

AUDIT COMMITTEE

Friday 30 June 2006

PRESENT:

Councillor Savery, in the Chair.
Councillor Stevens, Vice-Chair.
Councillors Letcher, Simmonds (substitute for Councillor Wildy) and Stark.

Independent Members: Mr R Archer and Mr R Clarke.

Apologies for absence: Councillor Wildy and Mr D Fletcher (Independent Member).

The meeting commenced at 2.00 pm and concluded at 2.55 pm. AC 12 06/07

13. DECLARATIONS OF INTEREST

In accordance with the Code of Conduct, Councillors Savery and Simmonds and Mr R Clarke declared a personal interest in respect of the item below.

14. CHAIR'S URGENT BUSINESS

There were no items of Chair's Urgent Business.

15. STATEMENT OF ACCOUNTS 2005/2006

The Director of Corporate Resources gave a presentation and submitted a report (AC 10 06/07) indicating that –

- (i) a report on the Council's revenue and capital outturn for the financial year was being presented to Cabinet on 30 June 2006;
- (ii) this report was being presented for Audit Committee's approval was the statutory form of accounts – the 'Statement of Accounts', which the Council was required to produce for audit and publication;
- (iii) the Accounts and Audit Regulations required that the accounts were available for public inspection for four weeks and the period of inspection commenced on 3 July the audit was due to commence around the same time;
- (iv) the Draft Statement of Accounts for 2005/06 was attached.

Members were advised that –

- (a) the deadline for the approval of the Statement of Accounts was 30 June 2006;
- (b) the net expenditure for 2005/06 was £278.176m against an original budget of £278.870m being a favourable variation of £0.694m which represented a total variation in net spend of only 0.25%;
- (c) post balance sheet events happening after the 31 March 2006 had to be reflected in the accounts and the last day to make any changes to those accounts was 21 June 2006;

Following this Members challenged and asked a number of questions. Officers responses were listed below -

- (a) FRS 17 required the full liabilities of the pension fund to be reflected in the financial statements; the City Council had a liability of £18.4m for staff who had transferred PCC under LGR. All employees were entitled to join the Devon County Local Government Pension Scheme; teachers had their own pension scheme;
- (b) capital charges and support service charges were allocated to services in the statutory accounts, except for Housing and trading accounts, these charges were excluded from the Council's management accounts;
- (c) the statutory accounts included the cost of external capital schemes funded by Single Regeneration Budget (SRB) grant and were not included within the capital programme figures presented to Cabinet as part of the outturn report;
- (d) Lenders Option Borrowers Option Loans (LOBOs) were loans where, after an initial period of low fixed interest, and at agreed intervals thereafter, the lender had the option to increase the rate; the borrower then had the option to continue at the higher rate or repay the loan incurring no penalty;
- (e) the accounts for the following companies had been fully incorporated into the group accounts in line with the SORP requirements –
- Plymouth Citybus Ltd
 - Plymouth Theatre Royal Ltd
 - Plymouth Industrial Promotions (PIP) Ltd
 - PLUSS
- (f) not all of PCC interests in companies were consolidated therefore there were two separate sections: the group accounts and PCC investments in companies. The group accounts had been consolidated mainly on latest management accounts and not final audited accounts therefore figures in two sections may differ;
- (g) schools had their own accounts system known as SIMMS which interfaced with our ledger. Adjustments were made at year end to remove any double counting of income and expenditure and to ensure capital spend was removed from the revenue accounts;
- (h) housing stock had fallen by £77m as a result of the major stock revaluation exercise undertaken by independent valuers Saville's. Reasons for this included the continuing effect of outstanding decency standard works – these were now more accurately known following stock condition survey and the possibility that asset values may have been slightly over inflated during the previous 'paper' uplift valuations based on Regional Sale Values. There would also be the impact of continuing stock reductions through sales and redevelopment works;
- (i) provisions and reserves were looked at each year and revised as appropriate;
- (j) the budget provision took into account the age of the debt and its potential collectability; a higher provision was made for older debt;
- (k) rent arrears of £4m related to a cumulative figure; total rent due for the year was around £40m; the actual provision for bad debt made in the year was only £0.228m – a very small percentage of the collectable debt; it was noted that rent arrears were reducing;
- (l) the 2005/06 accounts for the Tamar Science Park had not been finalised, but would be reviewed once published;
- (m) the format of the Collection Fund was prescriptive and required a line showing

the Government's allocation for the cost of collection for NNDR administration;

- (n) the insurance provision was now 100% funded based on the known liabilities at the year end; the outturn report allocated £0.26m to a reserve to allow for fluctuations in liabilities in future years.

Resolved that the Statement of Accounts for 2005/06 be approved.

(Councillors Savery and Simmonds and Mr R Clarke declared a personal interest in respect of the above item)