FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE

Minutes of a meeting of the Finance, Resources, Audit and Governance Committee of South Norfolk Council held at South Norfolk House, Long Stratton, on Thursday 28 July 2016 at 9.30 am.

Committee Members Present: Councillors: P Hardy (Chairman), L Dale, W Kemp, T Lewis and T Palmer

Apologies: Councillors: R Savage and G Wheatley

Substitute Members Present: Councillors: D Goldson for R Savage and D Bills for G Wheatley

Officers in Attendance: The Director of Business Development (D Lorimer) the Accountancy Manager (M Fernandez-Graham) and the Senior Accountant (J Brown)

Others Present: Tina Meyer and Kevin Suter (Ernst Young) Alexander Younger and Jo Quarterman (Norfolk Pension Fund)

122 MINUTES

Subject to a minor amendment, the minutes of the meeting held on 24 June 2016 were confirmed as a correct record and signed by the Chairman.

Regarding Minute 121, the Committee received a written update from the Internal Audit Consortium Manager. In response to a member’s question, the Director of Business Development clarified that the term ‘CAE’ referred to the Chief Audit Executive i.e the Head of Internal Audit.
123 AUDITED STATEMENT OF ACCOUNTS 2015/16

The Accountancy Manager presented the Statement of Accounts for 2015/16, advising members that although the audit had not yet quite been finalised, it was anticipated that unqualified opinions for both the financial statements and value for money would be issued. Members were advised of a few alterations to the accounts since they had been reviewed in draft form, but noted that these had mainly been due to a reclassification of headings in the balance sheet for Big Sky Developments and Section 106 monies held on behalf of Costessey Town Council, and that only one change affecting the Council’s net worth had been made.

The Chairman welcomed Alexander Younger and Jo Quarterman from Norfolk Pension Fund to the meeting and invited them to provide a presentation to the Committee, regarding the pension fund and how transactions relating to this were reported through the Statement of Accounts and the relevant notes to the Accounts. (The presentation is appended to these minutes).

Members were provided with information regarding the major reform in public sector pensions following the Independent Public Service Pension Commission report, and were advised of some of the implications to the Local Government Pension Scheme (LGPS) as a result of these changes, in particular its move from a final salary scheme to a career average scheme in 2014. The Committee was also made aware of the wider reform and main focusses of pensions; most recently the emphasis placed on efficiency and the structure of its assets.

Jo Quarterman explained that the LGPS differed from the majority of other public service schemes in that it was a funded defined benefits scheme whose funds were held in assets, as opposed to most other public service schemes where benefits were paid from taxation income. Members were advised about the administration and governance of the scheme, and were provided with figures regarding the numbers of active members, deferred members (previous employees who had frozen their benefits), and those members already in receipt of pension benefits. In response to a member’s question regarding the rise in numbers of active members, Alexander Younger clarified that this could mainly be attributed to the auto-enrollment of new employees into the pension scheme and also the increase in non-teaching staff in schools (in particular those in academies). Jo Quarterman added that many of the members were employed on a part time basis so it was difficult to accurately assess the figures as the figures referred to headcount.

In response to a concern raised regarding the level of expertise and knowledge of those members on the Pension Committee and Local Pensions Board, members were reassured that independent advisers and actuaries were frequently consulted and that there was a mandatory training requirement for Board Members.
A query was raised regarding pension freedoms and it was confirmed that, although it was possible for pension scheme members to take a cash transfer from their scheme to re-invest in a private plan before retirement, there was a requirement for the employee to take independent financial advice. The Committee was reassured that the incidence of employees exercising this option was so rare that it was not felt that this presented any risk to the scheme’s cash flow.

Alexander Younger provided members with details which related to the pension notes given in the accounts, as detailed in the appended presentation, and spoke about the financial assumptions made when calculating the balance sheet and the revenue account.

In relation to the ‘Past Service Costs’ shown in the Comprehensive Income and Expenditure Statement included within the Statement of Accounts, the Director of Business Development clarified that where a member of staff requested to take early retirement after the age of 55, any costs to the Council would be recouped from that employee. She advised that there was an increase in staff taking early retirement or reducing their working hours whilst drawing benefits from their pension fund.

The Committee was advised of the focus placed on efficiency and the structure of its assets as part of the reform, in particular the introduction of asset pooling between pension schemes, in order to reduce costs while maintaining investment performance. Jo Quarterman reassured members that Norfolk Pension Fund’s view was to use evidence when making decisions and that the Local Government Scheme was already cheaper to run than many corporate pension funds. Members were advised of the criteria for pooling investments and were given details of the Norfolk Pension Fund’s inclusion in ‘ACCESS’, which had been set up as a collaboration of central, eastern and southern shires, consisting of around 3,000 employers and 900,000 members. It was stressed that only the operational management of investments was pooled, so this did not take investment decisions away from the local democratic process.

The Chairman thanked Alexander Younger and Jo Quarterman for their informative presentation and it was then:

**RESOLVED:**

1. Note the adjustments to the Statement of Accounts 2015/16;
2. Delegate to the Accountancy Manager to make any necessary adjustments to the Statements for sign-off and publication by 2 August 2016.
3. Delegate the Chairman of the Finance, Resources, Audit and Governance Committee to sign the letter of representation alongside the Director of Business Development.
124 AUDIT RESULTS REPORT AND DRAFT OPINION

Members considered the Audit Results Report for the year ended 31 March 2016 which was presented by Kevin Suter from Ernst & Young (EY). The Committee was advised that the audit was in its final stages and that it was anticipated that work would be completed during the next week.

Mr Suter explained that considerable work had been necessary to audit the group accounts due to the formation of Big Sky Developments and the other companies, as it had been important to ensure the fundamentals were in place so that future audits could be less extensive. He also stressed that should the Council make another similar investment in the future, it would be necessary to repeat the same complex process during audit. The Committee was advised that fees for the work had not yet been agreed but that this would be reported back to a future meeting of the Committee.

In response to a member’s question regarding ‘materiality’ it was confirmed that the Audit Results Report reflected EY’s opinion that SNC’s accounts reasonably stated the Council’s position but, as the auditors could not confirm that every aspect had been checked, there would be some margin for error.

In response to a request from the Chairman, Mr Suter agreed that, in the event of the audit not being completed before 2 August when the Annual Governance Statement was due to be signed by the Chairman, he would notify Cllr Hardy accordingly.

The Chairman thanked Kevin Suter and Tina Meyer, and members noted the report.

125 ANNUAL GOVERNANCE STATEMENT

The Accountancy Manager presented the Annual Governance Statement for 2015/16 and explained to members that the statement was a reflection of the Council’s overall governance arrangements. The Committee was informed that, as in the previous year, a ‘reasonable’ audit opinion had been given by the Audit Manager.

In response to a member’s query it was noted that the wording in paragraph 2.4 of the background to the report should have indicated that members had made the decision to continue to include the Annual Governance Statement within the Statement of Accounts.
It was then:

RESOLVED: To

Approve the Annual Governance Statement for signature by the Chief Executive and the Leader of the Council.

126 FINANCE, RESOURCES, AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME

Members noted the Finance, Resources, Audit & Governance Committee’s Work Programme.

The Chairman advised that two items would be added to the agenda for the next meeting of the Finance, Resources, Audit and Governance Committee on 25 November 2016. These would be:

- Asset Management Plan
- Ombudsman Complaints Report

The meeting concluded at 11.10 am

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Chairman