

MEETING: AC.07 13:14
DATE: 28.11. 2013

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 28th November 2013**

(10.00 am. –.11.15am)

Present:

Members:

Derek Yeomans (Chairman)
John Calvert
John Dyke
Ian Martin

Roy Mills
Terry Mounter
John Richardson
Colin Winder

Officers:

Donna Parham
Amanda Card
Anne Herridge
Andrew Ellins
Karen Gubbins
Ian Clarke
Dave Norris

Assistant Director (Finance & Corporate Services)
Finance Manager
Democratic Services Officer
Audit Manager - SWAP
Principal Accountant - Exchequer
Assistant Director (Legal and Corporate Services)
Development Manager

Also Present:

Cllr Tim Carroll

52. Minutes (Agenda Item 1)

The minutes of the meeting held on the 24th October 2013, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

53. Apologies for Absence (Agenda item 2)

Apologies for absence were received from Cllrs Tony Lock and David Norris

54. Declarations of Interest (Agenda item 3)

Cllr John Calvert declared a personal interest in Agenda Item 8 as he had a vested interest in one of banks named in the report.

55. Public Question Time (Agenda item 4)

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

56. 2013/14 SWAP Internal Audit Quarter 2 Update Report (Agenda item 5)

The Audit Manager - SWAP presented the report as detailed in the agenda, he referred to:

- Town Council licensing where some internal controls were not as robust as those within SSDC, more information would be available at the next quarterly update;
- Wincanton Community Sports Centre had now been transferred to Leisure East Devon (LED). A follow up audit would take place at the end of the financial year to confirm progress against the agreed action plan.
- The Payroll audit had now been completed with a high level of assurance;
- Fighting Fraud Locally and Corporate Procurement Cards had both been completed with reasonable assurance;
- All agreed actions had now been implemented against the TEN Risk Management System.

The Assistant Director (Finance & Corporate Services) suggested that an overview report on Fighting Fraud Locally be presented to Audit Committee in the New Year.

The chairman thanked the Audit Manager for the good report.

NOTED

Lead Officer: Andrew Ellins, Audit Manager
Contact Details: andrew.ellins@southwestaudit.co.uk

57. Varying or discharging Section 106 planning obligations (Agenda item 6)

The Assistant Director (Legal and Corporate Services) presented the report as detailed in the agenda, he referred to the main body of the report, and legislation regarding the varying or discharging of Section 106 planning obligations. He referred to the appeal procedure and the 28 day timescale, unless otherwise mutually agreed, in which a decision should be made about any applications to vary the affordable housing element of Section 106 agreements.

In conclusion, the Assistant Director confirmed that the process to vary or discharge a Section 106 obligation would only explore the viability of the proposed development and would not be an opportunity to reopen other planning policy considerations or reconsider the planning merits of the permitted scheme to which the obligations relate. Any affordable housing on sites granted in agreement with a Rural Exception Site policy would be exempt from the new provisions which entitled a developer to seek to modify or discharge that requirement.

In response to several questions the Assistant Director (Legal and Corporate Services) replied that:

- The 28 day timescale, referred to above, only applied to applications to vary the affordable housing requirements;
- The viability of a scheme was subjective;
- In order to calculate what amounts to a reasonable return for a developer the Planning Inspector would ask a range of national developers for their views of what makes a development attractive enough to engage their interest;
- NPPF Paragraph 205 states that where obligations were being sought or revised, local planning authorities should take account of changes in market conditions over time and, wherever appropriate, be sufficiently flexible to prevent planned

development being stalled. The Inspector would take note of that paragraph and the Governments' view that development was the key to economic recovery;

- The recommended process for considering applications to vary Section 106 obligations had been agreed at the meeting of District Executive on 7 April 2011 which included the suggestion: '*before making any recommendation, officers fully explore other options for payment of planning contributions e.g. deferred payments, potential selling of affordable units, overage agreements etc. ;*
- Should market conditions improve there would be an opportunity for SSDC to claw-back some of the reduction in contributions up to the amount secured by the original obligations;
- Before making an assessment regarding the viability of affordable housing developments the independent District Valuer, not connected with the development industry, would obtain all relevant information to enable committee members to come to a decision.

Further discussion ensued and the majority of members were concerned that planning permission could be approved including a Section 106 obligation with certain requirements, then later the developer could request a variation or a discharge from those obligations making the scheme fundamentally different than what was approved. Members wanted to ensure that all financial information (in a format that members could understand) and a report from the District Valuer was available to them before consideration of these type of applications even if that meant having a confidential session. . Members understood that they could only use figures relevant to the viability of the actual development and that it was not possible to consider how profitable the company may be overall.

The Development Control Manager explained that a lot of officers and councillors were involved in the drawing up of a section 106 obligation but ultimately it was the member's decision regarding what facilities and infrastructure were included. The strategic element of the agreement would be looked at initially, when considering applications to vary an obligation rather than the local element.

In conclusion, the chairman said that before considering an application to vary or discharge an obligation it was important that members had all the information available in an easy to understand format and suggested that the District Valuer should attend the relevant area committee meeting and the report should include information relating to what had triggered the request in the first place.

It was important that members of the public could see that these applications were considered honestly and openly.

RESOLVED:

That members noted the report on the process which formed part of the report to the District Executive in April 2011 and which was attached as Appendix 1, and suggested that:-

1. The variables outlining the changes required were clear;
2. The District Valuer should be invited to attend all area committee meetings when considering the variation or discharge of Section 106 obligations;
3. That closed sessions were in place so that members could view and discuss confidential information.

Lead Officer: Ian Clarke, Legal and Corporate Services
Contact Details: ian.clarke@southsomerset.gov.uk or (01935) 462184

58. Debt Management Policy (Agenda Item 7)

The Finance Manager addressed members regarding the Debt Management Policy that had been approved by District Executive in January 2013 and rolled out across the whole Council during April 2013. She asked members to ignore the figures in the last line of the chart on page 20 of the agenda report as they were cumulative. She then referred to the graph in the report that showed since implementation of the policy how the level of debt, relating to income generated invoices raised on the financial system (not Council Tax and Business rates,) had in general fallen and that level maintained.

The officer handed members a chart detailing an analysis of the level and age of those debts and explained that some older debts would take longer to be repaid as smaller instalments had been arranged over a longer than average period of time.

A further report could be prepared for Audit Committee to indicate how other arrangements were in place outside of this policy; and to include information regarding debts that have to be written off as uncollectable; and the percentage of debt on a longer term repayment plan.

During the ensuing discussion members considered it important that Audit Committee members had as much available information as possible about all types of debt including Council Tax and those debts considered to be unrecoverable.

In conclusion the Assistant Director (Finance & Corporate Services) said that figures indicated that the Debt Policy was working and the intention was to get debts repaid as quickly as possible. She suggested that a report could be prepared at the year end, when all requested figures would be available, and to include benchmarking. The report could be presented to Audit Committee members during the meeting scheduled for May 2014.

RESOLVED:

1. That Audit Committee noted that the Debt Management Policy has been adopted by the Council.
2. That Audit Committee noted the positive impact that the Debt Management Policy has had on debt levels

Lead Officer: Amanda Card, Finance Manager

Contact Details: Amanda.card@southsomerset.gov.uk or 01935 462452

59. Treasury Management Performance to September 2013 (Agenda Item 8)

The Principal Accountant – Exchequer presented the report as detailed in full in the agenda.

Members noted the breakdown and the diversification of investments and were pleased at the capacity for SSDC to earn more interest; they were content to agree the recommendations.

The chairman concluded that there was a good return on investments in the current climate and congratulated the staff on their good work.

RESOLVED:

1. That the Audit Committee:
 - Noted the Treasury Management Activity for the six-month period ended 30th September 2013.
 - Noted the position of the individual prudential indicators for the six-month period ended 30th September 2013.
 - Carry out the mid-year review of the Treasury Management Strategy and recommend it to Council. (Strategy attached with the amendments highlighted)

Lead Officer: Karen Gubbins - Principal Accountant - Exchequer
Contact Details: Karen.Gubbins@southsomerset.gov.uk or (01935) 462456

60. Audit Committee Forward Plan (Agenda Item 9)

Reference was made to the agenda report, which informed members of the proposed Audit Committee Forward Plan. It was agreed to move the items on the forward plan for the meeting scheduled 19 December to the meeting scheduled for 23 January 2014 and to include a report on Fighting Fraud Locally in January. It was agreed to cancel the December meeting.

RESOLVED: that the Audit Committee Forward Plan be noted as attached at Appendix A.

Lead Officer: Anne Herridge, Committee Administrator
Contact Details: anne.herridge@southsomerset.gov.uk or (01935462570)

60. Date of the Next Meeting (Agenda Item 9)

Members noted that the next scheduled meeting of the Audit Committee would be held on Thursday 23 January 2014 at 10.00 a.m. in the Main Committee Room Council Offices, Brympton Way, Yeovil.

Lead Officer: Anne Herridge, Committee Administrator
Contact Details: anne.herridge@southsomerset.gov.uk or (01935462570)

.....
 Chairman