MINUTES OF THE CORPORATE COMMITTEE
THURSDAY, 19 SEPTEMBER 2013

Councillors: Adje, Allison, Amin (Vice-Chair), Egan, Griffith, Jenks, Khan, Meehan (Chair), Williams and Wilson

Apologies: Councillor Diakides, Councillor Whyte, Keith Brown

Also present: Michael Jones
Roger Melling
John Raisin

MINUTE NO.	SUBJECT/DECISION	ACTION BY
CNCL258.	**APOLOGIES (IF ANY)** Apologies for absence were received from Cllr Diakides, for whom Cllr Egan was substituting, from Cllr Whyte, for whom Cllr Allison was substituting, and from Keith Brown.	
CNCL259.	**URGENT BUSINESS** There were no new items of urgent business.	
CNCL260.	**DECLARATIONS OF INTEREST** There were no declarations of interest.	
CNCL261.	**DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS** There were no such items.	
CNCL262.	**MINUTES** **RESOLVED** That the minutes of the meeting held on 27 June 2013 be approved as a correct record and signed by the Chair.	
CNCL263.	**PENSION FUND QUARTERLY PERFORMANCE UPDATE** The Committee received the Pension Fund quarterly update. It was noted that the Fund had increased to £881m as at the end of July 2013, and the overall performance for the fund demonstrated the influence of moving to passive management arrangements. The Committee asked about the variance in the budgeted and actual Pensions & Benefits expenditure, as indicated in the budget management position at paragraph 16 of the report, and it was agreed that a response on this issue would be provided by officers. In response to a question regarding the lack of engagement on social issues by BlackRock, it was reported that this was an issue that officers raised with the company on a regular basis, whose response was that they were	HoT&P

	focussing on governance matters. **RESOLVED** That the information provided in respect of the activity in the three months to 30th June 2013 be noted.	
CNCL264.	**PENSION FUND ANNUAL REPORT AND ACCOUNTS AND ISA 260 AUDIT REPORT** The Committee received the Pension Fund Annual Report and Accounts, and ISA 260 audit report. In response to a question from the Committee regarding the date of the next triennial valuation, it was reported that it was expected that this would be completed by the end of the current calendar year. It was confirmed that the Chief Financial Officer was the post responsible for the co-ordination of the Fund Management and Pension Administration arms of the Pension Service. The Committee asked why Pensions AGM meetings were no longer held, and it was advised that a decision had been taken to discontinue these on the basis of available resources and low attendance at previous meetings; it was noted that there was no requirement to hold such meetings. In response to a question from the Committee regarding performance assessment in compliance with Myners Principles, it was reported that officers continue to routinely meet with investment managers, and that arrangements for Committee Members to also meet with investment managers could be arranged should Members wish.	ADF / HoT&P
	It was confirmed, in response to a question from the Committee, that no matters had been referred on to the Pensions Ombudsman. With regard to the movement in the actuarial deficit as set out on page 54 of the agenda, in particular 'investment returns lower than expected', it was agreed that officers would provide information on what the anticipated investment return had been. Officers provided some clarification around Additional Voluntary Contributions, where individuals wished to transfer additional funds further to their usual pension payments, and it was noted that such payments were reflected in a specific line in the Pension Fund accounts. It was confirmed that 90% of the Fund was passively managed, with the remaining 10% managed actively in property and private equity. With regard to the reported £200m increase in liabilities, officers advised that this was due to the way in which liabilities were calculated and confirmed that this matter was taken very seriously; the outcome of the forthcoming triennial valuation would be important with regards to providing more information around this issue. In response to a question from the Committee regarding whether there were any tax implications from investing overseas, it was agreed that a briefing on this would be provided outside the meeting. It was also agreed that this issue would be a topic for discussion at the next meeting of the Pensions Working Group.	HoT&P

The Fund's external auditor, Subarna Banerjee, from Grant Thornton, provided an outline of the audit findings for the Pension Fund and confirmed for the record that Grant Thornton remained independent of the Pension Fund. The Committee was asked whether anyone was aware of any fraud against the Fund, and it was noted that no declaration was made that anybody was aware of any such fraud. It was anticipated that the auditors would be providing the Fund with an unqualified audit opinion.

In response to a question from the Committee regarding late payments to the Fund, it was reported that all contributing bodies were being encouraged to set up direct debits or standing orders for payments and that in the most recent quarter there had only been one late payment. Officers were working to ensure that this position continued to improve.

It was noted that new requirements for the governance of Pensions Funds were being consulted upon; changes are planned to come into force from 1 April 2014. Appropriate arrangements would be established in order to comply with these changes and the Corporate Committee will be properly consulted before implementation.

RESOLVED

That the Committee approve the Pension Fund Annual Report and Accounts for 2012-13.

The Committee thanked all Council staff involved in preparing the Pension Fund accounts for their efforts, and thanked Grant Thornton for their work on the audit.

CNCL265. AWARD OF CONTRACT FOR PENSION FUND INVESTMENT ADVISORY SERVICES

The Committee received the report on the award of contract for Pension Fund Investment Advisory Services. A mini-competition process had been entered into under the framework agreement undertaken by Norfolk County Council, as a result of which the report recommended that the Committee approve the award of the Pension Fund Investment Advisory Services contract to Mercer Ltd for a period of 3 years.

In response to a question from the Committee regarding the difference in price between firms C and D, it was noted that the difference was significant. Officers reported that they were confident in the quality of both companies C and D.

RESOLVED

That the Committee approve the award of the Pension Fund Investment Advisory Services contract to Mercer Ltd for a period of 3 years from 6th November 2013 with the Council having the option to offer an extension for a further year, at an estimated cost of £240,000 over the initial period.

CNCL266.	**PENSION FUND: LONDON COLLECTIVE INVESTMENT VEHICLE** The Committee received the report on the London Collective Investment Vehicle, and was asked to support the establishment of such a vehicle and approve the expenditure of up to £25,000 as a contribution towards its establishment. In response to a question from the Committee, it was understood that a number of other boroughs had indicated their support for the proposal, subsequent to the production of the report. The Chief Executive indicated that there was broad support for the proposal at chief executive level across London boroughs. With regard to the likelihood of Haringey joining any such vehicle once established, it was reported that this would depend on the outcome of this piece of work; it was emphasised that such a vehicle would only be entered into if it were in the best interests of the Pension Fund to do so. The Committee asked about the contribution for which approval was sought – it was reported that the Council would expect the project to be developed in line with the proposals set out in paragraph 5.8 of the report. It was confirmed that officers would be in a position to ensure that the money was being spent appropriately and that value for money was being achieved. In response to a question regarding the potential for more money being sought at a later date, it was reported that there was no intention that a greater contribution would be required. In the event the further funding were needed, such a request would need to come back to the Committee. It was anticipated that undertaking this activity voluntarily at this stage would be preferable to the potential of being forced to at a later date. **RESOLVED** i) That the Committee should support further investigations into the potential establishment of a London-wide Collective Investment Vehicle (CIV). ii) That the Committee approve expenditure of up to £25,000 as a contribution towards the legal and other related costs in connection with the possible establishment of the CIV.	
CNCL267.	**PENSION FUND: ASSET ALLOCATION ADVICE** The Committee received the Pension Fund Asset Allocation report, which reflected the fourth of four sets of asset allocation moves to the strategic benchmark. As set out in paragraph 13.4 of the report, it was intended that a report setting out recommendations for adjusting the asset allocation policy would be brought to the next meeting of the Committee. Prior to consideration of this report, it was agreed that training on the different asset classes and investment vehicles should be arranged for all Committee Members in order to support the decision-making process. Officers would identify some suitable dates for this training and seek the availability of Members in due course.	ADF / HoT&P

	As the current contract for Pensions Investment Advisory Services was coming to an end, the Committee wished to place on record its thanks to Aon Hewitt for their advice over the course of the contract. **RESOLVED** That the asset allocation moves set out in the Advice Table on page 6 of appendix 1 to the report be implemented.	
CNCL268.	**TREASURY MANAGEMENT 2013/14 MID-YEAR ACTIVITY AND PERFORMANCE UPDATE** The Committee received the Treasury Management 2013/14 Mid Year Activity and Performance Update report. In response to a question from the Committee, the Director of Corporate Resources confirmed that she was satisfied that the mechanisms in place to monitor the fundamental principles of the Council's Treasury Management policy were robust. With respect to the 'A' rating for Natwest SIBA on the table in paragraph 14.3, it was noted that this was assessed on a different style of rating from the money market funds, and that investment of a limited proportion of funds within this type of account was fully in accordance with the Treasury Management Strategy. It was further noted that this was an instant access account, and so funds could be retrieved quickly from this account if required; investment positions were reviewed on a daily basis. It was clarified that the y-axis of the graph in paragraph 15.2 of the report related to millions of pounds. The Committee asked about the deposits shown in the table in paragraph 15.4 of the report, and it was confirmed that these were all short term investments, ranging in duration from overnight up to 32 days. With regard to where these investments were reflected within the Statement of Accounts, it was confirmed that these were the 'Short Term Investments' line on the Balance Sheet. The Committee queried the expected interest amount of £40k as set out in paragraph 16.2 of the report, on the basis of the interest rates quoted, and it was agreed that officers would double-check this calculation for accuracy. *Post-meeting note: Further to the query raised by the Committee with regard to Paragraph 16.2, it was confirmed that, while this Paragraph of the treasury update report stated that anticipated income in the half year to September is £40,000, this is in fact the anticipated income for a quarter only. The average investment balance is approximately £50 million and at an average return of 0.32%, the half yearly anticipated income is £80,000.* **RESOLVED** That Members note the treasury management activity and performance during the first half of 2013/14.	ADF / HoT&P
CNCL269.	**STATEMENT OF ACCOUNTS 2012/13 AND ISA 260 AUDIT REPORT**	

	The Committee received the Statement of Accounts 2012/13 and ISA 260 audit report. It was noted that the report reflected a significant improvement from the previous year, and the auditors' report indicated that there would be an unqualified audit opinion.	
	In response to a question from the Committee regarding the level of reserves, it was reported that the level reflected in the statement of accounts was partly due to the timing of transactions, and there had also been a small increase due to underspends; the audit report moreover indicated that the Council's level of reserves was comparatively low. The Committee noted that publicity was not included in this year's report, but had been previously, and asked why this was. Officers reported that it was not a statutory requirement to include publicity details and it was therefore omitted in order make the statement of accounts as succinct as possible. It was agreed that a briefing on the publicity figures would be circulated outside the meeting, but would not form part of the formal accounts. Paul Dossett, Grant Thornton, advised that it had been a requirement to include publicity in the accounts in previous years under CIPFA guidance, but that this requirement had changed and it was no longer a requirement.	ADF
	The Committee asked about the net loss indicated in off-street parking services, and it was agreed that officers would seek a response to this from the service. In response to a question regarding the Annual Governance Statement, the Director of Corporate Resources advised that, while this was not a fully comprehensive list, it covered all substantive and material matters as required.	ADF
	Paul Dossett introduced the ISA 260 audit report, and advised that, against the context of the audit problems encountered in the previous year, the auditors were this year in a position to provide an unqualified audit opinion and Value for Money conclusion well within the statutory deadline. Key issues were set out in the executive summary, which recognised the considerable effort that had been made to improve the quality of the accounts and documentation since last year and noted that an area for continued improvement was property, plant and equipment and the documentation around these issues. It was noted that no additional fees had been incurred this year.	
	With regard to the unadjusted misstatements listed within the report, the Committee asked what steps were being taken to ensure that such matters could be avoided in future. Nick Walkley, Chief Executive, advised that as part of the restructure of Place and Sustainability, a new function had been established to deal with asset valuations more comprehensively than previously and that this should assist. Paul Dossett assured the Committee that his view was that an unqualified opinion would be given by the deadline, and that this would indicate that the Council had managed its resources effectively this year.	
	The Committee asked about the reduction in audit fee for this year. It was reported that some of this reduction was due to additional fees	

	incurred last year not being incurred this year, but the reduction was largely as the result of the closure of the central Audit Commission function, which had led to an increase in competition. With regard to the issues which required an answer outside the meeting, it was reported that these would be responded to within two weeks of the meeting – any cases where this would not be possible would be raised directly with the Chair. **RESOLVED** i) That the Committee note the contents of the report and the oral updates provided at the meeting by Grant Thornton. ii) That the Committee approve the Statement of Accounts 2012/13, subject to any final changes required by the conclusion of the audit, being delegated to the Chief Financial Officer in consultation with the Chair. iii) That the Committee note the ISA 260 report of the auditors, Grant Thornton, and approve the management responses in the Grant Thornton action plan contained within the ISA260 report. The Chief Executive placed on record his thanks to Council officers for their efforts which had led to such a significant improvement in the final accounts since the previous year and also to Grant Thornton for their work on the audit of the accounts. The Committee also expressed their thanks to Council officers and to Grant Thornton.	
CNCL270.	**EXTERNAL AUDIT PROGRESS REPORT** The Committee received the update report from Grant Thornton. The Committee noted the reference in the report to proposed changes to the 2014/15 Code of Practice on Local Authority Accounting, and requested that Members receive a briefing on these changes. It was agreed that officers would brief Committee Members on these issues. **RESOLVED** That the report be noted.	ADF
CNCL271.	**EXTERNAL AUDIT REPORT - FINANCIAL RESILIENCE** The Committee received the follow up report on the Review of the Council's Arrangements for Securing Financial Resilience. The Committee noted that the report indicated some concerns regarding the arrangements for the Corporate Committee, and asked whether there were any steps that could be taken in the interim period until the new senior management structure was in place. Paul Dossett advised	

	that it was valid to wait until new arrangements were in place before making any changes; Grant Thornton's general view was that dedicated Audit Committees were the best way of ensuring that there was adequate focus on audit issues. It was noted that the new governance arrangements for pensions, planned to start from 1 April 2014, would mean that Corporate Committee agendas may no longer include pensions items, and this would enable more time for consideration of audit matters. It was advised that an interim report on the options for the new pensions arrangements would be brought to the next Corporate Committee meeting for consideration, with final recommendations to be made in the new year. The Committee commented that the agenda for this meeting had been heavy for a single meeting. With regards to the report's findings around financial control, the Committee welcomed the good progress that had been made and thanked officers for the notable improvements. The Committee discussed the need to balance having a prudent level of reserves and that at times concerns are expressed about councils' levels of reserves being too high. Paul Dossett advised that it was sensible in the current financial climate to ensure that reserves were adequate to cover unforeseen expenditure and to meet challenges as they arose. **RESOLVED** That the content of the report be noted.	ADF
CNCL272.	**INTERNAL AUDIT - QUARTERLY UPDATE** The Committee received the Internal Audit update report for 2013/14 Quarter 1. With regard to the limited assurance report provided in respect of the Alexandra Palace Regeneration Programme, it was reported that all recommendations of the audit report had been accepted by the Alexandra Palace and Park Board and that progress was being made in the implementation of these recommendations. A follow up audit would undertaken, and the outcome reported back to the Corporate Committee. The Committee asked about the performance against targets as set out in Table 1 of the report, and it was reported that the Quarter 2 report to the Board would demonstrate that progress was being made against the targets, and that it was expected that all targets would be achieved by Year End. It was noted that while recovery of benefit overpayments was not always possible, prosecution was very important in terms of acting as a deterrent. The Committee expressed concern regarding the length of time of some of the cases of suspension as set out in appendix C. Jacquie McGeachie, Interim Head of Human Resources and Organisational Development, advised that the four cases with very long periods of suspension had all now been resolved, and that from now on, a case review would be triggered as soon as a suspension period reached 30	

	days, in order to identify how to progress the case more quickly. The Committee asked about the increase in Interim Head positions and other consultants, and asked for an explanation of how the Council was acting to reduce its reliance on these types of post. The Chief Executive advised that some of these posts were as the result of recent restructures, but that he had been concerned with the overall level of consultants reported, and had asked the Interim Head of Human Resources and Organisational Development to look into certain areas where numbers appeared particularly high. As a result, the number of consultant positions within CYPS had reduced by 6, and an action plan was in place to address the remainder of these posts. It was noted that a further 12 consultant positions were due to come to an end by the end of October. In response to a request from Cllr Allison for a more detailed report into the audit for St Michael's Primary School, it was agreed that the Chief Financial Officer would look into whether it was possible to release this information and would respond to Cllr Allison outside the meeting. With regard to schools' audits in general, it was reported that progress on Priority 1 recommendations would be expected as quickly as possible, and certainly by the time of the follow up audit arranged with the management of the school. It had previously been agreed that the Chair of Governors and Headteachers of schools where there did not appear to be adequate progress with audit recommendations would be summoned to answer questions from the Corporate Committee. **RESOLVED** i) That the Committee note the audit coverage and counter-fraud work completed during the first quarter 2013/14. ii) That the Committee confirm that managers' actions taken during the quarter to address the outstanding recommendations are appropriate. iii) That the Committee note the information received from the HR business unit.	DCR
CNCL273.	**CORPORATE RISK REGISTER** The Committee received the report on the current corporate risk register and Corporate Risk Management Policy and Strategy. It was noted that there had been a significant review of corporate risks this year, and it was now focussing on the most critical issues for the Council. It was noted that action plans were in place for all the risks listed to ensure that risk was properly managed. The Committee was further asked to review and approve the Corporate Risk Management Policy and Strategy, which had been slightly updated to reflect changes to job titles and update the references to the Corporate Plan since last year. In response to a question from the Committee, the Chief Executive	

	advised that he was satisfied that risk was being managed adequately in the Council, but that there was further work to do at team level. It was important for risk to be appropriately owned and managed at every level within the Council, rather than having too much being monitored at corporate level. The new Corporate Risk Register was welcomed as an excellent combination of generic and borough-specific risks by Paul Dossett of Grant Thornton. **RESOLVED** i) That the Committee note the current version of the Corporate risk register. ii) That the Committee approve the current corporate Risk Management Policy and Strategy.	
CNCL274.	**PROPOSAL TO REVIEW AND RESTRUCTURE THE SENIOR MANAGEMENT TEAM ARRANGEMENTS** The Committee received the report of the Chief Executive on proposals to review and restructure the Senior Management Team arrangements. It was noted that this did not represent a complete solution, but was intended as part of a wider process of cultural change in order to ensure that the Council was able to adapt more effectively to change in future. It was felt that the current structure emphasised directorates too heavily, at the expense of the corporate Council. The intention was that it would be easy for residents to understand the roles of the new functional units, which would replace directorates. The proposals were also intended to deliver a smaller and more focussed leadership team. The Committee was asked to approve the start of a formal consultation period on the proposals, and the Chief Executive advised that he would be happy to attend Group meetings, or meet with Councillors on an individual basis to discuss the proposals. Consultation would also include key stakeholders including schools, the health service, police and Job Centre Plus. A further report would then be brought back to the Committee. It was noted that further work was currently required around how policy and strategic development work would be managed, and a review on this function would be undertaken and reported back to the Committee in due course. The Committee welcomed the aims of the report to increase efficiency and reduce costs, but expressed concern regarding the changes affecting the statutory posts of Section 151 Officer and Monitoring Officer, as both positions had specific roles and responsibilities as set out in statute. The Chief Execute advised that both of these functions would be retained within the proposed new structure, with the Chief Operating Officer post incorporating the Section 151 responsibilities, and the Assistant Director of Governance taking the role of Monitoring Officer; it was emphasised that each of these post-holders would be appropriately qualified for these respective statutory functions.	

Concern was expressed regarding the potential short-term costs associated with redundancies, and whether affected staff would be receiving payments over and above their contractual entitlements. It was reported that it was important not to fetter the Council's ability to negotiate, but that there was no intention for payments additional to contractual entitlements to be made. It was noted that decisions on individual circumstances would need to be approved by cross-party Committees set up under Section K Part 4 of the Council's Constitution. CE

It was noted that the fourth paragraph of section 3.4 of the report should be amended to read "To exemplify this the Cabinet will set, in consultation with the Senior Leadership team, the strategic direction and broad financial envelope for the budget…"

In response to a question around the way in which cultural change would be achieved, it was reported that there was a need to emphasise corporate values by focussing on leadership and management development and encouraging and reinforcing cultural behaviours, and corporate campaigns running across the year were emphasising these. It was also important to try and change the culture so that there was a greater focus on priorities. It was also reported that management meetings had been refreshed in order to support cultural change; the corporate leadership team was now meeting on a monthly basis, with the group of 100 most senior managers meeting every other month. A new corporate messaging system was also now in place.

The Committee asked how the new arrangements would work alongside the Cabinet system, and it was reported that, even under the current structure, Directors reported to a number of different Cabinet Members. The important issue was felt to be that there was clear accountability for each Council function. The Committee welcomed the clearer job titles that were proposed, but asked for clarification of the position of Head of Office. It was reported that the Head of Office would combine support for the Leader and Cabinet and the executive administrative support, and it was agreed that the Chief Executive would provide the Committee with a copy of the job description for this role.

The Committee asked about the impact the proposals would have on the ALMO. It was reported that renewing the management agreement was a critical task which would need to be undertaken in the next two years, and it was felt that having a single post-holder for both the client side and ALMO was the most effective way of overseeing this process. The Chief Executive advised that there had been an initial discussion with Homes for Haringey Board Members, and that there would be a formal discussion of the proposals by the Board on 30th September. In terms of legal issues around having a single post-holder for the Council and the ALMO, Raymond Prince, Assistant Head of Legal, advised that his inquiries, to include discussions with another borough where such an arrangement was already in place, revealed that there was no legal barrier to this proposal. It was reported that appointment to the joint post would be undertaken by a joint committee of the Council and HfH Board,

	the details of which needed to be discussed further. With regard to cost savings, it was reported that these proposals would not lead to significant savings in and of themselves, but that there was a commitment to saving money, and this stage would then lead to a more thorough review at the next management level down. With regards to effects on the Pension Fund, it was recognised that this was an issue, and officers were currently looking at ways of addressing this. With regard to pay and reward, the Committee felt that it was important for salaries for new appointments to reflect current market rates, rather than what previous post-holders were paid. **RESOLVED** That the Committee agree: • For the Head of Paid Service to implement consultation, in line with the Council's Restructure Policy, with Councillors, staff. Trade Unions and partners on the proposals. • For the Head of Paid Service to implement the proposals including any changes that were accepted as a result of consultation. • Notwithstanding the above point to provide a progress report back to the Committee in November. • That following consultation and compliance with the Council's Restructure Policy the Head of Paid Service will arrange for redundancy letters to be issued to those employees who have not secured a role in the new structure or been redeployed as a result of the process. • Open engagement with Homes for Haringey on the proposals set out in the paper. • The approach to development of Heads of Service as set out in the report. • To accept the findings of the Pay and Reward review and agree its recommendations for future consultation as se tout in the exempt appendix to the report. • A review of the senior managers' employment contract and for a report to come back to the Committee in November 2013.	
CNCL275.	**DELEGATED DECISIONS, SIGNIFICANT ACTIONS, URGENT ACTIONS** The Committee received the report on Non Executive delegated decisions and significant actions taken by Directors and any urgent actions taken by Directors in consultation with the Chair of the Corporate Committee. **RESOLVED** That the content of the report be noted.	
CNCL276.	**ANY OTHER BUSINESS OF AN URGENT NATURE**	

	There were no urgent items of business.	
CNCL277.	**EXCLUSION OF PRESS AND PUBLIC** **RESOLVED** That the press and public be excluded from the meeting for the following items, as they contained information defined as exempt in Section 100a of the Local Government Act 1972, paragraphs 1, 2 and 3, information relating to any individual, information which is likely to reveal the identity of an individual and information relating to the financial or business affairs of any particular person (including the authority holding that information).	
CNCL278.	**EXEMPT MINUTES** **RESOLVED** That the exempt minutes of the meeting held on 27 June 2013 be approved and signed by the Chair.	
CNCL279.	**PENSION FUND INVESTMENT ADVISER TENDER RESULTS** The Committee considered the exempt information pertaining to agenda item 8.	
CNCL280.	**PROPOSAL TO REVIEW AND RESTRUCTURE THE SENIOR MANAGEMENT ARRANGEMENTS** The Committee considered the exempt information pertaining to agenda item 17..	
CNCL281.	**ANY OTHER EXEMPT ITEMS OF URGENT BUSINESS** There were no new items of exempt urgent business. The meeting closed at 9.50pm.	

COUNCILLOR GEORGE MEEHAN
CHAIR