

MEETING AC.02:0809  
DATE 26.06.08

### **South Somerset District Council**

**Minutes** of a meeting of the **Audit Committee** held in Committee Room 3/4, Council Offices, Brympton Way, Yeovil on **Thursday, 26th June 2008**.

(10.00 a.m. – 11.20 a.m.)

**Present:**

**Members:** Derek Yeomans (in the Chair)

Roy Mills  
Tom Parsley  
Peter Roake

Alan Smith  
Colin Winder (from 10.15 a.m.)

**Also Present:**

John Calvert  
Robin Munday

**Officers:**

Ian Clarke  
Donna Parham  
Richard Holwill  
Andrew Blackburn

Head of Legal and Democratic Services  
Head of Finance  
Temporary Accountant  
Committee Administrator

**Also Present:**

Terry Bowditch Audit Manager, Audit Commission

#### **12. Minutes (Agenda item 1)**

The minutes of the meeting held on the 22nd May 2008, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

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#### **13. Apologies for Absence (Agenda item 2)**

Apologies for absence were received from Cllrs. Mike Best, Tim Inglefield, Ian Martin and John Richardson.

The Chairman informed members that Cllr. Tim Inglefield had now been appointed as Chairman of the South West Audit Partnership and therefore would be unable to continue as a member of the Audit Committee. He further indicated that it had been suggested that Councillor John Calvert be nominated to replace Cllr. Inglefield. It was noted that an item would be submitted to the next full Council meeting to enable the change in the membership of the Audit Committee to be determined formally.

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#### 14. Declarations of Interest (Agenda item 3)

There were no declarations of interest.

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#### 15. Public Question Time (Agenda item 4)

No questions or comments were raised by members of the public.

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#### 16. Amendments to Constitution (Agenda item 5)

The Head of Legal and Democratic Services summarised the agenda report, which asked members to note the amendments to the Council's Constitution that had been approved over the last six months and now needed to be incorporated within the Council's Constitution document. Members were informed that full Council had to approve the Constitution and any amendments to it following consideration by this Committee.

Members had before them a table showing the amendments that needed to be incorporated into the Constitution. Whilst going through the amendments, the Head of Legal and Democratic Services responded to members' questions on points of detail.

**RESOLVED:** that the Committee note the amendments set out on pages 2-4 and in appendices A, B, C and D of the agenda report and recommend to Council that they be approved for inclusion in the Council's Constitution.

*(Emily McGuinness – Scrutiny & Acting Democratic Services Manager – (01935) 462148)  
(emily.mcguinness@southsomerset.gov.uk)*

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#### 17. 2007/08 Annual Statement of Accounts (Agenda Item 6)

Reference was made to the agenda report and the Committee considered the approval of the 2007/08 Annual Statement of Accounts. The agenda report outlined the key features of the 2007/08 revenue outturn position, summarised the 2007/08 capital outturn position and presented the 2007/08 Statement of Accounts together with an explanation of the key features and reasons for variations within those accounts.

The Head of Finance handed to members present at the meeting a supplementary briefing note, which, following on from comments received from the Chairman, outlined suggested amendments to some of the wording in the Statement of Accounts document in order to make the statements concerned clearer and easier to understand. A copy of the supplementary briefing note is attached to these minutes.

The Committee went through the agenda report and scrutinised the draft Statement of Accounts page by page, including the information contained in the supplementary briefing note, during which the officers responded to members' questions in order to clarify points of detail and the basis for some of the entries. Members also commented on the way some of the information was presented. Points raised included the following:-

- reference was made to the loan of £2 million from the Public Works Loans Board and the Head of Finance reported that the loan had been obtained in advance of need for the capital programme. A decision was awaited on the proposed Yeovil Sports Zone project before deciding whether the loan should be set against that project, or, if the

project did not go ahead, another capital project, or whether the loan would be repaid. She further indicated that it was desirable to set the loan against a capital asset as it gave the Council the ability to write it off over a longer period of time;

- the officers explained fully how transactions relating to the Pension Fund were accounted for together with the meaning of the term “reversed out”, which was used within the accounts. It was also mentioned that the relatively new financial reporting requirements meant that the core local authority financial statements were now prepared in line with private sector accountancy practices, which had meant that some parts of the accounts were more complex;
- in recognising that certain aspects of the accounts were complex, members expressed concern that they may not be readily understood by the public;
- the Head of Finance informed members that a leaflet summarising the key points of the Statement of Accounts would be prepared for the public and she noted the comments of the Committee that it should be kept as simple as possible. The Head of Finance indicated that she would submit the leaflet to the Committee to enable members to see it before it was published;
- the Head of Finance commented that the section “Reporting against the budget” on page 5 of the accounts document had been included early on in the Statement of Accounts to enable members of the public to pick up the main points without having to search through the document;
- an explanation was given of the term “Organisational Development” and, in response to comments made, the Head of Finance indicated that she would include the services that came under each main service heading in next year’s document;
- references to the “LSP” (Local Strategic Partnership) should be put in full and generally the use of acronyms should be minimised and where used should be defined;
- it was explained that the reference to “Payments to Clients” in the pie chart on page 7 of the accounts related to benefit claimants. A member commented that it would be helpful to identify what the Council did as agents for others and where reimbursement was received from the Government;
- reference was made to the quote on page 8 of the document “85% of residents surveyed feel safe in South Somerset during the day” and the Head of Finance explained that the intention was to include key messages received from the public relating to the Council’s Corporate Aims. The Head of Finance noted the view of the Committee that given that the statistical basis for the quote was not mentioned, the inclusion of the quote was not considered to be particularly useful. The Committee agreed that it should be taken out of the final document;
- members noted that the cost of collecting Council Tax and Business Rates (£1.271m) shown on page 8 of the document was a small percentage of the amount actually collected of around £112m;
- in response to a question from a member, the Head of Finance commented that she was not able to say at this stage whether the spend on concessionary fares had peaked as it was not yet known how the national scheme was affecting usage. It was noted that she was trying to obtain that information from Somerset County Council who administered the scheme;

- the Head of Finance explained that the Council's assets were revalued on a five year rolling programme and depreciation realigned accordingly;
- reference was made to the entry for "Loss on Disposal of Fixed Assets" in the Income and Expenditure Account, which related to the authority transferring its fixed assets relating to the waste service to Somerset County Council for nil consideration as part of the agreement with all other Somerset district councils and the County Council to set up the Somerset Waste Partnership, which now operated the waste and recycling service throughout the county. The Head of Finance informed members that note 2 to the core financial statements explained that entry;
- reference was made to capital programme projects and Section 106 Planning Obligations together with the related commuted sums and, in response to comments, the Head of Finance indicated that any projects should not go ahead without the funding having first being realised. With regard to Section 106 Planning Obligations in particular, the Head of Finance reminded members that a scoping exercise was being undertaken to assess how the forthcoming operational audit of planning obligations and commuted sums would be carried out. A report on the scoping exercise would be submitted to the Committee shortly;
- a member referred to note 36 regarding earmarked reserves and in response to a query about how long such reserves were held, the Head of Finance explained that the accountants looked at the projects in the earmarked reserves on a quarterly basis to check whether the project was still ongoing and that there was still a need for the allocation;
- it was noted that the bad debts written off against Council Tax was less than 0.5% of that collected;
- the officers noted the comments of members regarding the colours used on the document and agreed to make the dark green lighter where appropriate.

Having examined the document and commented on the information presented, the 2007/08 Statement of Accounts was approved by the Committee by the Chairman signing and dating the balance sheet. The Committee thanked the Head of Finance and the Accountancy team for their work in preparing the document.

- RESOLVED:** (1) that the 2007/08 Statement of Accounts be approved;
- (2) that the comments of members set out above together with the supplementary briefing note containing amendments to some of the wording in the Statement of Accounts (copy attached to these minutes) be taken into account by the Head of Finance in preparing the final document.

*(Richard Holwill, Temporary Accountant – (01935) 462542)*  
*(richard.holwill@southsomerset.gov.uk)*

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**18. Date of Next Meeting (Agenda item 7)**

Members noted that the next meeting would be held on Thursday, 24th July 2008 at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.

**NOTED.**

*(Andrew Blackburn, Committee Administrator – (01460) 260441)  
(andrew.blackburn@southsomerset.gov.uk)*

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Chairman

# Statement of Accounts – 2007/08

## Briefing Note

### Proposed Changes to Statements

#### Page 16 – Disposals (last Paragraph)

As printed	Proposed
A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.	A proportion of receipts relating to housing disposals is payable to the Government. In practice this relates only to mortgage repayments, 75% of which must be paid over to the Government.

#### Page 18 – 16. Repurchase of Borrowing

As printed	Proposed
Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the balance sheet and written down to revenue on a straight-line basis over the term of the replacement loans.	Paragraph to be deleted and subsequent policies renumbered  <i>(This policy is already explained in greater detail in the second paragraph of 17. Financial Liabilities)</i>

#### Page 28 – Note 12 – Transfers to reserves

As printed	Proposed
Net transfers to or from earmarked reserves	Net transfers to earmarked reserves

#### Page 34 – Note 29. Revaluation Reserve (repeated on Page 35 – Note 31. Capital Adjustment Account)

As printed	Proposed
.....The debit balance of £33,835,000 and the credit balance of £68,614,000 on the FARA and CFA respectively at 31 March 2007 have been written off to the Capital Adjustment Account with a resulting credit balance of £34,779,000. ....	.....The debit balance of £33,835,000 and the credit balance of £68,614,000 on the FARA and CFA respectively at 31 March 2007 have been transferred to the Capital Adjustment Account with a resulting credit balance of £34,779,000. ....

# Statement of Accounts – 2007/08

## Briefing Note

### Additional Explanation

#### Page 28 – Note 12 – Pension Fund Transactions

Details of transactions in the I&E Account and SMGFB are set out in Note 44 on page 44 under the heading "Transactions relating to Retirement Benefits".

Essentially the charges debited to the I&E account (totalling £3,103K) are calculated in accordance with FRS 17. In order to protect the Council Taxpayer these are reversed out in the SMGFB and substituted by the actual contributions paid over to the Pension Scheme (totalling £2,038K).

#### Page 28 – Note 12 – Transfers to reserves

The net transfer to earmarked reserves is made up as follows –

	£000
Transfers to Earmarked Reserves (detailed in Note 36 on Page 37 under the heading "Receipts in 2007/08")	1,844
Transfers from Earmarked Reserves (detailed in Note 36 on Page 37 under the heading "Payments in 2007/08")	<u>(754)</u>
Net transfers to Earmarked Reserves	1,090
Appropriation from Usable Capital Receipts re payment to Housing Capital Receipt Pool (see Note 34 on Page 36)	(27)
Rounding Difference	<u>(1)</u>
Per Note 12	<u>1,062</u>