

MEETING AC.05:1112  
DATE 27.10.11

## South Somerset District Council

**Draft Minutes** of a meeting of the **Audit Committee** held in Committee Room 3/4, Council Offices, Brympton Way, Yeovil on **Thursday, 27th October 2011**.

(10.00 a.m. – 11.30 a.m.)

### Present:

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

John Calvert	Ian Martin
John Dyke	Roy Mills
Marcus Fysh	John Richardson (from 10.05 a.m.)
Tony Lock	Colin Winder

### Also Present:

Tim Carroll

### Officers:

Mark Williams	Chief Executive
Donna Parham	Assistant Director (Finance & Corporate Services)
Amanda Card	Finance Manager
Karen Gubbins	Principal Accountant - Exchequer
Neil Waddleton	Section 106 Monitoring Officer
Andrew Blackburn	Committee Administrator

### Also Present:

Mark Pickering	Director, Arlingclose Ltd
Cllr. David Cox	Portfolio Holder for Finance, East Devon District Council

The Committee welcomed Mark Pickering, Director of Arlingclose Ltd. (the Council's Treasury Management advisers) who had attended the meeting to make a presentation as part of agenda item 7.

Cllr. David Cox, Portfolio Holder for Finance at East Devon District Council who had attended the meeting to observe the proceedings, particularly with regard to the Treasury Management item, was also welcomed.

## 41. Minutes (Agenda item 1)

The minutes of the meeting held on the 22nd September 2011, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

## 42. Apologies for Absence (Agenda item 2)

There were no apologies for absence.

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

Cllr. John Calvert referred to agenda item 7 regarding the Treasury Management Performance to September 2011 and Mid-year Review of the Treasury Management Strategy and item 8 regarding the Treasury Management Practices and declared a personal interest as his son worked for one of the banks on the counterparty list which may be used by the Council for specified investments.

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

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

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### 45. Audit Review - Section 106 Planning Obligations and Commuted Sums Update (Agenda item 5)

The Section 106 Monitoring Officer summarised the agenda report, which updated members on the progress made in respect of the monitoring of financial and non-financial planning obligations.

During the ensuing discussion, the Section 106 Monitoring Officer responded to members' questions and comments. Points addressed included the following:-

- reference was made to the Community Infrastructure Levy (CIL), the regulations for which came into force on the 6th April 2011 and a member queried when the new charging scheme may be introduced. The Section 106 Monitoring Officer reported that the system would replace the existing Section 106 procedures in respect of the funding of necessary infrastructure requirements and would be applied by way of a charging structure to almost all types of development. He also referred to the Infrastructure Delivery Plan, which included details of the infrastructure needed to support the delivery of the Core Strategy. Members were informed that it was necessary for the Council to adopt the Core Strategy before the CIL charging scheme could be introduced. It was also noted that from April 2014, the authority would only be able to secure contributions if it had implemented a CIL charging scheme. The Section 106 Monitoring Officer further indicated that Section 106 obligations would still continue alongside the CIL but would cover elements that were not covered by the new scheme and therefore would have less of an impact. Comments were expressed by members about the importance of the implementation of the CIL charging scheme by April 2014 especially as it was an important financial aspect for the Council. Members wished to be kept up to date with progress and asked that an update report be submitted to the Committee by the Spatial Policy Manager in six months' time;
- a member referred to historical agreements where payments may be outstanding and to whether there was any likelihood that they would be lost. The Section 106 Monitoring Officer clarified that where the money had not yet been collected there was no time limit with regard to calling it in. He mentioned, however, that it was only where the money was already collected and held by the Council but had not yet been spent in accordance with the terms of the agreement where there may be the potential for it to be returned to the developer;
- the Section 106 Monitoring Officer confirmed that data relating to Section 106 planning obligations had been cross-referenced with that held by other relevant departments and that he was fairly sure that the data collected had captured the

content of the Section 106 agreements, which included not only financial obligations but also those of a non-financial nature.

Members congratulated the Section 106 Monitoring Officer for the significant improvements made in respect of the monitoring of Section 106 planning obligations. Comment was also expressed on how helpful these improvements had been to members when seeking information on progress with planning obligations relating to developments in their wards. The Committee was content to release the Section 106 Monitoring Officer from further reporting. Members asked, however, that the Committee be kept up to date regarding progress with the introduction of the Community Infrastructure Levy and that a report be submitted by the Spatial Policy Manager in six months.

- RESOLVED:**
- (1) that the actions taken in respect of the monitoring of Section 106 planning obligations be noted and endorsed;
  - (2) that the Section 106 Monitoring Officer be released from further reporting;
  - (3) that the Spatial Policy Manager submit a report in six months' time to update the Committee on progress with the introduction of the Community Infrastructure Levy.

*(Neil Waddleton, Section 106 Monitoring Officer – 01935 462603)  
(neil.waddleton@southsomerset.gov.uk)*

#### **46. Treasury Management Performance to September 2011 and Mid-year Review of the Treasury Management Strategy (Agenda Item 7)**

Reference was made to the agenda report and the Committee reviewed the Treasury Management activity and the performance against the Prudential Indicators for the six months ended 30th September 2011. The Committee was also asked to carry out the mid-year review of the Treasury Management Strategy Statement and Investment Strategy 2011/12 and recommend it to Council for approval. A revised copy of the strategy showing recommended amendments highlighted was attached to the agenda.

Mark Pickering, a Director of Arlingclose Ltd. (the Council's Treasury Management advisers) was welcomed to the meeting. He gave a presentation during which he explained the Treasury Management function within local authorities, including CIPFA's code of practice and members' roles and responsibilities. He also referred to the identification and management of treasury risks. Members were then updated on the Council's current investments and their performance.

A copy of the presentation slides was circulated to members of the Audit Committee for their information.

In summary, members noted that bearing in mind the constraints placed on local authorities in respect of making investments, the Council had done well and the return achieved was admirable at such a low risk.

Mark Pickering then answered a number of questions from members on points of detail regarding the current economic situation and the Council's Treasury Management strategy.

The Assistant Director (Finance and Corporate Services) referred to comments made about benchmarking and commented that the 7 day LIBID (London Interbank Bid) rate was normally used as it was a simple way of showing the actual returns in comparison with the benchmark. She felt that it would be useful, however, to also include in future Treasury

Management performance reports the benchmarking graphs shown by Mark Pickering during his presentation, which showed risk compared with the average rate of return on investments.

A member commented that a lot of information had been given in the presentation and that perhaps they would benefit from more training. The Assistant Director (Finance and Corporate Services) indicated that she would enlarge on a topic every three months when the Treasury Management reports were presented.

In response to a query from a member, the Principal Accountant – Exchequer explained that there was an error in paragraph 22 in the agenda report regarding the internal investments returns in comparison with the benchmark and that it should have read “The above graph shows that the internal investments returns are consistently outperforming the benchmark by around 80 basis points. This is due to maintaining a rolling programme of 6 month term deposits where cash flow permits.”

The Chairman thanked Mark Pickering for his interesting and informative presentation. The Committee indicated that it was content to approve the recommendations contained in the agenda report.

- RESOLVED:**
- (1) that the Treasury Management activity for the six month period ended 30th September 2011 be noted;
  - (2) that the position of the individual Prudential Indicators for the six month period ended 30th September 2011 be noted;
  - (3) that Council be recommended to approve the revised Treasury Management Strategy Statement and Investment Strategy for 2011/12.

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

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## 47. Treasury Management Practices (Agenda item 8)

The Principal Accountant – Exchequer summarised the agenda report and asked the Committee to approve the Treasury Management Practices, a copy of which was attached to the agenda.

In response to a question from a member who referred to paragraph 1.2.2(b) of the Treasury Management Practices, the Assistant Director (Finance and Corporate Services) reported that although the Council had a normal overdraft facility of £0.5m with National Westminster Bank, she clarified that she had the authority to request to increase this to £2.5m if necessary to cover Treasury Management activities.

Having considered the document, the Committee indicated that it was content to approve the Treasury Management Practices.

- RESOLVED:** that the Treasury Management Practices as attached to the Committee’s agenda be approved.

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

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#### 48. Annual Audit Letter (Agenda item 6)

Reference was made to the agenda report, which introduced the Annual Audit Letter for the 2010/11 financial year, a copy of which was attached to the agenda.

The Chairman commented that the letter overall gave an unqualified audit opinion on the Council's financial statements and value for money conclusion, which meant that the Auditor was satisfied that the Council had proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources. The Committee also noted that there were four recommendations in the action plan, which had been agreed in respect of key issues arising from the letter.

Reference was made to one of the key messages being to ensure that future budgets were balanced by closing the gap between expenditure and projected income. The Committee noted that a balanced budget had always been a key requirement for the Council and a general discussion ensued during which officers responded to members' comments with regard to the way inflation was taken into account and the link to Council Tax; the possible impact of the Government's Neighbourhood Planning Scheme and the potential for local referendums taking place to veto the setting of Council Tax if it were above a ceiling set by the Government.

The Committee was pleased to note the contents of the Annual Audit Letter.

**RESOLVED:** that the contents of the Annual Audit Letter for 2010/11 as set out in the agenda be noted and the action plan in appendix 2 be approved.

*(Mark Williams, Chief Executive – 01935 462101)*  
*(mwilliams@southsomerset.gov.uk)*

#### 49. Date of Next Meeting (Agenda item 9)

Members noted that the next meeting would be held on Thursday, 24th November 2011 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