

**MINUTES OF THE CORPORATE COMMITTEE  
TUESDAY, 28 JANUARY 2014**

Councillors Adje, Browne, Diakides, Griffith, Jenks, Mallett, Meehan (Chair), Whyte, Williams and Wilson

Apologies Councillor Amin, Councillor Khan and Michael Jones

Also present: Keith Brown  
Roger Melling  
John Raisin

MINUTE NO.	SUBJECT/DECISION	ACTION BY
CC303.	<p><b>APOLOGIES (IF ANY)</b></p> <p>Apologies for absence were received from Cllr Amin, for whom Cllr Mallett was substituting, from Cllr Khan, for whom Cllr Browne was substituting and from Michael Jones.</p>	
CC304.	<p><b>URGENT BUSINESS</b></p> <p>There were no items of urgent business.</p>	
CC305.	<p><b>DECLARATIONS OF INTEREST</b></p> <p>There were no declarations of interest.</p>	
CC306.	<p><b>DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS</b></p> <p>There were no such items.</p>	
CC307.	<p><b>MINUTES</b></p> <p><b>RESOLVED</b></p> <p>That the minutes of the meeting held on 26 November 2013 be approved and signed by the Chair.</p>	
CC308.	<p><b>PENSION FUND INVESTMENT STRATEGY</b></p> <p>The Committee considered the report on the Pension Fund's investment strategy, which recommended changes to the Pension Fund's asset allocations, and also that increased property investment be made to rebalance the strategic allocation. The recommendations had been made following advice received from Mercer since their appointment as new Investment Consultant, and discussions held with the Pensions Working Group to review the investment strategy. Steve Turner, Mercer, addressed the Committee on the changes proposed by Mercer as set out in appendix 2 to the report, which would assist the Fund in managing</p>	

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	<p>risk, and improve the funding position over time.</p> <p>In response to a question from the Committee regarding the risk of default in relation to Multi-Asset Credit and Private Debt investments, it was reported that risk management would be one of the key criteria used in assessing potential fund managers for these areas. In response to a specific question relating to investment in infrastructure and the recovery of capital in the event of, for example, an airport going into administration, it was reported that the amount recovered would depend on the terms of any agreement made, but that it was very unlikely that all capital investment would be lost in such an instance. It was reported that investment would be in a wide range of projects in order to reduce such risks, and that the risk of default was reflected in higher returns. Whilst no investment was completely risk free, it was reported that infrastructure was a low-risk form of debt and that most projects covered by this type of investment would be subject to protective regulation.</p> <p>The Committee asked whether officers accepted the advice contained in paragraph 8.1 of the report from Mercer with regard to the need for an OJEU exercise. It was reported that advice would be sought from the Council's legal and procurement teams regarding this point, and that this advice would be circulated to the Committee for information. In response to a question regarding the Pension Fund's current liquidity, Mr Turner advised that Mercer had no concerns regarding the Fund's level of liquidity.</p> <p>In response to a question from the Committee regarding the costs associated with the proposed areas of active management, it was reported that while costs varied, an indicative fee would be around 80 basis points.</p> <p>Subject to the receipt of the legal and procurement advice regarding the OJEU matter, the Committee considered the recommendations of the report and it was:</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>i) That the strategic asset allocation of the pension fund be amended in accordance with appendix 1 to the report;</li> <li>ii) That additional cash be made available to CBRE to enable the property portfolio to be rebalanced to 10% of the total pension fund and that disposals are made from the Blackrock equity portfolio to finance the additional property investments.</li> </ul>	<p>HoTP / AD Fin</p>
<p><b>CC309.</b></p>	<p><b>DRAFT PENSIONS FUNDING STRATEGY STATEMENT</b></p> <p>The Committee considered the report on the draft Pensions Funding Strategy Statement. The report sought approval for the draft strategy to be circulated for consultation with the participating employers, with a final report coming back to the Committee at its meeting in March 2014. The report summarised the changes to the strategy since it was last</p>	

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	<p>updated in 2011, and it was noted that the main change related to academies, in order to bring Haringey in line with the majority of local authorities and the approach assumed by Government. It was confirmed that changes to the strategy would come into force from 1 April 2014.</p> <p>The Committee noted that the proposed changes with regard to academies could mean an increased contribution rate for schools, and asked whether the consultation process would include those schools who were considering becoming academies, so that they were aware of the potential implications. It was noted that the consultation was for existing employers including current academies, but officers agreed that this should be widened out to those schools considering becoming academies.</p> <p>In response to a question from the Committee as to whether stabilisation measures could have a negative impact on the funding position, officers advised that the strategy was financially modelled to ensure a good chance of moving towards fully-funded status over time, and that this was reviewed on a three-yearly basis so that further modelling could be undertaken and adjustments made as necessary. The Committee asked whether guidance was issued on responding to the consultation, given the technical nature of the documentation; officers confirmed that they offered to meet with all employing bodies in order to go through the issues with them.</p> <p><b>RESOLVED</b></p> <p>That the draft Funding Strategy Statement be circulated for consultation with pension scheme employers, and those schools considering academy status.</p>	HoTP / AD Fin
<p><b>CC310.</b></p>	<p><b>NOVATION OF CBRE INVESTMENT MANAGEMENT AGREEMENT</b></p> <p>The Committee considered the report seeking approval for the novation of the property management agreement to CBRE Global Collective Investors UK Limited.</p> <p><b>RESOLVED</b></p> <p>That the Committee approve the appointment of CBRE Global Collective Investors UK Limited as fund manager for the pension fund property portfolio in place of CBRE Global Investors (UK Funds) Ltd (formerly called Ing Real Estate Management (UK Funds) Ltd) by way of novation of the Fund's existing investment management agreement dated 28 February 2003.</p>	
<p><b>CC311.</b></p>	<p><b>TREASURY MANAGEMENT 2012/13 QUARTER 3 UPDATE</b></p> <p>The Committee considered the report on the Council's treasury management activities and performance in the quarter to 31<sup>st</sup> December 2013. It was reported that £41m of debt had been repaid during the</p>	

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quarter, the majority of which had been short-term debt at low interest rates, but repayment of some longer term debt had led to an annual saving for the Council of £2m in interest. The only new borrowing during the quarter was reported as a weekend bridging loan, and it was anticipated that there may be a need for a further such loan in the forthcoming quarter.

In response to a question from the Committee regarding the increase in credit risk scores as indicated in paragraph 14.5 of the report, it was reported that there had been a significant reduction in balances, most of which were held in banks and money market funds from the approved counterparty list, rather than the DMO. While this led to an increase in the credit risk scores, the much lower level of balances meant that the risk of default was significantly lower than previously. It was confirmed that the counterparty list was monitored on a regular basis, and that any proposed changes to the list were brought to the Committee for approval – it was noted that this would be covered as part of the following agenda item for this meeting. The Committee asked whether, given the current low levels of interest rates, it would be preferable to use the DMO and therefore keep the credit risk scores lower, in response to which officers advised that the banks and money market funds in use were considered safe, and did enable the Council to make some additional income as a result of the higher rates they offered.

In response to a question regarding the cost of the bridging loan, it was reported that this was very low (at around 0.4% per annum) and enabled the Council to keep a low level of cash balances, in line with the Treasury Management Strategy.

The Committee noted that the interest payable by the Council appeared at its lowest level for some time, and welcomed the reduction in the cost of debt that had been reported throughout the year. The Committee acknowledged the good work that had been undertaken around treasury management by officers over the course of the year.

**RESOLVED**

That the Treasury Management activity undertaken during the quarter to 31<sup>st</sup> December 2013 and the performance achieved be noted.

**CC312. TREASURY MANAGEMENT STRATEGY STATEMENT**

The Committee considered the report on the proposed Treasury Management Strategy Statement and Prudential Indicators for 2014/15 to 2016/17 (TMSS). The TMSS had been updated since the draft version presented to the Committee in November 2013, and now included the prudential indicators – this document had been considered by the Council's Overview and Scrutiny Committee, and the Committee was asked to recommend the final version of the Strategy to Full Council for final approval.

The Committee asked about the possibility of prematurely repaying

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	<p>loans taken out at higher interest rates, as set out in paragraph 4.11 of the Strategy. Officers advised that there was now a significant premium payable for early repayment; the Council and its treasury management advisors carried out regular calculations as to whether early repayment would be financially beneficial to the Council, comparing the interest saved with the repayment premium payable, and took action accordingly.</p> <p>In response to a question from the Committee regarding the authorised debt limit and operational boundary as indicated in annex 2 of the TMSS, and why these were so high compared with the capital budget, officers advised that this was a precautionary measure, and that in reality expenditure would never come close to this limit. The Committee acknowledged the need for some headroom, but asked whether it was necessary for this limit to be set so far above what would conceivably be required. It was agreed that these figures would be revised downward for the final TMSS that went to Full Council for approval.</p> <p><b>RESOLVED</b></p> <p>That, subject to the requested amendment of the figures for the authorised debt limit and operational boundary, the proposed Treasury Management Strategy Statement and Prudential Indicators for 2014/15 to 2016/17 at Appendix 1 of the report be recommended to Full Council for approval as part of the Financial Planning report.</p>	<p>HoTP / AD Fin</p>
<p><b>CC313.</b></p>	<p><b>EXTERNAL AUDIT PROGRESS UPDATE</b></p> <p>The Committee considered the progress report provided by Grant Thornton. With regard to the 2012/13 Audit Certificate and the potential objection referred to in the report, it was advised that there had been ongoing liaison with the potential objector and that, unless further correspondence was received in the interim, it was intended that the 2012/13 audit be closed at the end of January. The Committee's attention was drawn to Grant Thornton's report '2016 tipping point? Challenging the current' which had recently been published.</p> <p>In response to a request from the Committee, it was agreed that a report on the implications of the Local Audit and Accountability Bill would be brought to the next Committee.</p> <p>The Committee asked whether Grant Thornton had any comments to make with regard to income from charging, or business rate collection. With regard to income from charging, Paul Dossett, Grant Thornton, advised that there had been a useful report produced by the Audit Commission on this topic in 2010. While he was unable to comment on the position in Haringey specifically, Mr Dossett advised that the Council should be reviewing its policies around income from charging, and benchmarking against other local authorities on an ongoing basis. Tracie Evans advised the Committee that the Council was currently around average for London Boroughs, although the proposed freeze in charges would mean that the Council was likely to be below average among the</p>	

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London Boroughs for the coming year. With regard to the collection of business rates, Mr Dossett advised that, historically, Haringey had a high collection rate, with fluctuations in the collection level within reasonable expectations. It was noted that the collection of business rates would become a more significant issue, as new arrangements came into effect.

The Committee asked about the potential objection with regard to the 2012/13 Audit Certificate. Mr Dossett advised that such objections were relatively infrequent, but that this particular matter was related to a wider campaign related to parking issues. It was reported that the Council had provided a significant amount of information in response to requests from the potential objector, and a decision had been taken that the Audit would be closed if nothing further was heard by 31 January 2014.

**RESOLVED**

That the content of the report be noted.

**CC314. GRANTS CERTIFICATION REPORT - 2012/13**

The Committee considered the report from Grant Thornton on their certification work for 2012/13. As indicated in the executive summary, two errors had been identified in the Teachers' Pension return, which were corrected, and the Housing and Council Tax benefits claim was qualified as in previous years. While it was not unusual for Housing and Council Tax benefit claims to be qualified due to the complexity of this area, it was noted that the number of errors had increased compared with the previous year. The Council had undertaken additional testing, and a recommendation had been made for the Council to determine the reasons for the increase in errors within the Housing and Council Tax benefits claim and undertake additional training where necessary.

In response to questions regarding the findings in respect of the Housing and Council Tax benefits claim, Paul Ellicott, Head of Revenues, Benefits and Customer Services, addressed the Committee on the background to the errors identified, and the work that was being undertaken to address this. Mr Ellicott advised that findings had been based on a small sample, and the rate of errors identified was not necessarily representative; it was also reported that almost half of the sample related to assessments undertaken in the 11/12 financial year, which may have affected the rate of errors identified. It was additionally noted that, in the current financial climate, such claims had become increasingly complex. With regard to quality assurance and checking, Mr Ellicott advised that the service had identified a need to increase the amount of time spent on quality control – it was noted that officers who worked on quality control were the same staff as those working on policy change and associated training; with the significant changes in this area of work introduced in the past year, more resources had been devoted to the areas of policy change and training, and there was a need to rebalance workloads to ensure that there was sufficient focus on quality control issues.

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Paul Dossett, Grant Thornton, advised that quality control processes were key to increasing performance in this area and reducing the number of errors. It was noted that the Housing and Council Tax benefits claims were qualified for most local authorities, and that the number of errors identified in Haringey, whilst having increased, was still below the threshold for there to be any impact on the level of funding received from the Department for Work and Pensions. It was also noted that the additional testing work that the Council had been required to undertake had been done very efficiently. In response to a question from the Committee regarding whether the Housing and Council Tax benefit claim would be unqualified next year if the recommended action was completed in line with the action plan at appendix B, Mr Dossett advised that there may still be a qualification, however this would be significantly shorter.

The Committee sought assurance that there were sufficient resources available to undertake the quality assurance work required, in response to which Tracie Evans advised that she was working with Paul Ellicott to identify where resources could be focussed to best effect; following the significant changes that had been implemented over the past year affecting the work of this service, management were now in a position to review the necessary allocation of resources. In response to a question from the Committee as to whether increased IT investment would help to address any of the issues, Mr Ellicott advised that the majority of issues related to human error rather than system problems.

The Committee asked whether it would be possible to have more regular updates on this area of work, and it was agreed that a report would be brought back to the Committee in six months' time.

**RESOLVED**

That the content of the report be noted.

**CC315. INTERNAL AUDIT QUARTER 3 PROGRESS REPORT**

The Committee considered the progress report for Internal Audit for quarter 3, 2013-14, as circulated. It was noted that this was the last internal audit report from Deloitte and Touche, who had been sold to Mazars with effect from 1 February 2014 – in the short term, it was reported that this would have no impact on the delivery of the internal audit service, however it was confirmed that additional contract monitoring and review would be undertaken in order to ensure that there was no impact on performance and this would be reported on as part of the Head of Audit's Annual Report. With regards to the investigation of benefit fraud, Anne Woods, Head of Audit and Risk Management, advised that, with the introduction of the DWP's single fraud investigation service that was proposed for introduction within the next two years, there would be a gap created as the Council lost its right to investigate benefit fraud, but retained the responsibility for administering benefits until such time as the Universal Credit system was implemented.

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The Committee asked about the issues identified regarding the procurement audit. Jacque McGeachie, Interim Head of HR and Organisational Development, advised that, prior to her joining the organisation, there had been little progress made on the Hays Resource Management project, however the project was now at the testing stage, and was due to go live next week. In response to a further question from the Committee, it was confirmed that the contract with Hays included a penalty clause, but that the issues identified were the responsibility of the Council, and not Hays. In response to a question from the Committee regarding the Data Quality Policy, it was confirmed that the updated policy had now been approved. It was agreed that a copy of the updated policy be circulated to all Committee Members.

HARM

The Committee sought assurance that there had been no incidents that Members should be aware of with regards to the public mortuary, and it was agreed that the Head of Audit and Risk Management would ask the Assistant Director to confirm this to the Committee.

HARM

The Committee asked about 14-19 Provision 2013/14 audit, and noted the small sample size. It was reported that the nature of this audit was a system check, working through every stage of the process, which was why sample sizes were relatively small. It was agreed that the Head of Audit and Risk Management would confirm with the service what follow-up action had been undertaken, and would include this within the follow-up audit report.

HARM

In response to a question regarding the performance statistics for benefit overpayments recovered, it was reported that while the actual amount recovered so far this year was well below the £150k target, there was sometimes a time delay in recovering assets. This year, a number of people had been issued by the courts with deadlines for the settlement of amounts owed, including one payment amounting to £250k, and if these were received, the target would be achieved. It was noted that the target had been exceeded in the preceding year. The Committee questioned the value of targets in this area, however it was felt that having targets did help to focus attention on those who had deliberately set out to defraud the benefits system in a criminal manner.

With regard to the data on consultants, the Committee sought clarification on the use of 'as and when' to describe the number of days per week worked. It was reported that this related to staff occasionally called on for ad hoc pieces of work, for example the additional testing required in relation to the Housing and Council Tax benefit claim, as reported earlier in the agenda. The Committee asked about the two positions in Children and Families which stated 'waiting for confirmation of new end date', and it was reported that these two contracts had now been extended for an additional year, as part of the work on the transformation of the adoption and fostering service.

The Committee noted that appointment to a number of senior posts would be taking place over the next few weeks.



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	<p><b>RESOLVED</b></p> <p>i) That the Committee note the audit coverage and counter-fraud work completed and the actions taken during the quarter to ensure audit recommendations are implemented and address the outstanding recommendations during the third quarter, 2013/14.</p> <p>ii) That the Committee note the information received from the HR business unit.</p>	
<b>CC316.</b>	<p><b>DELEGATED DECISIONS, SIGNIFICANT ACTIONS, URGENT ACTIONS</b></p> <p>The Committee considered the report on delegated decisions, significant actions and urgent actions since the last meeting of the Committee.</p> <p><b>RESOLVED</b></p> <p>That the content of the report be noted.</p>	
<b>CC317.</b>	<p><b>ANY OTHER BUSINESS OF AN URGENT NATURE</b></p> <p>There were no new items of urgent business.</p>	
<b>CC318.</b>	<p><b>EXCLUSION OF PRESS AND PUBLIC</b></p> <p><b>RESOLVED</b></p> <p>That the press and public be excluded from the meeting for the following items as they contain exempt information as defined in Section 100a of the Local Government Act 1972; paragraphs 1 and 4, information relating to any individual and information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.</p>	
<b>CC319.</b>	<p><b>EXEMPT MINUTES</b></p> <p>The Committee received the minutes of the Special Committees held on 28 November 2013 and 6 January 2014.</p>	
<b>CC320.</b>	<p><b>DELEGATED DECISIONS, SIGNIFICANT ACTIONS, URGENT ACTIONS</b></p> <p>The Committee considered exempt information pertaining to agenda item 14.</p>	
<b>CC321.</b>	<p><b>EXEMPT ITEMS OF URGENT BUSINESS</b></p> <p>There were no exempt items of urgent business.</p>	

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	The meeting closed at 9pm.	
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COUNCILLOR GEORGE MEEHAN

CHAIR