

Agenda for a meeting of the Governance and Audit Committee to be held on Friday 29 January 2016 at 1100 in Committee Room 1, City Hall, Bradford

Members of the Committee – Councillors

CONSERVATIVE	LABOUR	THE INDEPENDENTS
Eaton	L Smith (Ch)	Naylor
	Thornton (DCh)	
	Swallow	

Alternates:

<i>Conservative</i>	<i>Labour</i>	<i>The Independents</i>
Ellis	Farley	Hawkesworth
	K Hussain	

Notes:

- This agenda can be made available in Braille, large print or audio format on request by contacting the Agenda contact shown below.
 - The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present who are invited to make spoken contributions to the meeting should be aware that they may be filmed or sound recorded.
 - If any further information is required about any item on this agenda, please contact the officer named at the foot of that agenda item.
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From:

Dermot Pearson
 Interim City Solicitor
 Agenda Contact: Fatima Butt
 Phone: 01274 432227
 E-Mail: fatima.butt@bradford.gov.uk

To:



A. PROCEDURAL ITEMS

1. ALTERNATE MEMBERS (Standing Order 34)

The City Solicitor will report the names of alternate Members who are attending the meeting in place of appointed Members.

2. DISCLOSURES OF INTEREST

(Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

Notes:

- (1) Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.
- (2) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.
- (3) Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.
- (4) Officers must disclose interests in accordance with Council Standing Order 44.

3 MINUTES

Recommended –

That the minutes of the meeting held on 27 November 2015 be signed as a correct record (previously circulated).

4. INSPECTION OF REPORTS AND BACKGROUND PAPERS

(Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by contacting the person shown after each agenda item. Certain reports and background papers may be restricted.



Any request to remove the restriction on a report or background paper should be made to the relevant Director or Assistant Director whose name is shown on the front page of the report.

If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Fatima Butt - 01274 432227)

B. BUSINESS ITEMS

5. **ANNUAL GOVERNANCE STATEMENT 2015**

Previous Reference: Minute 4 (2015/16)

The Finance Director will submit **Document “AE”** which updates members on the progress and improvements being made in addressing those significant governance concerns reported in the Council’s Annual Governance Statement 2014-15.

Recommended-

That members –

- (1) Review the information contained in the report and the progress made in addressing the significant governance challenges.**
- (2) Endorse the further actions planned.**
- (3) Alert officers and Members to any emerging governance concerns requiring review during the 2015-16 process.**

(Stuart McKinnon-Evans – 01274 432800)

6. **EXTERNAL AUDIT PROGRESS REPORT FOR THE 2015/16 AUDITS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL AND WEST YORKSHIRE PENSION FUND**

The External Auditor will submit **Document “AF”** which updates the Committee on progress with the 2015/16 audits and highlights key issues which may be of interest to the Committee.

Recommended-

That the external audit progress report be considered.

(Steve Appleton – 01274 431995)



7. CERTIFICATION OF CLAIMS 2014/15

The External Auditor will submit **Document “AG”** which summarises the external auditor’s certification work on claims within the Public Sector Audit Appointment’s grant regime for 2014/15.

Recommended-

That the report on the certification of claims work be considered.

(Steve Appleton – 01274 431995)

8. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) PENSION BOARD HELD ON 8 OCTOBER 2015

The role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme.

The Director of West Yorkshire Pension Fund will submit **Document “AH”** which reports on the minutes of the meeting of the WYPF Pension Board held on 8 October 2015.

Recommended-

That the minutes of the WYPF Pension Board held on 8 October 2015 be considered.

(Caroline Blackburn – 01274 434523)

9. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) PENSION BOARD HELD ON 19 NOVEMBER 2015

The role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme.

The Director of West Yorkshire Pension Fund will submit **Document “AI”** which reports on the minutes of the meeting of the WYPF Pension Board held on 19 November 2015.

Recommended-

That the minutes of the WYPF Pension Board held on 19 November 2015 be considered.

(Caroline Blackburn – 01274 434523)



10. EXCLUSION OF THE PUBLIC

The Committee is asked to consider if the item relating to the minutes of the meeting of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 5 November 2015 should be considered in the absence of the public and, if so, to approve the following recommendation:

Recommended –

That the public be excluded from the meeting during the consideration of the items relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 5 November 2015 because the information to be considered is exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972. It is also considered that it is in the public interest to exclude public access to this item.

11. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL MEETING HELD ON 5 NOVEMBER 2015

The Council's Financial Regulations require the minutes of meetings of the WYPF be submitted to this Committee.

In accordance with this requirement, the Director of West Yorkshire Pension Fund will submit **Not for Publication Document "AJ"** which reports on the minutes of the meeting of the WYPF Investment Advisory Panel held on 5 November 2015.

Recommended –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 5 November 2015 be considered.

(Rodney Barton – 01274 432317)



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Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 29 January 2016

AE

Subject:

Annual Governance Statement 2014-15

Summary statement:

This report reviews progress on the significant governance concerns reported in the Council's Annual Governance Statement 2014-15, concluding that positive progress is being made.

Report Contact: Stuart McKinnon-Evans
Director of Finance
Phone: (01274) 432800
E-mail: stuart.mckinnon-evans@bradford.gov.uk

Portfolio:

Corporate

**Improvement Area:
Corporate**



1. Summary

The purpose of this report is to update members on the progress and improvements being made in addressing those significant governance concerns reported in the Council's Annual Governance Statement 2014-15.

2. Background and Process

2.1 The annual governance review is undertaken against the principles contained in the CIPFA/Solace framework – Delivering Good Governance in Local Government. The Council is required to consider the effectiveness of its current arrangements and:

- Assess the extent to which it complies with the principles and requirements of good governance
- Identify systems, processes and documentation that provide evidence of compliance
- Identify and ensure individuals and committees hold responsibility for governance arrangements and their ongoing application and effectiveness
- Identify issues that have not been addressed adequately and any planned changes required in the future
- Prepare an action plan, identifying any individuals responsible for taking any changes forward

2.2 The review is undertaken by the Director of Finance as S151 Officer. In conducting the review, reliance is placed upon six main sources of evidence:

- The Constitution of the Council
- The adequacy of management actions in relation to key risks as identified in the corporate risk register
- Reports to the Executive and Scrutiny Committee's on performance, risk and finance issues
- Key control and fraud risk self assessments supporting written confirmation from Strategic Directors that all reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations.
- The reports of Internal Audit
- External Audit and other external inspection agencies.

2.3 A report by the Director of Finance to the meeting of the Governance and Audit Committee on 26th June 2015 set out the approach to conducting the review of the effectiveness of the Council's governance framework, including the system of internal control, the conclusions of the review and the Annual Governance Statement for 2014-15.

2.4 The Annual Governance Statement (AGS) was formally reviewed and approved by the Governance & Audit Committee at its meeting on 26th June 2015. The Committee subsequently authorised the Leader of the Council and the Chief Executive to sign the document on behalf of the Council for inclusion with the Statement of Accounts for 2014-15.

2.5 The Statement reported that the Governance and Audit Committee would be kept informed of progress in addressing weaknesses and areas of concern.

3. **Review and Conclusion**

The Annual Governance Statement identified eight governance challenges,

- 1) Agreeing an operating and financial plan in the context of the intractable tensions between resources, expectations of citizens and service users, and the statutory framework.
- 2) Improving educational attainment.
- 3) Safeguarding vulnerable children.
- 4) Mitigating the effects of a loss of experience and expertise arising from staff reductions, especially where loss of such resource impacts on the management of services protecting vulnerable people.
- 5) Developing new and affordable models of care within the governance arrangements that exist across the health and social care system.
- 6) Establishing sound governance structures pertaining to the West Yorkshire Combined Authority ensuring democratic accountability at the local level.
- 7) Impact on governance structures arising from developing policies for the delivery of regional devolution.
- 8) Ensuring that the Council's risk management strategy and practice is effectively embedded and reflects the dynamic risk environment faced by the Council.

A comprehensive review of these governance issues has been undertaken and a detailed update is provided in Appendix 1.

In every area issues and concerns have been progressed and whilst some areas have completed the required actions, Council officers recognise the need for continuing effort to achieve improvements in the delivery and operation of their services.

4. **Financial and resources appraisal**

There are no direct financial implications arising from this report.

5. **Risk Management**

The Council's risk management framework remains in place and, as previously reported, corporate risks are reviewed regularly, usually at quarterly intervals. Changes in risk assessments must be reported to and endorsed by DMTs so that Strategic Directors are kept informed of the risk environment.

There are no new risk management issues arising from this report.

6. **Legal appraisal**

- 6.1 The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of the Council's governance framework including the system of internal control.
- 6.2 The Council is required to test its governance arrangements against the principles contained in the CIPFA/Solace framework 'Delivering good governance in Local Government'.
- 6.3 The CIPFA/Solace framework also requires the Council to provide an outline of the actions taken, or proposed, to deal with significant governance issues. The Council's Annual Governance Statement 2014-15 contained such a statement.

7. **Other implications**

7.1 **Equal Rights**

Risk management assists in ensuring barriers to the delivery of services are reduced which in turn supports the achievement of equality and diversity.

7.2 **Greenhouse Gas Emission Impacts**

There are no impacts on Gas Emissions.

7.3 **Sustainability Implications**

The Annual Governance Statement will examine the sustainability of the Council's activity and ensures that mechanisms are in place to deliver business continuity.

7.4 **Community Safety Implications**

Community safety implications are considered when identifying strategic risks such as safeguarding.

7.5 **Human Rights Act**

The Annual Governance Statement will take into account any Human Rights Act implications.

7.6. **Trade Union**

There are no specific implications for the Trade Unions arising from the report.

7.7 **Ward Implications**

In general the Annual Governance Statement does not focus on individual ward issues.

8. **Not for publication documents**

None.

9. **Options**

Members may –

- Endorse the report
- Provide comment or instruction
- Bring forward any new governance concerns which should be reviewed, assessed or examined in the 2015-16 Annual Governance Statement.
- Require further information.

10. **Recommendations**

That members –

- Review the information contained in this report and the progress made in addressing the significant governance challenges.
- Endorse the further actions planned.
- Alert officers and Members to any emerging governance concerns requiring review during the 2015-16 process.

11. **Appendices**

Appendix 1 - Annual Governance Statement 2014-15: Mid Year Review, Improvement and Progress Report.

12. **Background documents**

“Annual Governance Statement 2014-15” – report to Governance and Audit Committee 26th June 2015 – Director of Finance

“Adult and Community Services Portfolio of Transformation Programmes progress December 2014 – November 2015” – report to Health & Social Care Overview and Scrutiny committee 10th December 2015 - Interim Strategic Director Adult and Community Services.

“West Yorkshire Combined Authority and Leeds City Region Enterprise Partnership: Update and Progress Report” – Report of the Strategic Director Regeneration to the meeting of Corporate Overview and Scrutiny - 8th September 2015.

“Risk Management” – report to Corporate Overview and Scrutiny Committee 6th January 2016 – Director of Finance.

Annual Governance Statement 2014-15: Mid Year Review and Progress Report as at January 2016

Governance Challenge – AGS 2014-15	Progress to date
<p>Agreeing an operating and financial plan in the context of the intractable tensions between resources, expectations of citizens and service users, and the statutory framework</p>	<p>The Council's short and medium term plans will be developed under the following governance arrangements:</p> <p>New Deal Programme Under the New Deal Programme, proposals about the future of the Council to around 2020 are being discussed and developed with input from a wide range of partners and stakeholders. The working arrangements for each New Deal outcome vary to suit the maturity of the proposals and the gamut of views needed. A recent review of partnership governance structures has aligned the district's strategic partnerships to the five New Deal outcomes, thus aligning available resources to the district's shared priorities in an effort to make the most of their impact. Approved by Bradford District Partnership Board and Executive, the review will be implemented by the end of the financial year.</p> <p>District Plan / Council Plan The development of a District Plan for the Council's municipal year will cement this alignment of resources, ensuring that partners and partnerships focus on what they can do to deliver against the agreed outcomes. Current public engagement builds on an earlier phase of engagement on New Deal from October 2014 to March 2015 which in part was designed to help manage citizen and service user expectations. A Council Plan is being developed to the same timescale and will identify the Council's contributions to delivery.</p> <p>Council Budget 2016-2018 The Council's proposed budget for 2016/17 and 2017/18 is being consulted on, using familiar consultation mechanisms from previous years. The budget, to be agreed at February 2016 Council, will set the financial parameters for the District and Council Plans. The consultation is designed to surface more clearly the tensions between resources, expectations and statute described by this governance challenge.</p>
<p>Improving educational attainment and managing Ofsted outcomes.</p>	<p>The Local Authority's (LA) school improvement function was inspected in June 2015. A project board, the LA Ofsted Core Group, had been in place for nearly 2 years in preparation for the inspection. The group was chaired by the Assistant Director (AD), Education School Improvement. Membership was made up of the AD Access and Inclusion, the Head of Bradford Achievement Service, School Governance and Workforce Development Manager, School Improvement Performance Data Manager, Business Advisor, Schools, Senior Primary Partnership Officer, Secondary Partnership Operations Director, 14-19 Lead Officer, Funding and Sufficiency, Strategy Lead of Vulnerable Groups and the Early Childhood Services Manager, with a project manager (Quality Manager) and, latterly, a member of the Education Communications Team.</p>

Governance Challenge – AGS 2014-15	Progress to date
<p>Page 7</p>	<p>The lead document for the inspection was the LA’s Self Evaluation. Whilst the outcome of the inspection was heavily influenced by the continued poor overall outcomes achieved in Bradford’s schools, there was recognition that the Local Authority knows itself and the challenges it faces, and the inspectors were confident that the newly formulated school improvement strategy was the right way forward. The LA has been led to expect that its school improvement arrangements and outcomes will be re-inspected in autumn 2016.</p> <p>The new improvement strategy fully supports a school-led improvement system and sets out clear roles for the three strategic partners;</p> <ul style="list-style-type: none"> • The LA to work with underperforming schools to monitor, challenge and intervene when necessary to ensure their rapid improvement. The LA’s role becoming a commissioner rather than deliverer • The five main partnerships of secondary, primary, catholic, special and nursery schools, to lead on the school-to-school support for improvement. This recognises that the expertise and capacity to have a positive impact on Bradford’s educational outcomes sits in our schools. However it is also recognised that external expertise is needed to accelerate improvement in Bradford and as a result schools have been working closely with colleagues from Wigan LA, and there have been recent negotiations with the Regional Schools Commissioner to bring two major, and successful, external sponsors to Bradford to lead improvements in a number of new academies • The Teaching School Alliances (TSAs) have access to training resources and external funding so that school staff, at whatever stage they are in their careers, can access further training and development. There are five TSAs in the Bradford District <p>Future development of the school-led improvement strategy in Bradford will be directed through the post-Ofsted Action Plan that the LA has been required to produce and publish. The plan focuses on nine key improvement themes, each led by a senior LA officer (DCS, ADs and Heads of Service). The tracking of the progress and impact of the plan is carried out through a KPI (key performance indicator) monitor and monthly RAG ratings of each of the key activities. The outcomes of the plan are being evaluated by the Education Improvement Strategic Board (EISB), which includes in its membership an external chair, four senior elected members, and key stakeholders from schools (including a governor rep), partnerships, teaching school alliances and the LA. The EISB will hold all partners to account for the required improvements. In addition the Council’s Overview & Scrutiny Committee has a clear role in monitoring and evaluating progress.</p> <p>Professor David Woods, a leading educational expert, who conducted a robust review of Bradford’s school improvement arrangements in the summer of 2014, continues to provide consultancy support as a critical friend. His work involves the scrutiny of our developments and documentation to ensure they are fit for purpose.</p>

Governance Challenge – AGS 2014-15	Progress to date
	<p>Accountability for the raising of standards in Bradford is now shared between the three strategic partners (teaching school alliances, partnerships and LA). We continue to communicate with the key stakeholders through Bradford Schools Online, through the Partnership Priorities and Joint Working Board (chaired by the DCS), through partnership engagement meetings with head teachers, Achievement Officer visits to our most challenging schools and via briefing notes and emails to governors, for example about changes to the inspection framework, engagement in the process, about our Education Improvement Strategy and our key priorities and targets.</p> <p>As an outcome from a review of the governance arrangements for school improvement, a Commissioning Board has been established to devolve additional resources to target specific school improvement activity and to hold all partners to account for the required improvements. This work is being undertaken within a commissioning framework having clear outcomes for the delivery of standards across the district.</p>
<p>Safeguarding vulnerable children</p>	<p>The number of referrals to children's social services has reduced to 400 per month compared to 450 per month last year. There has been a reduction in the number of children on Child Protection Plans, from 646 in the last year to 487 in October 2015. This demonstrates the effectiveness of the work being done to reduce risks and safeguard children. The Action Plan developed following the Ofsted Inspection of Child Protection and Looked After Children in February and March 2014 has been completed and systems are in place to monitor child protection conferences and safeguarding arrangements by both the council and the Bradford Safeguarding Children's Board.</p> <p>All children who are subject to a Child Protection Plan have an allocated social worker and 87% of Child Protection conferences take place within the required timescale. The multi agency Child Sexual Exploitation Hub has had increase in staffing from the police and a review of the Hub is currently taking place.</p> <p>An independent review of Children's homes has been completed and a comprehensive transformation programme incorporating recommendations from that review is being implemented. The programme will refocus and strengthen our children's residential and foster care, in particular regarding placements for adolescents with complex needs. All the children's homes except one have been inspected under the new revised inspection regulations. 82% were judged to be good, one was graded outstanding and one requires improvement.</p> <p>The council is leading a programme of change with partner agencies to develop our Early Help offer which will see families supported earlier and prevent problems escalating. A multi-agency project board meets monthly and there are plans to pilot the new arrangements in April 2016.</p>

Governance Challenge – AGS 2014-15	Progress to date
<p>Mitigating the effects of a loss of experience and expertise arising from staff reductions, especially where loss of such resource impacts on the management of services protecting vulnerable people.</p>	<p>Regeneration:- Loss of experienced staff is a concern. The department is working with HR to facilitate succession planning, apprenticeships and training through the Regen Academy and the Future Leaders Programme.</p> <p>Environment and Sport:- The most significant role in protecting vulnerable people within Environment and Sport is in Community Safety, Environmental Health and Emergency Planning. Loss of experience and expertise has not been a major issue in these areas to date. As resources have reduced in these functions we have looked to work more closely with partners and with neighbouring Local Authorities to mitigate the effects and to provide resilience to service delivery.</p> <p>Adults and Community Services:- Adults Services will continue to reduce the numbers of staff employed. To date the service has been able to deploy vacancies against staff reduction requirements with some voluntary redundancies. Decisions in respect of voluntary redundancy are based on the need of the business and therefore experienced, competent staff are retained to ensure continuity.</p> <p>Children’s Services Our approach is based on –</p> <ul style="list-style-type: none"> • Recruitment and retention strategy for teachers and leaders. A dedicated headteacher is leading on the initiative with our Teaching Schools and sponsors. • Restructuring of the Departmental Management Team. This will provide a more streamlined and strategic capacity and the heads of service will be aligned around the new arrangements. • Establishment of additional temporary management post to alleviate pressure in social care management. This has provided some management capacity and also dedicated support to lead on the Journey to Excellence. • Journey to Excellence to re-energise the vision and engagement of social care including staff training and significant investment in Signs of Safety. <p>Finance Financial Services will ensure that</p> <ol style="list-style-type: none"> a) any voluntary redundancies are approved only if there is no adverse impact from loss of skills and expertise, within affordable resource constraints b) operational work is organised and staff developed to counter the risk of single points of failure c) vacancies are filled as necessary, including, if necessary, through the exceptional use of temporary staffing,

Governance Challenge – AGS 2014-15	Progress to date
	<p>following unplanned resignations/departures in services protecting vulnerable people.</p> <p>Human Resources In order to mitigate the loss of experience and expertise, we are introducing effective workforce planning, which requires Managers to determine their future workforce needs and implement measures, to ensure that the Organisation has a workforce that can meet and adapt to future service needs and alternative methods of delivery. We also have a workforce development programme that is looking at the age profile of the workforce, apprenticeships and methods of attraction. Key training programmes are being developed to ensure employees have the right skill set for the future.</p> <p>In considering restructures and requests for VR , skills and knowledge transfer are required to be considered and assessed in order to consider impacts on the service</p>
<p>Developing new and affordable models of care within the governance arrangements that exist across the health and social care system</p>	<p>The Council is working with its NHS partner, voluntary and private sector partners to develop new models of integrated health and social care. Some new initiatives are planned for 2016/17 and are supported through the NHS Vanguard Programme. In 2016/17 the progress to deliver a new model will accelerate in order to deliver on any agreed staffing reductions (February 2016) and the Government's intention that the health and social care systems will be integrated from 2020.</p> <p>The service offer will need to be delivered within its budget constraint which will result in real changes to how services are currently delivered. More information on Adult and Community Services transformation programmes can be found in “Adult and Community Services Portfolio of Transformation Programmes progress December 2014 – November 2015” – report to Health & Social Care Overview and Scrutiny committee 10th December 2015.</p>
<p>Establishing sound governance structures pertaining to the West Yorkshire Combined Authority ensuring democratic accountability at the local level.</p>	<p>Projects funded by the West Yorkshire Combined Authority (WYCA) are controlled under their Assurance Framework. A rigorous project management system is in place for all Growth Fund and West Yorkshire+ Transport Fund projects.</p> <p>Reports have been presented to CBMDC Governance and Audit Committee and to Corporate O&S Committee on WYCA/Leeds City Region Enterprise Partnership (LEP).</p> <p>Governance arrangements are set through WYCA with direct involvement of the Leader of CBMDC on the Board and in the WY&Y Investment Committee. The Deputy Leader is also directly involved on transport, planning and housing matters. CBMDC elected members are also involved in WYCA’s own Governance and Audit Committee and Overview & Scrutiny committee and activity. The Leader of the Conservative Group is a political substitute member on the WYCA. The Leader of the Liberal Democrat Group, CBMDC sits on WYCA representing Liberal Democrats.</p>

Governance Challenge – AGS 2014-15	Progress to date
	<p>Further changes to WYCA for legal compliance and effective operation are being progressed through the Business Plan 2015-16 and a Development Programme, including the recruitment of a Managing Director post to oversee the next significant phase of WYCA efficiency and transformation. This sees the WYCA, as a local authority body, working with the five primary Local Authority constituent members, including CBMDC.</p> <p>Governance and Audit Committee are to have an update on WYCA and LEP in Spring 2016. Established governance structures and arrangements are in operation with monitoring and continuous improvement. More substantial changes may be necessary in the light of sub-national devolution and other processes – local government & public services reconfiguration, public sector reform, democratic renewal etc. for 2016 onwards – see related Challenge below.</p>
<p>Impact on governance structures arising from developing policies for the delivery of regional devolution.</p> <p>AGS 0 11</p>	<p>A Devolution deal was agreed in March 2015 and implementation plan developed with Civil Servants on the technical aspects relating to transport, housing, business support, employment and skills. Since the General Election and under the new Government, devolution ambitions and expectations are progressing including specific legislative proposals set out in the Cities and Local Government Devolution Bill, the Buses Bill and Housing and Planning Bill amongst others.</p> <p>Further negotiations are in progress with HM Government and civil service. Governance structures, procedures and implications are being considered and developed, within the emerging legislative framework, to protect and promote the interests of local places and local government.</p> <p>These developments are expected to continue into 2016 and to secure appropriate opportunities, powers, resources and risk management to support local prosperity, economic growth, regeneration and investment. This is subject to Government policy and resource decisions, especially those to be pursued through the Spending Review 2015.</p> <p>This remains an open-ended process with political and senior management involvement from CBMDC with attention on powers and resources to achieve outcomes and the related governance arrangements to support democratic and civic interests.</p>
<p>Ensuring that the Council's risk management strategy and practice is effectively embedded and reflects the dynamic risk environment faced by the</p>	<p>In the current financial year further progress on risk management has been completed. A training session was delivered to the Senior Leadership Team on the 7th August 2015. A report on risk management was tabled at the Corporate Overview and Scrutiny Committee on the 6th January 2016. The Committee made three recommendations –</p> <ul style="list-style-type: none"> • That risk management be incorporated into the Quarterly Finance and Performance Monitoring reports. • That a further progress report be presented to Overview and Scrutiny Committee in 12 months time

Governance Challenge – AGS 2014-15	Progress to date
Council.	<ul style="list-style-type: none"> • That relevant sections of the risk register be incorporated into the risk section of all reports to Overview and Scrutiny Committees. <p>In discussion, the Committee also asked for further consideration to be given to the process for collecting and refreshing information on changes in the risk environment from all areas of the Council’s operations as well as ensuring they were compatible with the risk registers of key partner organisations.</p> <p>A further report to the Governance and Audit committee is timetabled for February 2016.</p>

Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 29 January 2016.

Subject:

AF

**External audit progress report for the 2015/16 audits of City of Bradford
Metropolitan District Council and West Yorkshire Pension Fund**

Summary statement:

**The report updates the Governance and Audit Committee on progress with the
2015/16 audits and highlights key issues which may be of interest to the Committee.**

Mark Kirkham
Director
Mazars LLP

Report Contact: Steve Appleton
Phone: (01274) 431995
E-mail: steve.appleton@mazars.co.uk

1. SUMMARY

We have started planning the 2015/16 audits of City of Bradford MDC and West Yorkshire Pension Fund.

We will present our Audit Strategy Memoranda at the March Governance and Audit Committee. These will set out the significant risks we have identified for the audits, for both the opinion on the statement of accounts as well as the value for money conclusion, and our approach to the audits.

We have also highlighted two matters which may be of governance interest.

2. BACKGROUND

Not applicable.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee considers the external audit progress report.

11. APPENDICES

External audit progress report

12. BACKGROUND DOCUMENTS

None.

City of Bradford Metropolitan District Council



External Audit Progress Report

29 January 2016

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01

Purpose of this paper

This paper updates the Governance and Audit Committee on progress in meeting my responsibilities as your external auditor. It also highlights key emerging national issues and developments which may be of interest to you.

If you require any further information please contact Mark Kirkham or Steve Appleton using the contact details at the end of this update.

Finally, please note the website address www.mazars.co.uk

which sets out the range of work Mazars carries out across the UK public sector. It also details the services provided within the UK and abroad.

02

Summary of audit progress

We are currently planning the audit for 2015/16 which covers :

- the audit of your financial statements;
- our work to conclude on your arrangements for securing value for money ; and
- the report on the consistency of your Whole Government Accounts consolidation pack with the audited financial statements.

Our planning involves assessing the risks of material misstatement in the financial statements and the risks relating to the value for money conclusion and developing a plan of audit procedures to address the identified risks.

We do this by:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering the Council's financial performance;
- assessing internal control, including reviewing the control environment;
- evaluating and testing the IT control environment;

- assessing the risk of material misstatement arising from the activities and controls within the Council's information systems; and
- walking through the key controls within the Council's key financial systems.

We are holding planning meetings with senior managers to inform our planning risk assessments and to better understand the priorities and challenges the Council faces.

At the Governance and Audit Committee (18 March) we will present our Audit Strategy Memorandum. This will set out the significant risks we have identified for the audit, for both the opinion on the statement of accounts as well as the value for money conclusion, and our approach to the audit.

The same process applies to the planning of the 2015/16 audit of West Yorkshire Pension Fund.

2015/16 Financial reporting workshop

As in previous years, we are running our annual accounts workshops, designed to inform practitioners of the main changes effecting the preparation of the financial statements, along with any future accounting and financial reporting changes. Key finance staff from the Council are attending.

03

Value for Money Conclusion guidance

Summary

The National Audit Office has published updated guidance in respect of the Value for Money (VfM) conclusion. The guidance sets out the revised criterion applying to 2015/16 audits and consists of an overarching document, along with a local authority-specific paper which provides details of supporting background information on key issues facing local authorities.

Revised criteria

In previous years, auditors were required to reach their statutory conclusion on arrangements to secure VfM in respect of two main criteria; these have now been replaced by one overall criterion, supported by three sub-criteria, as set out in the tables below

New overall criterion	Sub-criteria
In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.	<ul style="list-style-type: none">• Informed decision-making.• Sustainable resource deployment.• Working with partners and other third parties.

Previous criteria

Previous criteria	Focus
The Council has proper arrangements in place for securing financial resilience.	The Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The Council has proper arrangements for challenging how it secures economy, efficiency, and effectiveness.	The Council is prioritising resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Sub-criteria – further detail

In both local government and the NHS, organisations are already required to have arrangements in place to ensure proper governance, resource and risk management, and internal controls, and to report on the design and operation of those arrangements through Annual Governance Statements.

The recently issued guidance draws on relevant requirements applicable to each sector and aligns the scope of proper arrangements with those that responsible parties are already required to have in place and to report on through documents such as annual governance statements and annual reports (where applicable).

Drawing on the relevant requirements applicable to local bodies, proper arrangements cover the following:

Sub criteria

Sub-criteria	Guidance
Informed decision-making	<ul style="list-style-type: none"> • Acting in the public interest, through demonstrating and applying the principles and values of sound governance. • Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management. • Reliable and timely financial reporting that supports the delivery of strategic priorities. • Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> • Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. • Managing and utilising assets effectively to support the delivery of strategic priorities. • Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> • Working with third parties effectively to deliver strategic priorities. • Commissioning services effectively to support the delivery of strategic priorities. • Procuring supplies and services effectively to support the delivery of strategic priorities.

04

Publications

The following pages outline for your attention some significant publications by Public Sector Audit Appointments in respect of:

- Results of auditor's work 2014/15: local government bodies; and
- Statement of Responsibilities of Auditors and Audited bodies.

Publications

Summary	Possible action
<p>Results of auditor's work 2014/15: local government bodies, <i>Public Sector Audit Appointments Ltd, December 2015</i></p> <p>This is the first report for local government bodies published by Public Sector Audit appointments Ltd (PSAA), and it summarises the results of auditors' work at 509 principal bodies for 2014/15. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.</p> <p>The timeliness and quality of financial reporting for 2014/15 remained broadly consistent with the previous year for both principal and small bodies. Against a background of financial challenges, the sector is clearly working hard to achieve appropriate standards in its stewardship of resources.</p> <p>Auditors at 97 per cent of principal bodies were able to issue the opinion on the 2014/15 accounts by 30 September 2015, with 23 bodies receiving an unqualified audit opinion by 31 July 2015. For the second year in a row there have been no qualified opinions issued to date to principal bodies. The number of qualified conclusions on value for money arrangements remained consistent with the previous year at 4 per cent.</p>	<p>The report can be found at http://www.psa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/</p>

Publications

Summary	Possible action
<p>Statement of Responsibilities of Auditors and Audited Bodies, Public Sector Audit Appointments Limited</p> <p>This statement serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of the audited body in certain areas. It replaces the previous statement issued by the Audit Commission and applies to audit engagements in respect of 2015/16.</p> <p>The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the NAO Code. Nothing in the Statement is intended to limit or extend those responsibilities.</p> <p>The statement covers the following areas:</p> <ul style="list-style-type: none">• responsibilities in relation to the financial statements;• responsibilities in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources (the VfM conclusion);• specific powers and duties of auditors (public interest report, referral to Secretary of State);• reporting the results of audit work;• ad hoc requests for auditors' views; and• access to information, data security and confidentiality.	<p>The statement can be found at http://www.psa.co.uk/wp-content/uploads/2006/08/Statement-of-responsibilities-of-auditors-and-audited-bodies-2015_16.pdf</p>

05

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Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 29 January 2016.

AG

Subject:

Certification of claims 2014/15

Summary statement:

The report summarises the external auditor's certification work on claims within the Public Sector Audit Appointment's grant regime for 2014/15.

Mark Kirkham
Director
Mazars LLP

Report Contact: Steve Appleton
Phone: (01274) 431995
E-mail: steve.appleton@mazars.co.uk

1. SUMMARY

This report summarises the external auditor's certification work on claims within the Public Sector Audit Appointment's (PSAA) grant regime for 2014/15.

2. BACKGROUND

As the Council's appointed external auditor we act as agent of PSAA (previously Audit Commission) to certify specified claims in line with certification instructions issued by PSAA.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee considers the report on the certification work.

11. APPENDICES

The report on certification of claims is attached as a separate document.

12. BACKGROUND DOCUMENTS

None.

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City of Bradford Metropolitan District Council

Certification of claims and returns

Annual report 2014/15

Contents

Background	2
Findings	4
Certification fees	5
Appendix A – Summary of certified claims and returns	6

Our reports are prepared in the context of the Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies.’ Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

01

Background

City of Bradford Metropolitan District Council ('the Council') receives from grant-paying government departments more than £179m in funding. This funding requires certification as part of Public Sector Audit Appointments' grant regime (previously a function of the Audit Commission) and government departments attach conditions and restrictions to grants which the Council must meet otherwise funding may be withdrawn or clawed-back.

It is therefore important that the Council can demonstrate that it:

- has put in place adequate arrangements to prepare and authorise each claim and return; and
- can evidence that it has met the terms and conditions put in place by the grant paying body for each claim and return.

The scope of our work

As the Council's appointed auditor, we act as an agent of Public Sector Audit Appointments (PSAA) to certify specified claims and returns.

PSAA, in consultation with the grant-paying bodies, sets out a programme of work in the form of Certification Instructions ('CIs') that we must follow. It also sets an overall framework under which we carry out our certification work. The framework includes the following elements:

- For claims and returns below £125,000 PSAA does not make certification arrangements and as such we are not required to carry out any certification work.
- For claims and returns between £125,000 and £500,000, PSAA requires us to undertake limited tests to ensure that entries on the claim form agree with underlying records.
- For claims and returns over £500,000, we assess the control environment the Council has put in place for preparing the claim to decide whether we can place reliance on these arrangements. Where we can place reliance on the Council's arrangements we undertake limited testing to ensure that entries on the claim form agree with underlying records (as above).

Where we cannot place reliance on the Council's control environment we carry out the full programme of testing in PSAA's CI.

During the year we have also been engaged by the Council to undertake assurance work on the following claims and returns outside PSAA's grants regime:

- Home and Communities Agency (fee £1,500 for 2 claims);
- Regional Growth Fund (fee £1,750); and
- Teachers' pensions contributions (fee £2,100).

As these engagements are outside of PSAA's regime we have reported separately to officers on the outcome of this work.

Our certificate

On completion of the specified work we issue a certificate, the wording of which depends on the level of work we have performed on each claim. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter.

The concept of materiality does not apply to certification of claims and returns in that any matters arising, other than agreed amendments, are reported to the grant-paying department in a qualification letter. This differs from the audit of the financial statements where a threshold is applied so that minor matters are not reported. As a consequence, the issue of qualification letters for some claims is common to many local authorities.

Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

02

Findings

The Council's control environment

As required by PSAA's certification instructions, we have assessed the control environment for the one claim within the scope of PSAA's certification arrangements.

We have not identified any weaknesses in the control environment underpinning the preparation of the claim.

Amendments and Qualifications

Housing benefit subsidy

We issued a qualification letter to the Department of Work and Pensions (DWP) on 27 November 2015, in line with PSAA's certification instructions, primarily relating to errors in the calculation of earned income.

As a result of errors identified in 2013/14 we carried out extended testing on cases with earned income in line with the certification instructions. We identified five errors in the calculation of earnings in our sample of 40 cases although one error did not affect subsidy.

We reported in our qualification letter that given the nature of the population it was unlikely that even significant additional work would allow us to conclude that the relevant cell in the subsidy claim is fairly stated. If the DWP decide to extrapolate the identified errors from the test sample to the whole relevant population it would reduce subsidy by £77,586.

Management continues with targeted checking of earnings calculations to reduce the likelihood of errors. Management review the findings regularly to consider whether the percentage checks on these cases need to be increased and to identify and staff training or development needs.

The claim was amended following agreement with management which decreased the subsidy claimed by £546. This was as a result of testing undertaken by both ourselves and the Council of local scheme cases.

03

Certification fees

For 2014/15 the total fees charged for certification work was £26,310 plus VAT which covers the certification of the housing benefits subsidy claim. The scale fees for 2015/16 will reduce to £16,520 plus VAT.

Analysis of the fees charged for each claim or return is provided in Appendix A.

Appendix A – Summary of certified claims and returns

Claims and returns between £125,000 and £500,000

There were no claims in this category in either 2014/15 or 2013/14.

Claims and returns above £500,000

Claim or return	Value	2013/14 fee	2014/15 fee	Reasons for significant movement	Amended	Qualified
Housing benefit subsidy	179,724,102	22,027	26,310	Increase in scale fee set by the Audit Commission. The scale fee for 2015/16 will reduce to £16,520.	Yes, decrease in subsidy claimed by £546	Yes
Total	179,724,102	22,027	26,310			

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Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 29 January 2016.

AH

Subject:

Minutes of West Yorkshire Pension Fund (WYPF) Pension Board held on 8 October 2015.

Summary statement:

The role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS.

City of Bradford Metropolitan District Council (the Council), as Scheme Manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee.

The minutes of meeting of the WYPF Pension Board are to be submitted to this committee.

Rodney Barton
Director

Portfolio:

Leader of Council & Strategic Regeneration

Report Contact: Caroline Blackburn
Phone: (01274) 434523
E-mail: caroline.blackburn@wypf.gov.uk

Overview & Scrutiny Area: Corporate



1. SUMMARY

The minutes of meeting of the WYPF Pension Board are to be submitted to this committee.

2. Appendices

Minutes of the Pension Board 8 October 2015.



Minutes of a meeting of the West Yorkshire Pension Fund Pension Board on Thursday 8 October 2015 at West Yorkshire Pension Fund, Aldermanbury House, Bradford

Commenced 1020
Concluded 1100

PRESENT

<u>Employer Representatives</u>	<u>Member Representatives</u>
Councillor M Slater (Chair) Mr J Morrison - Employer	Mr G Nesbitt - GMB Mr M Binks – Unison Mr C Sykes – Unison Mr M Morris – Unite

1. DISCLOSURES OF INTEREST

All those present who were members or beneficiaries of the West Yorkshire Pension Fund disclosed, in the interests of transparency, an interest in all business under consideration.

Action: *City Solicitor/Director, West Yorkshire Pension Fund*

2. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no appeals submitted by the public to review decisions to restrict documents.

3. WEST YORKSHIRE PENSION FUND PENSION BOARD TERMS OF REFERENCE

Members were reminded that the Public Service Pensions Act 2013 required the Department for Communities and Local Government to make regulations that compelled each Local Government Pension Scheme administering authority to establish a local pension board. The City of Bradford Metropolitan District Council had, therefore, established a board for the West Yorkshire Pension Fund.

The report of the Director, West Yorkshire Pension Fund, (**Document “A”**) presented the background to the establishment of the Pension Board and the Terms of Reference as approved by the Governance and Audit Committee on 20 March 2015.



It was questioned if the Terms of Reference were written to a standard formula for all pension boards and it was explained that, although a standard template had been issued by the Shadow Scheme Advisory Board, this had been received after the production of the current document had been compiled. It was felt that the document being considered was more user friendly than the standard format.

The membership of the Pension Board was discussed and it was explained that to maintain the knowledge and understanding of members the terms of office required for two of the four employer representative and two of the four member representatives to be appointed for an initial two year period.

Resolved –

- (1) That the report be noted and the Terms of Reference contained in Appendix A to Document “A” be adopted.**
- (2) That in accordance with the Terms of Reference contained in Appendix to Document “A” Councillor M Slater, M Binns, G Nesbitt and one vacant employer representative be appointed to the Board for a period of four years and J Morrison, M Morris, C Sykes and one vacant employer representative be appointed for an initial two year period.**

ACTION: Director, West Yorkshire Pension Fund

4. WEST YORKSHIRE PENSION FUND CONFLICT OF INTERESTS POLICY

The Director, West Yorkshire Pension Fund, presented a report, (**Document “B”**) which introduced West Yorkshire Pension Fund Conflict of Interest Policy.

It was explained that from April 2015 certain public sector schemes must be governed and administered under the Public Service Pensions Act and that managers and Pension Board members must comply with a number of legal requirements one of which was to ensure that no individual had a conflict of interest.

A copy of the Conflict of Interest Policy was appended to Document A”. It was confirmed that the policy had been sent to all Joint Advisory Group, Investment Advisory Panel, Pension Board members and senior management of WYPF who had then completed ‘Conflicts of Interest Declaration Forms’. Members were advised that the process would be repeated annually.

Resolved –

That the Conflict of Interest Policy, contained at Appendix A to Document “B” and the introduction of the Register of Interests be noted.

ACTION: Director, West Yorkshire Pension Fund

5. PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

It was reported that in accordance with the Pensions Act every individual who was a member of a Pension Board must be conversant with the rules of the Local Government Pension Scheme (LGPS).

The report of the Director, West Yorkshire Pension Fund, (**Document “C”**) provided a policy on how the Pension Board would achieve the required Knowledge and Understanding and how that would be maintained.

Appended to Document “C” was a list of areas of knowledge required and it was suggested that Members use that analysis to identify areas of training they required. It was stressed that the responsibility to ensure that they had sufficient knowledge rested with the Members themselves. They were requested to consider gaps in their knowledge and to contact officers to request any appropriate training they required.

In response to questions it was confirmed that if Members felt that training, conferences and seminars being discussed later in the meeting did not meet their requirements officers would work to secure additional training and support.

Resolved –

- (1) That the Board consider the draft Knowledge and Understanding Framework contained at Appendix “A” to Document “C” and subject to any amendments, adopt the Framework**
- (2) That Members of the board note and agree to undertake the Pension Regulators Toolkit Training, as well as any further training identified upon completion of the Pension Knowledge and Understanding training analysis contained at Appendix 2 of the Knowledge and Understanding Framework.**

ACTION: Director, West Yorkshire Pension Fund

6. REPORTING BREACHES PROCEDURE

Members were advised that in accordance with the Pensions Act certain individuals were required to report breaches of law to the Pension Regulator.

The Director, West Yorkshire Pension Fund, presented a report, (**Document “D”**) which introduced the West Yorkshire Pension Fund Reporting Breaches Procedure. Examples of the kind of breaches which could occur in relation to a wide variety of tasks normally associated with the administrative function of a scheme were reported.

Resolved –

That the report be noted and the West Yorkshire Pension Fund reporting Breaches Procedure, contained at Appendix A to Document “D”, be adopted.

ACTION: Director, West Yorkshire Pension Fund

7. WORK PROGRAMME 2015/16

The report of the Director, West Yorkshire Pension Fund, (**Document “E”**) provided an initial work programme for 2015/16 for the approval of Members.

Appended to the report was an extract from the Shadow Scheme Advisory Board providing an example of a remit of a Local Pension Board and had been included as suggestions for issues which Members may wish to consider adding to the initial plan appended for approval.

Members were also advised of a referral from the Governance and Audit Committee which sought assurances that arrangements for managing unquoted investments were adequate. The Director, West Yorkshire Pension Fund, explained that the issue had been flagged up previously as unquoted investments were valued in a different manner. Assurances were provided that the auditors were satisfied with the valuation and it was agreed that the issue be added to the work programme to be discussed at the meeting on 19 November 2015.

It was agreed that an additional report on the work programme would be presented at the next meeting to allow Members time to consider any training they may require and the direction in which they wished the board to progress. It was requested that business items for inclusion on the work programme be provided to the West Yorkshire Pension Fund Technical and Development Manager.

Resolved –

- (1) That having considered the extract from the guidance issued by the Shadow Scheme advisory board “Examples of a Pension Board remit” contained at Appendix A to Document “E”, the areas shown in Appendix B to Document “E” be approved as an initial work programme for 2015/16 with further areas to be added as agreed by Members at future meetings.**

- (3) That the request from the Governance and Audit Committee 26th June 2015 with regard to the Audit strategy memorandum 2014/15 that the Pension Board be requested to seek assurances that arrangements for managing unquoted investments are adequate and report back to Governance and Audit Committee be noted and the issue added to the work programme for discussion at the meeting on 19 November 2015.**

ACTION: Director, West Yorkshire Pension Fund

8. TRAINING, CONFERENCES, SEMINARS AND FUTURE PENSION BOARD MEETINGS

Members were advised that the training of Pension Board Members to understand their responsibilities and the issues they would be dealing with was a very high priority.

The report of the Director, West Yorkshire Pension Fund, (Document “F”) provided details of training courses, conferences and seminars which it was felt may assist Board Members. Full details about each event were made available at the meeting for anyone interested.

Training provided on the valuation process which was completed every three years was emphasised and Members were advised that the Pensions Regulator would expect that training on that topic was completed. It was also suggested that it would be helpful for Members to attend the WYPF annual meeting to understand the fund in more depth and make Members more accessible to users of the fund.

Resolved –

- (1) That Members would give consideration to attending the training courses set out in Document “F”.**
- (2) That the dates of future meetings and other events reported in Document “F” be noted.**

ACTION: All Members / Director, West Yorkshire Pension Fund

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the Committee.

minutes\WYPFjag8Oct15

THESE MINUTES HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER

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Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 29 January 2016.

AI

Subject:

Minutes of West Yorkshire Pension Fund (WYPF) Pension Board held on 19 November 2015.

Summary statement:

The role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS.

City of Bradford Metropolitan District Council (the Council), as Scheme Manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee.

The minutes of meeting of the WYPF Pension Board are to be submitted to this committee.

Rodney Barton
Director

Portfolio:

Leader of Council & Strategic Regeneration

Report Contact: Caroline Blackburn

Phone: (01274) 434523

E-mail: caroline.blackburn@bradford.gov.uk

Overview & Scrutiny Area:

Corporate



1. SUMMARY

The minutes of meeting of the WYPF Pension Board are to be submitted to this committee.

2. Appendices

Minutes of the Pension Board 19 November 2015.



Minutes of a meeting of the West Yorkshire Pension Fund Pension Board on Thursday 19 November 2015 at West Yorkshire Pension Fund, Aldermanbury House, Bradford

Commenced 1000
 Adjourned 1125
 Reconvened 1135
 Concluded 1200

PRESENT

<u>Employer Representatives</u>	<u>Member Representatives</u>
Councillor M Slater (Chair)	Mr G Nesbitt - GMB
Mr J Morrison - Employer	Mr M Binks – Unison
	Mr C Sykes – Unison
	Mr M Morris – Unite

9. DISCLOSURES OF INTEREST

All those present who were members or beneficiaries of the West Yorkshire Pension Fund disclosed, in the interests of transparency, an interest in all business under consideration.

Action: *City Solicitor/Director, West Yorkshire Pension Fund*

10. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no appeals submitted by the public to review decisions to restrict documents.

11. MANAGING UNQUOTED INVESTMENTS

The report of the Director, West Yorkshire Pension Fund, (**Document “G”**) provided summary information on the management of unquoted investments.

It was explained that unquoted investments was a generic term for alternative investments not quoted on the stock exchange such as hedge funds and private equity.



Document “G” detailed the management of those investments; the approval, in principle, by the Investment Advisory Panel of every area of investment and investment administration and control. Details of the unquoted investment valuation; taxation compliance, legal contract review and verification of asset values were also provided.

It was explained that unquoted investments provided good returns but did contain more risk. The valuation of unquoted investments was reviewed by external and internal audit every year, and the fund had always received excellent audit reports. However, as the audit confirmation work took place several weeks after the figures had been entered in the accounts and the value of assets had often appreciated in value, there was often a difference between the figure in the accounts and the later valuation by the auditors, which was then described by them as a miss-statement. It was normal practice not to adjust those figures and this was known as the Prudence Principal. It was after reviewing those different figures that the Governance & Audit Committee requested that the Local Pension Board should consider the issue.

Members were assured that each year unquoted investments were valued and verified by the external auditors and throughout the year the internal audit team would check the process and valuation. Quarterly statements were provided. It was acknowledged that the term “miss-statement” was alarming but in a fund valued at £11 billion the value of the two items ‘misstated’ of £22m was not material.

In response to questions assurances were provided that if the auditors reported that an investment had been overvalued the figures would be adjusted down, however, under valuations would not be increased. This was to ensure the accounts always contained the lower value.

It was queried how unquoted investments were selected and it was explained that the Fund’s Alternatives Investment Manager undertook that role. The Manager would monitor the market and ensure that those markets were still appropriate before making their recommendations to the Investment Panel.

The report revealed that the investment in unquoted securities had grown steadily over the past years. The Investment Advisory Panel (IAP) had set a strategy of increasing total unquoted investments to 10% of total investment which meant that the year end share of 7.63% would increase by 2.37% to achieve the 10% strategy. It was queried how that investment compared to that of other funds and it was explained that it was similar to other large funds.

Members recognised that the balance sheet was produced on a particular day (31 March) and the ‘misstatement’ actually arose due to the movement of values. It was also acknowledged that the quarterly statements provided an indication of the way the fund was moving.

Resolved –

That Document “G”, and the use of the Prudent Principle to ensure that the lower value of the fund was recorded, was noted.

ACTION: Director, West Yorkshire Pension Fund

12. **AUDITED ANNUAL REPORT AND ACCOUNTS 2014/15**

The Director, West Yorkshire Pension Fund (WYPF), provided a report (**Document “H”**) which presented the audited annual report and accounts and the audit completion report for 2014/15. The unaudited version of the report was presented to the WYPF Joint Advisory Group in July 2015.

The increase in membership during the 2014/15 financial year was questioned. It was explained that the fund supported a number of district Councils in West Yorkshire and across the UK. Following auto enrolment some members had opted out but there had been an increase in membership and a slight take up in contribution.

Members questioned if the positive net cash flow during 2014/15 of £53.96m was standard for a fund of its size and how that figure compared to other funds. In response it was explained that the cash flow figure recorded was dependant on the time it was documented. The figure six months later was significant lower compared to 2013/14 as the result of a transfer of £171m cash for Probation Services - Ministry of Justice pensions - to Greater Manchester Pension Fund. To ensure that all pension payments could be made the figure would never fall below 19%.

Document “H” revealed the performance on 14 of the fund’s key work areas. The performance reflected the commitment of officers, managers and service partners in delivering services to all clients. Members particularly commended that 97% of telephone calls were answered within 20 seconds.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

13. **REVIEW OF INTERNAL AND EXTERNAL AUDIT REPORTS 2014/15**

The report of the Director, West Yorkshire Pension Fund, (**Document “I” containing Not For Publication Appendices**) provided a summary of work carried out by the Internal Audit Team and external auditor Mazars LLP, and contained a list of key recommendations made by the Internal Audit Team.

The report revealed that there were no internal or external audit failures to report. The final audit was completed ahead of audit deadline, resulting in an unqualified audit opinion. The internal and external audit teams worked together and all internal audit reports were reviewed by the external auditor.

In the 2014/15 financial year internal audit carried out a planned audit review of 10 key operational and investment activities, in summary, two areas were satisfactory; four areas were good and four areas were excellent. There were six recommendations and eight suggested improvements, all were accepted and were being implemented by managers. There were no recommendations for improvement from the external auditor.

A Member questioned why the representative of the External Auditors had not attended two of the Investment Panel meetings. It was confirmed that the representative had attended all of the meetings when the company had first taken over the account. As the

understanding of the fund and the relationship with the Council had developed the company were better equipped to assess risks. The Audit Manager was always provided with all the Investment Panel documentation and would contact the fund for any support required.

The length of the contract with the External Auditors was queried. It was explained that the Audit Commission obligation to appoint the auditors would be reviewed every five years. Members were advised that the price charged by the auditors had not increased.

In response to questions it was confirmed that the approval of the audit reports was the responsibility of the Governance and Audit Committee. The Internal Audit report was presented every three years and following the suggestion of Members it was agreed that a summary of that plan would be considered by the Pension Board and that the item would be added to the work programme.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

14. WEST YORKSHIRE PENSION FUND JOINT ADVISORY GROUP MINUTES 23 JULY 2015

The role of The Pension Board, was defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 as to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

The minutes of the WYPF Joint Advisory Group (JAG) were appended to the report of the Director, West Yorkshire Pension Fund, (**Document “J”**) and were required to be submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

The minutes referred to the Joint Advisory Group’s discussions about the Actuarial Valuation 2016 and it was questioned how preparations were progressing. It was explained that meetings had been organised to assess the information required. It was hoped to bring the meetings forward to provide more time for employers to work with the fund. Each actuarial firm had previously used different data but the introduction of national data specifications should make the process easier. Training had been arranged for the Pension Board, Joint Advisory Group and Investment Panel members in January 2015.

The responsibility of the Additional Voluntary Contribution (AVC) providers to inform the fund of changes around tax was questioned. In response Members were informed that there were proposals to extend freedom and choice provisions to AVC funds in draft regulations but until those regulations were provided to the funds it was difficult to say what they would be.

It was questioned if the choice of property purchases was based on the return available or location and it was explained that those purchases were made for investment purposes.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

15. WEST YORKSHIRE PENSION FUND PENSION BOARD WORK PROGRAMME

The Director, West Yorkshire Pension Fund, provided a report, (**Document “K”**) which presented a work programme for the West Yorkshire Pension Fund Board. Members were advised that additional areas of work may be added during the year as agreed by the Board.

Appended to the report was a suggestion for an additional area of work on Guaranteed Minimum Pension (GMP) which it was thought Members may wish to consider before the abolition of GMP's in April 2016.

The suggestion referred to in Minute 13 that the Internal Audit Plan be presented on a regular basis was reiterated.

Resolved –

- (1) That, with the addition of the Internal Audit Plan consideration, the work programme contained at Appendix A to Document “K” be approved.**
- (2) That the ‘Other Areas of Work for the Board 2016’ contained at Appendix B to Document “K” be noted and that the Director, West Yorkshire Pension Fund, be requested to produce a report detailing the position of West Yorkshire Pension Fund in respect of the reconciliation of Guaranteed Minimum Pensions for consideration at the meeting of the WYPF Pension Board in March 2016.**

ACTION: Director, West Yorkshire Pension Fund

16. TRAINING, CONFERENCES, SEMINARS AND FUTURE PENSION BOARD MEETINGS

Members were reminded that their training to understand their responsibilities and the issues they would be dealing with was a very high priority. The report of the Director, West Yorkshire Pension Fund, (**Document “L”**) provided details of training courses, conferences and seminars which it was thought may assist Board Members. Full details about each event were available at the meeting for anyone interested.

Members were requested to prioritise the Actuarial Valuation training which was organised for 28 January 2016. It was also suggested that the Pension's Regulatory web based training would be useful for Members and the Standard Life Learning Gateway was recommended as a useful resource.

It was agreed that the next meeting of the Pension Board would be held on 16 March 2015.

Resolved –

- (1) That the events set out in Document “L” including the Valuation Training Event on 28 January 2016 be noted.**
- (2) That the date of the WYPF Pension Board meeting on 16 March 2016 be agreed.**

ACTION: Director, West Yorkshire Pension Fund

17. EXCLUSION OF THE PUBLIC

Resolved –

That the public be excluded from the meeting during the consideration of the item relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 30 April and 23 July 2015 because the information to be considered is exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972. It is also considered that it is in the public interest to exclude public access to this item.

18. WEST YORKSHIRE PENSION FUND INVESTMENT ADVISORY PANEL MINUTES 30 APRIL 2015 AND 23 JULY 2015

The Director, West Yorkshire Pension Fund, submitted **Not for Publication Document “M”**, which provided the minutes of the meetings of the West Yorkshire Pension Fund Investment Advisory Panel held on 30 April 2015 and 23 July 2015.

Resolved –

That the recommendations contained in Not for Publication Document “M” be approved.

ACTION: Director, West Yorkshire Pension Fund

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the Committee.

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THESE MINUTES HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER