

**South Somerset District Council**

**Draft Minutes** of a meeting of the **Audit Committee** held in the Main Committee Room, Council Offices, Brympton Way, Yeovil on **Thursday 24<sup>th</sup> June 2010.**

(10.00 a.m. – 11.20 a.m.)

**Present:**

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

Mike Best  
Ian Martin  
Roy Mills  
John Richardson

Peter Roake  
Alan Smith  
Colin Winder

**Also Present:**

Robin Munday

**Officers:**

Donna Parham  
Amanda Card  
Karen Gubbins  
Jo Morris

Assistant Director (Finance and Corporate Services)  
Finance Manager  
Principal Accountant - Exchequer  
Committee Administrator

**Also Present:**

Mark Pickering  
Peter Lappin

Director, Arlingclose  
Audit Manager, Audit Commission

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**10. Minutes (Agenda Item 1)**

The minutes of the meeting held on 27<sup>th</sup> May 2010, 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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**11. Apologies for Absence (Agenda Item 2)**

Apologies for absence were submitted on behalf of Councillors John Calvert and John Hann.

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**12. Declarations of Interest (Agenda Item 3)**

There were no declarations of interest.

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**13. Public Question Time (Agenda Item 4)**

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

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**14. Performance of Treasury Portfolio (Agenda Item 5)**

Mark Pickering, a Director at Arlingclose (the Council's treasury management advisors) attended the meeting to update members on the current economy and performance of the Council's treasury portfolio.

During his presentation, members received a general overview of the economic situation and were shown various graphs indicating the following:

- Oil price
- Consumer Price Index
- UK Interest rates
- House prices
- Monthly Bank of England Mortgage Approvals
- UK Employment Rate
- Consumer Confidence

Members were then updated with the aid of graphs on the Council's investments.

A copy of the presentation slides would be circulated for information to members of the Audit Committee to be inserted into their Treasury Management Files.

In summary, members noted that SSDC were currently in a very strong position in what were likely to become increasingly difficult economic circumstances and that income streams would continue to be lower. The Council was extremely well managed, given good advice and would continue to maintain medium term investments. It would not be looking to take any higher risks but would also continue to look at the market for additional products and opportunities.

The Chairman thanked Mark Pickering for his informative presentation and the excellent advice given to the Council. He also thanked the Assistant Director (Finance and Corporate Services) and her team for their excellent work.

Members felt that it would be beneficial for Mark Pickering to attend the Audit Committee in October to give a reappraisal of the Council's investment position in light of the outcome of the Government's spending review expected in October.

It was agreed that the Assistant Director (Finance and Corporate Services) would provide members with an update on a quarterly basis detailing an overview of issues affecting the Council's treasury portfolio.

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**15. 2009/10 Treasury Management Activity Report (Agenda Item 6)**

The Principal Accountant – Exchequer introduced the report, which outlined the treasury management activity for the 2009/10 financial year, as prescribed by the revised CIPFA Code of Practice and in accordance with the Council's Treasury Strategy and Annual Investment Policy and Treasury Management Practices. She explained that as at the end of March 2010, the Council had invested £39 million with a return of £2.2 million,

which was over and above the original budget set. She also referred members to the Prudential Indicators as set out in the report.

Members noted that as at present Santander had been removed from the Council's lending list because of the sovereign downgrading of Spain.

With reference to page 7 of the agenda under Prudential Indicator No. 2 – Ratio of Financing Costs to Net Revenue Stream, it was noted that the variance figures in the final column were inflated by reimbursement in VAT and that this was not clearly shown in the report. The Finance Manager agreed to highlight this in future reports.

Members referred to page 11 of the agenda, paragraph 45, and noted that the additional capital expenditure was higher than the budget due to additional schemes agreed outside the annual bid process. The Finance Manager commented that some schemes came to light throughout the year or could be on the reserve list. It was felt that this was an aspect to be looked at in the future.

**RESOLVED:**

- (1) that the Treasury Management Activity for the 2009/10 financial year be noted;
- (2) that the outlook for the investment performance in 2010/11 be noted;
- (3) that the outturn position and explanation of variances for the Prudential Indicators for the 2009/10 financial year be noted;
- (4) that the 2009/10 Treasury Management Activity Report be recommended to full Council.

*Karen Gubbins, Principal Accountant – Exchequer – (01935) 462456  
(karen.gubbins@southsomerset.gov.uk)*

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## 16. Opinion Audit Plan (Agenda Item 7)

Peter Lappin, Audit Manager, introduced the report, which outlined the annual Audit Opinion Plan for the audit of the 2009/10 Statement of Accounts. The report highlighted the key risk areas of the Statement of Accounts that the Audit Commission would review as part of auditing those statements. Reference was made to Appendix 1 to the report, which set out the indicative fees letter in relation to the scale set by the Audit Commission. The Audit Manager referred members to Table 1 on page 21 of the agenda and outlined the areas that the Audit procedure would look at, which included redundancy payments, fixed assets and investments.

In response to a question regarding redundancy risk, members were informed that redundancy payments in 2009/10 would be looked at as part of the audit of the 2009/10 financial statements. The Coalition Government would be making announcements in October 2010, which would need to be reviewed in October as part of the spending review.

It was noted that as a result of changes in accounting regulations, the Council would be required to make changes relating to accounting for NNDR and Council Tax and disclose some of its officers' remuneration.

With regard to the risk area identified under Fixed Assets on Table 1, it was noted that the classification error related to the Yeovil Innovation Centre, which was required to be re-categorised as an Investment Property asset rather than an asset under construction.

Members noted that the report on the audit of the 2009/10 financial statements would be presented to the Audit Committee in September.

**RESOLVED:** that the Audit Opinion Plan be noted.

*Donna Parham, Finance and Corporate Services – (01935) 462225  
(donna.Parham@southsomerset.gov.uk)*

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## 17. 2009/10 Annual Statement of Accounts (Agenda Item 8)

The Finance Manager introduced the report, which outlined the key features of the 2009/10 revenue outturn position, summarised the 2009/10 capital outturn position and presented the 2009/10 Statement of Accounts with an explanation of the key features and reasons for variations within those accounts.

Members noted that under the new accounting regulations there was a change to the way in which the financial statements were presented. With regard to accounting for NNDR (national non domestic rates) and Council Tax, income collected for other bodies, e.g. SCC, would be excluded from the Council's debtors and creditors balances.

The Finance Manager reported an amendment to page 33 of the draft Statement of Accounts and explained that the annualised contribution figure in brackets should read £69,647 instead of £139,295. The Statement of Accounts would be updated to reflect this amendment.

The Committee went through the agenda report, during which the officer's responded to members' questions in order to clarify points of detail. Points raised included the following:

- the Assistant Director (Finance and Corporate Services) reported that there were targets for the collection and treatment of bad debts and that SSDC were still responsible for maintaining the collection fund;
- with reference to the revenue outturn, comment was made that there were a number of cases with a high projected spend against the original budget, in particular the budget for Area East. In response, the Assistant Director (Finance and Corporate Services) reported that the grants budget for Wincanton Pool had transferred part way through the year from District Executive to Area East. Some fluctuations were due to budgets moving from one service to another because of the changes in senior management. There had also been some movement with setting up the new Assistant Directors structure;
- members noted that a new traffic light system had been introduced to monitor budgets more accurately and to pick up on any underspends so that the money could be transferred elsewhere. Regular monitoring was carried out with Service Managers throughout the year. It was noted that District Executive were expected to consider a report on budget carry forwards in July;
- with reference to budget overspends, members were informed that managers were asked for a plan of how they intended to control their budget and to what extent they could manage the shortfall;

- with regard to the ICT service underspend, it was noted that the Council was late in signing an expected agreement;
- an explanation was given regarding the likely cuts expected over the next 4 years and that work was being undertaken to prepare for the outcome of the Government's spending review expected in October;
- members were informed that further work was being undertaken on income generation;
- reference was made to the Old Town Station – Completion Works and the Assistant Director (Finance and Corporate Services) reported that this was due to retention that was repayable to the developer once the scheme was completed and no further reparation works were necessary;
- members noted that the pension reserve would look more favourable over the next year;

Having examined the document and commented on the information presented, the 2009/10 Annual Statement of Accounts was approved by the Committee by the Chairman signing and dating the balance sheet.

**RESOLVED:** that the 2009/10 Statement of Accounts be approved.

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**18. Date of Next Meeting (Agenda Item 9)**

Members noted that the next meeting would be held on Thursday 22<sup>nd</sup> July 2010 at 10.00 a.m. in Committee Room 3/4, Council Offices, Brympton Way, Yeovil.

**NOTED.**

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

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Chairman