

Minutes of a meeting of the Governance and Audit Committee held on Tuesday, 28 March 2017 in Committee Room 1 - City Hall, Bradford

Commenced 11.00 am
Concluded 11.35 am

Present – Councillors

CONSERVATIVE	LABOUR
M Pollard	Johnson Swallow Watson

Apologies: Councillor Jeanette Sunderland

Councillor Johnson in the Chair

48. DISCLOSURES OF INTEREST

No disclosures of interest were received.

49. MINUTES

That the minutes of the meeting held on 28 February 2017 be signed as a correct record.

50. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no appeals submitted by the public to inspect reports and background papers.



51. AUDIT STRATEGY MEMORANDUM 2016/17 - WEST YORKSHIRE PENSION FUND

The External Auditor submitted **Document “AG”** which reported on the Audit Strategy Memorandum for West Yorkshire Pension Fund and set out the audit plan for 2016/17. The document:

- described External Audit’s approach to the audit opinion on the accounts;
- included External Audit’s assessment of the significant risks of material misstatement in the accounts; and
- outlined the proposed testing strategy to address the identified risks.

Members were informed that the statutory deadline for the completion of the audit work was 30 September 2017.

It was reported that External Audit had identified the following areas in which they will carry out specific audit procedures to mitigate the risks of material misstatements:

- management override of controls; and
- valuation of unquoted investments for which a market price was not readily available.

It was reported that the risks identified were standard procedures for all pensions/other entities that were audited.

Members were informed that at the planning stage of the audit, materiality had been set for the financial statements as a whole at 47.96 million. In reporting the results of their work, External Audit did not report identified misstatements below a clearly trivial level which had been set at £1.44 million.

In response to a Member’s question on unquoted investments and the proportion that was invested in infrastructure projects and hedge funds, it was reported that investments were made in private equities and ¼ billion was invested in infrastructure projects; WYPF was not engaging in hedge funds and derivatives at the moment; ½ billion was invested in private equities which were reviewed periodically.

In response to a Member’s question it was reported that any significant risks identified would be reported to the Committee before September. The report in September would show how any identified significant risks and errors had been managed.

Resolved-

That the Audit Strategy Memorandum for West Yorkshire Pension Fund for 2016/17 was considered.

Action: External Audit



52. TREASURY MANAGEMENT POLICY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY 2017/18

The Council was required to operate a balanced budget, which broadly meant that cash raised during the year will meet cash expenditure. Part of the treasury management operation was to ensure that this cash flow was adequately planned, with cash being available when it was needed. Surplus monies were invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The Strategic Director of Corporate Services submitted **Document "AH"** which showed the Council's Treasury Strategy for borrowing for the three financial years commencing 2017/18 and the Annual Investment Strategy for 2017/18.

It was reported that the Council was currently maintaining an under-borrowed position which meant that the Capital Financing Requirement had not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow had been used as a temporary measure. This strategy was sensible as investment returns were low and counterparty risk was still an issue that needed to be considered.

Members were informed that the level of under borrowing had increased over the last two years and a decision was made in December to take advantage of currently low interest rates to borrow against loans maturing in March 2017. Loans to the value of £25.9m were therefore taken out at an average rate of 2.6187%, and would replace loans of the same amount maturing in March, that had a average interest rate of 8.947%. This would reduce the average interest rate on the overall debt portfolio by 0.5% in March 2017, saving £1.65m per year.

It was reported that with the risks within the economic forecast, caution would be adopted with the 2017/18 treasury operations. The Strategic Director Corporate Services would monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Members were informed that the cash balances for the Council were invested at present in liquidity funds, term deposits, certificate of deposits and Treasury bills. The money market had undertaken great change since 2008 with the number of banks available for the council to invest in and their funding requirements reducing.

It was proposed that to increase the products the Council was able to invest in the following should be included:

- a) bonds issued by the UK Government and banks/ building society including covered bonds (Appendix 2 to Document "AH").
- b) Floating rate notes again issued by the UK Government and banks/ building society including covered.



Members were informed that the maturity and credit rating would follow the same criteria as the current investments.

It was reported that the additional products would help in the following way without increasing risk.

- certain banks only issue in the products above .
- better rates may be available than the Council was able to gain from the products that were used at present.
- Covered bonds and covered floating rate notes had better credit ratings and so offered another layer of protection.
- Both bonds and floating rate note notes were tradable and so could be sold before they matured which gave greater flexibility.

In response to a Member's question it was reported that although the Council's cash position was reducing, it would be prudent to have further options to invest in.

It was reported that better rates were explored for loans coming to maturity.

Resolved-

That the Treasury Management Policy (Document "AH") was considered and referred to Council for adoption.

Action: Strategic Director of Corporate Services

53. EXCLUSION OF THE PUBLIC

Resolved –

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 26 January 2017 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.

54. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 26 JANUARY 2017

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 submitted **Not for Publication Document “A1”** which reported on the minutes of the meeting of the WYPF Investment Advisory Panel held on 26 January 2017.

Resolved-

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 26 January 2017 were considered.

Chair

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

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

