Manager) of the Audit Commission introduced their report.

Mr Rickard reported an improvement in the quality of the financial statements and working papers over the past seven years.

The Committee **RESOLVED** to note the adjustments to the financial statements and to approve the letter of representation.

Cllr Simmonds left the meeting at this point.

Annual Governance Report - Avon Pension Fund

Mr Hackett introduced the report and informed the Committee that there were no issues with the control reports from fund managers and that there were matters to report regarding fund systems.

Cllr Ward asked what audit was done on the fund managers and was informed that the auditors carried out a controls assurance review.

The Committee **RESOLVED** to note the issues to the Avon Pension Fund report and to approve the letter of representation.

Annual Governance Statement 2011/12

The Divisional Director, Risk Assessment, Audit Services introduced the report and informed Members that it had previously been signed off by the Chair of Council and the Chief Executive and was previously discussed at the May committee.

The Committee **RESOLVED** to note the issues within the Annual Governance report and to approve the letter of representation.

24 TREASURY MANAGEMENT OUTTURN 2011/12

The Divisional Director for Finance introduced the report and informed the Members that it represented a snapshot of the financial year. The Council was still looking to fund capital expenditure from cash flow rather than borrowing.

Cllr Laming asked about the West of England Revolving Investment Fund (para. 1.17) and where it was held. The officer assured the Members that it was invested safely in a Triple A rated investment and belonged to the West of England.

John Barker commended the finance team for their professionalism.

25 EXTERNAL AUDIT UPDATE REPORT

Wayne Rickard introduced the report whose purpose was to update the Committee on progress in delivering the external auditor's responsibilities. He asked the Committee to note that Grant Thornton would be appointed the Council's auditors as of 1st September 2012. He also informed the Committee that he was leaving the Audit Commission to take up another post and said that he had enjoyed working with the Council.

Cllr McRae thanked Mr Rickard for his service and professionalism.

The Chair concluded the meeting by thanking the external audit team.

The Committee **RESOLVED** to note the report.

The meeting ended at 7.40 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services