

STEVENAGE BOROUGH COUNCIL

STATEMENT OF ACCOUNTS COMMITTEE
MINUTES

Date: Thursday, 28th June, 2007

Time: 6.00pm

Place: Shimkent Room, Daneshill House, Danestrete, Stevenage

Present: Members; Councillors Mrs J.E. Lloyd (Chairman), B Jackson, M. Notley, L. Strange and S. Taylor.

Start/End time: Start Time: 6.00pm
End Time: 7.45 pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

No apologies for absence were received.

Councillor S. Taylor declared a personal interest in item 4, Statement of Accounts as she was employed by the Police Authority.

2 MINUTES – Thursday, 29th June, 2006

The Minutes of the meeting held on Thursday 29th June, 2006 that had been agreed at the meeting of Council on 4th October, 2006 were circulated for information.

It was **RESOLVED** that the Minutes of the meeting held on Thursday 29th June, 2006 be agreed.

3 TERMS OF REFERENCE

The Committee considered the Terms of Reference for the Statement of Accounts Committee, as agreed by Annual Council on 23rd May, 2007.

It was **RESOLVED** that the Terms of Reference of the Statement of Accounts Committee be noted.

4 STATEMENT OF ACCOUNTS AND CAPITAL CONTROL SYSTEM DETERMINATIONS 2006/07

The Committee considered a report from the Strategic Director (Chief Financial Officer) that sought approval of the 2006/07 Statement of Accounts and certain financing determinations required under the Local Government and Housing Act 1989 and the Local Authorities (Capital Finance and Accounting) Regulations 2003.

The following documents were appended to the report:
Appendix A, Statement of Accounts 2006/07 - circulated under separate cover;
Appendix B – 2006/07 Outturn – Analysis of Major Variations.

Copies of a report containing the comments made at the meeting of the Audit Committee on 26th June, 2007 were distributed at the meeting.

The Strategic Director (Chief Financial Officer) gave a brief introduction to the Statement of Accounts as at Appendix A. He explained that the 2006/07 Statement incorporated significant changes in the required format for reporting from last year's accounts and prior year's figures were restated accordingly to aid comparison. In addition, the Council established Stevenage Homes Limited (SHL) on 1st October 2006 to manage and maintain the Council's Housing Stock on behalf of the Council. The Council's 2006/07 Statement of Accounts also reflected the requirement for SHL's Company Accounts to be 'grouped' with those of the Council for financial reporting purposes.

The Strategic Director (Chief Finance Officer) confirmed that work undertaken during 2006/07 to implement an improvement plan had resulted in the Council receiving its update Use of Resources Judgement from the Audit Commission of a level 3 –“Consistently above the minimum requirements – performing well” rating.

The Head of Finance advised the Committee that the agenda and Statement of Accounts had been distributed to all Members of the Council in order to give them the opportunity to raise any questions they may have had.

She added that this was the second stage of the challenge process for the Statement of Accounts as it had already been to the Audit Committee meeting on the 26th June, 2007. The Audit Committee comprised five different Councillors to those that sat on the Statement of Accounts Committee and also included an Independent Member. Therefore the Statement of Accounts had been formally considered by 11 elected Members, which comprised 28% of the Council.

It was also pointed out that a preparatory report had been presented to the Audit Commission in March 2007 that sought to assure them that, given the extent of the changes required for the 2006/07 Statement, the Council was taking many actions to ensure that the whole process was planned and undertaken as effectively as possible.

Councillors had been contacted personally regarding the 'weightiness' of the

Statement and were specifically offered the opportunity to seek any clarification in advance of the meeting. The Chairman of the Committee had responded with an extensive list of questions, all of which had been satisfactorily answered.

The Head of Finance confirmed that the General fund net underspend of £289k would not impact on the Council Tax level and advised that details of over and underspends were reported monthly to the Strategic Management Board (SMB).

She further advised that the Executive would shortly consider a report that proposed that authority be delegated to the Strategic Director (Chief Finance Officer) to approve supplementary estimates where they related to expenditure that would have been funded by carry forwards, to a maximum of £275k.

The Committee were advised that there were issues regarding the SHL pension fund accounting arrangements and discussions with the Actuaries would be ongoing to resolve the situation. It was stated that it was not the intention that SHL should have a deficit in respect of staff transferred to them from SBC.

Concern was expressed that newly elected Members did not receive any training prior to consideration of the report, which would aid them in understanding its complexities. It was agreed that newly elected Members appointed to the Audit, Statement of Accounts, Planning, Highways and Licensing Committees should receive in depth training within one month of being elected.

Members considered that the prescribed format of the Statement was over complicated and should be made easier to understand, particularly as it was a public document. It was agreed that representations should be made to the Audit Commission to this effect and the Strategic Director (Chief Finance Officer) agreed to write to them to express the Committee's concerns.

The Strategic Director (Chief Finance Officer) advised the Committee that the Statement of Accounts was one of a number of publications that gave information about the Council's finances. Other publications included the Corporate Business Strategy, Best Value Performance Plan and a monthly budget monitoring report, which went to Portfolio Holders.

He advised that he would invite the Audit Commission to re-run their training programme for Councillors. He added that a requirement for level 4 Use of Resources rating included the production of a summarised report, which would be easier to understand and which could be made available to Councillors and members of the public.

The Head of Finance explained that the new format of the Statement was designed to bring it in line with company accounts but added that this had made it more difficult to understand. It was agreed that a simplified summary should be produced and posted on the website.

The Accountancy Services Manager then outlined the main changes from the previous year's Statement, with specific reference to the setting up of SHL and its effect on the reporting process.

In response to questions raised by Members, clarification and further explanations were provided in the following areas:-

- That members of the Audit Committee had attended training sessions to become 'appropriately skilled' and a Member who sat on the committee last year was a qualified accountant;
- The Council still operated some leasing arrangements and whole life costing was being appropriately considered;
- Prescribed criteria were used for writing off bad debts;
- That in future, a key to abbreviations used in the Statement would be included in the glossary;
- That the reported £672k loss on the disposal of fixed assets resulted mainly from the required accounting treatment for the disposal of IT equipment;
- That with regard to the Single Entity Financial Statement, the £1,846k against other Local Authorities referred to Local Area Agreements and other balances of Local Authorities, for which the detailed analysis could be provided, if required;
- That with regard to the HRA Income & Expenditure Account, the £9,432k for Supervision and Management was for the overall management costs within the HRA. This included much of the Management Fee payable to Stevenage Homes Limited (SHL) to manage the housing stock on the Council's behalf, together with the cost in 2006/07 of setting up SHL (the Council's) ALMO. It also reflected some expenditure for works and projects which were underspent in 2005/06 and were therefore slipped into 2006/07;
- That with regard to the HRA Income & Expenditure Account, 'amortisation' meant that where a debt is repaid at an amount different to the original advance, the premium or discount is recognised in Revenue over a number of accounting periods;
- That in future the data in the summary would also be expressed in Euros;
- That the pension fund deficit would be looked at by the Risk Management team;
- That the General Fund overall financial position Medium Term Financial Forecast was in the process of being updated and would go to the July Executive meeting;
- That the Hertfordshire Chief Financial Officers would meet with the Audit Commission Relationship Managers to request an explanation of the increase in the Audit Commission's fees and the variations in fees across

different authorities.

It was **RESOLVED**:

1. That the 2006/07 Statement of Accounts be approved;
2. That usable capital receipts of £14.149m be applied to meet expenditure for capital purposes in 2006/07;
3. That the comments of the Audit Committee be noted;
4. That training for new Members be carried out within one month of their appointment;
5. That a simplified version of the Statement of Accounts be written for publication on the SBC website;
6. That the Strategic Director (Chief Financial Officer) be requested to write to the Audit Commission expressing the concerns of the Committee.

5 URGENT PART I BUSINESS

None.

6 EXCLUSION OF PRESS AND PUBLIC

None.

****** PART II**

7 URGENT PART II BUSINESS

None.