



London Borough of Hammersmith & Fulham

Audit, Pensions and Standards Committee Minutes

Tuesday 2 December 2014

PRESENT

Committee members: Councillors Michael Adam, PJ Murphy, Iain Cassidy (Chair), Guy Vincent, Adam Connell, Ben Coleman, Nicholas Botterill and Mark Loveday.

Officers: Geoff Drake (Senior Audit Manager); Hitesh Jolapara (Bi-Borough Director of Finance); Andrew Hyatt (Tri Borough Head of Fraud); Jonathan Hunt (Tri-Borough Director of Pensions & Treasury); Poonam Patel (Committee Coordinator); Michael Sloniowski (Bi-Borough Risk Manager); Nicola Webb (Pension Fund Officer); Jane West (Executive Director of Finance & Corporate Governance).

External: Alistair Sutherland (Deloitte).

INTRODUCTIONS

The Chair opened the meeting and announced that item 4 would be taken after item 12.

74. MINUTES OF THE PREVIOUS MEETING

(a) Matters Arising

PAGE 2 (57) – Pension Fund Annual Report 2013/14

Jane West (Executive Director of Finance & Corporate Governance) confirmed that Cabinet met on Monday 1 December 2014 and agreed to the change in the Bi-Borough LGPS Pensions Administration Services from 1 April 2015. It was agreed that a report on this change would be presented at the proposed Pensions Sub-Committee; if established under Item 12 of the agenda and that Debbie Morris, (Bi-Borough Director of HR) would be invited to present the item.

ACTION: Tri-Borough Director for Pensions & Treasury

PAGE 3 (59) – Pension Fund Employers

Nicola Webb (Pension Fund Officer) stated that of the four bonds outstanding at the last meeting, two were now in place, for one the paperwork was being finalised and one remained outstanding. It was confirmed officers were continuing to pursue this.

RESOLVED –

THAT, the minutes of the meeting held on Tuesday 16th September 2014 be agreed as a correct and signed by the Chair.

75. APOLOGIES FOR ABSENCE

Apologies for lateness were received from Councillors Adam Connell and Nicolas Botterill.

Apologies for absence were received from Councillor Donald Johnson.

76. DECLARATIONS OF INTEREST

Alistair Sutherland (Deloitte) declared that when working for his previous employer (Mercer), he had been involved with the team that had worked with Standard Life on designing Standard Life Investment's Long Lease Property Fund.

77. QUARTERLY PENSION FUND UPDATE

Jonathan Hunt (Tri-Borough Director for Pensions & Treasury) introduced the report and agreed to report back to Councillor Vincent on the figures presented in page 14, Appendix 1 of the report. It was also agreed that future reports would include Year To Date (YTD) figures.

ACTION: Tri-Borough Director for Pensions & Treasury

Jonathan Hunt (Tri-Borough Director for Pensions & Treasury) introduced Alistair Sutherland, Deloitte representative. Alistair Sutherland announced that a senior fund manager with Majedie, one of the fund's equity managers, Alan Parker would be retiring, however he would continue as a consultant until June 2015. Members noted the quarterly Performance Overview figures from page 18 of the report. A question was asked whether there was any benchmark or survey data which would allow the Members to determine how well the Fund had performed relative to other LGPS funds. In response, Jonathan Hunt agreed to report back his findings, as Members were keen to identify what benchmarking had been done and sources used, i.e. WM (World Markets).

ACTION: Tri-Borough Director for Pensions & Treasury

RESOLVED –

THAT the report be noted.

78. TREASURY MID-YEAR REVIEW 2014-15

Jonathan Hunt (Tri-Borough Director for Pensions & Treasury) introduced the report and confirmed that the movements reported in paragraph 4.1, page 43 of the report were in line with the current annual investment strategy. The Committee noted that new strategies would be considered in 2015, as well as identifying the cash benefits of internal and external borrowing.

It was also noted from paragraph 4.1, page 43 of the report that the 31st March 2014 return figures were better and that it was worth looking into further, with the possibility of rolling cash deposits on; as the last change in custodian held assets was in 2008. There was an opportunity to look into higher rated companies, such as Unilever and Tesco, by reviewing high credit quality UK corporates. Further details regarding the yield return on the high raked names, Network Rail and TfL would be considered within the preparation of the 2015/16 Treasury management Strategy which would come before the Committee.

ACTION: Tri-Borough Director for Pensions & Treasury

RESOLVED –

THAT the Committee noted the Council's debt, borrowing and investment activity up to the 30th September 2014.

79. ANNUAL AUDIT LETTER 2013/14

Hitesh Jolapara (Bi-Borough Director of Finance) presented the report to the committee and agreed to report on the Grant Claims at the next meeting, of the Audit, Pensions Standards Committee; Wednesday 11 February 2015.

ACTION: Bi-Borough Director of Finance

RESOLVED –

THAT the report be noted.

80. ANNUAL GOVERNANCE STATEMENT ACTION PLAN AND OUTSTANDING RECOMMENDATIONS FOR EXTERNAL AUDIT

Geoff Drake (Senior Audit Manager) presented the report to the Committee. Members referred and enquired the progress of the Annual Governance Statement recommendations in page 57, paragraph 5.2.1 and page 61, Appendix B of the report. In response, Geoff Drake agreed to report back the expected completion date for the one remaining action for "Public Health, finance accounting and charging".

ACTION: Senior Audit Manager

RESOLVED –

THAT the contents of the report be noted.

81. INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 JULY TO 30 SEPTEMBER 2014

Geoff Drake (Senior Audit Manager) presented the report to the Committee by highlighting that Appendix D of the report was for information and sought feedback to the proposal in removing the circulation of background papers with the main agenda. The Committee agreed that they found the background papers very useful and would like to continue receiving them as they were not very long.

ACTION: Senior Audit Manager

Geoff Drake drew the Committee's attention to the list of recommendations that were considered by Management not to implement, as featured on page 73, Appendix C of the report. The Committee queried the number of outstanding audit recommendations identified at paragraph 5.1.9, page 65 of the report and whether this demonstrated that management were not taking audit recommendations seriously enough. The Committee's attention was drawn to the table at paragraph 5.1.13 showing these represented a small scale of audit recommendations. There was concern that some were over 3 months overdue, which was almost entirely the result of new procedures being developed, as part of a wider paper that was being developed by the department. It was suggested that information be provided to the committee to clarify positions for all outstanding audit recommendations in future reports.

ACTION: Senior Audit Manager

Members referred and discussed the Total Facilities Management, Final Internal Audit Report June 2014, background report, which was circulated to Members only, with the agenda. In response the following points were noted as a result of a lengthy discussion.

- Contract was awarded without a full range of Key Performance Indicators.
- The LINK service was set up with no Key Performance Indicators in place.
- The IT management systems were not functioning.
- Quality assurance methods were not defined.
- A large payment was authorised, signed-off by the Strategic Partnership Board.
- Procurement was led by RBK&C under Hammersmith & Fulham's name.
- The framework was established under H&F.
- Need to identify the mobilisation and complexities of the contract.
- Need to identify the timescales of procurement and implementation.
- Contract was not considered for any other supplier than Amey, thus raising concerns around the bidding process.

The audit assurance level given was discussed and the Committee asked to receive a report on the reasoning's that Internal Audit went through to achieve a "Limited" assurance opinion on this audit rather than the 'Nil' assurance that members would have expected.

ACTION: Senior Audit Manager

It was noted that in response to the bulleted list above the Committee asked that management report back to address the observations and concerns raised.

ACTION: Executive Director of Finance & Corporate Services

Councillor P J Murphy recommended, as a means to go forward and to keep a firm grip on the contract, a report on Total Facilities Management should be added to the Finance and Delivery Policy Accountability Committee. It was noted that Councillor Murphy welcomed Councillor Adam and Councillor Botterill to participate with the work around addressing the issues raised, as Councillor Botterill was the Cabinet Member at the time of approving the contract in 2012/13.

ACTION: Tri-Borough Head of Facilities Management

Members referred to the H&F background report, Final Internal Audit Report for Jack Tizard School, September 2014 and it was agreed that letters detailing the audit guidance on offer would be circulated. It was noted that the Finance and Governance team would liaise with HR to support this process.

ACTION: Executive Director of Finance and Corporate Services

Members referred to the background report Public Health (Governance) with a perception that it was not reporting seriously enough. In response, it was highlighted that the model used was the same as Westminster City Council's Internal Audit service and that from 1 April 2015 there would be a standard model report format for all Tri and Bi-borough audits. It was noted that they were already in use by H&F Internal Audit. It was agreed that the members' comments would be reported back to the Tri-borough Audit Service.

ACTION: Senior Audit Manager

RESOLVED –

THAT the contents of the report be noted.

82. INDEPENDENT PSIAS APPRAISAL FOR LBHF INTERNAL AUDIT

Geoff Drake (Senior Audit Manager) presented the report and referred to the LBHF Internal Audit service generally conforming to the requirements of the Public Sector Internal Audit Standards. In response, to the Committee querying why the service did not fully comply, it was noted that the service fully complied with the standards; however implementing every entry in the list of Statements of Good Practice, was neither necessary for the service and in some cases would be excessive. It was also noted that the report conformed across the board.

RESOLVED –

THAT the contents of the report be noted.

83. CORPORATE ANTI FRAUD SERVICE REPORT 1 APRIL 2014 TO 30 SEPTEMBER 2014

Andrew Hyatt (Tri Borough Head of Fraud) presented the report and highlighted in response to the Single Fraud Investigation Service that a media strategy would be launched in 2015.

Members noted from Andrew, that DWP was considered to be well resourced and thoroughly prepared for the transition, as they had information on per business type, which formed DWP Intelligent Projects. They were working closely on how to risk assess the work from those projects and the focus from detection to prevention. In response, Members requested a report in 2016 to review the outcomes of the changes.

ACTION: Tri-Borough Head of Fraud

RESOLVED –

- (a) THAT to note the fraud work undertaken during the year 1 April 2013 to 30 September 2014; and
- (b) THAT to note the latest information about the Single Fraud Investigation Service.

84. RISK MANAGEMENT HIGHLIGHT REPORT

Michael Sloniowski (Bi-Borough Risk Manager) presented the report and drew the Members attention to Appendix 1, the Strategic Tri-borough Risk Register on page 128 of the report. Members noted that the strategic corporate risk register was unlikely to report numerous high risks, as these would be reported in their respective individual departmental risk registers.

Members referred to page 133 of the report and requested for detail on the Council's insurance cover in relation to reference 9, Standards and Delivery of Care list in the Tri-borough Risk Register and questioned if a specific management team would lead this. In response Michael Sloniowski agreed to arrange for the Tri-Borough Insurance Officer to report back to the Committee.

ACTION: Bi-Borough Risk Manager

Members queried from page 129, reference 4, the Market Testing Risks of the report the number of higher level of risks and the improvements to the controls concerning the School Meals contract, this should be reflected in the register. In response, Michael Sloniowski confirmed that he would report this point back to the Bi-Borough Procurement Risk Strategy board for their consideration.

ACTION: Bi-Borough Risk Manager

Members noted that officers were managing both negative and opportunity risks. The Bi-borough Risk Manager explained that as negative risks were managed some opportunities fallout from this process, which then were noted in registers, sometimes at a lower level.

RESOLVED –

- (a) THAT to note that a fundamental review of risks faced by the Council had been undertaken by Hammersmith and Fulham Business Board in the last quarter.
- (b) THAT consideration was given to the corresponding mitigations in the register, as attached in Appendix 1 of the report.

85. PENSION FUND GOVERNANCE - PENSION FUND SUB COMMITTEE

Jonathan Hunt (Tri-Borough Director for Pensions & Treasury) introduced the report from the supplementary agenda and drew the Members attention to page 3, Appendix 1, as it set out the proposed Pension Fund Sub-Committee Terms of Reference. In response Members agreed to the recommendations under paragraph 2.2, as set out on pages 1 and 2 of the report.

RESOLVED –

- (a) THAT a Pensions Sub-Committee be established;
- (b) THAT the Sub-Committee's Terms of Reference outlining its membership, operational matters and decision powers, as detailed in Appendix 1 of the report be approved.
- (c) THAT the Members of the Sub-Committee consisting 3 Administration and 2 Opposition Members be the following:

Administration	Opposition
Chair, Councillor Iain Cassidy Councillor P J Murphy Councillor Guy Vincent	Vice-Chair, Councillor Michael Adam Councillor Nicholas Botterill

- (d) THAT the Committee delegate authority to the Sub-Committee to exercise power on all pension matters as outlined in the draft terms of reference.

86. DATES OF FUTURE MEETINGS

Wednesday 11th February 2015.

87. EXCLUSION OF THE PUBLIC AND PRESS

The Chair requested for any members of the public and press to leave the meeting room, as all the public reports had been heard and the Committee were then moving onto exempt items.

RESOLVED –

That under section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined by paragraph 3 of Schedule 12A of the said Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

88. MINUTES

RESOLVED –

That the exempt Minutes of the meeting held on 16 September 2014 be agreed as a correct record and signed by the Chair.

89. PENSION FUND INVESTMENT STRATEGY

RESOLVED –

THAT the recommendations as set out in the exempt report be approved.

Meeting started: 7:00pm
Meeting ended: 9:45pm

Chairman

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