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GENERAL PURPOSES COMMITTEE

25 JUNE 2015

(19.15 - 20.55)

PRESENT: Councillors Councillor Peter McCabe (in the Chair), Councillor Laxmi Attawar, Councillor Adam Bush, Councillor Tobin Byers, Councillor Stephen Crowe, Councillor Ian Munn, Councillor David Williams, Councillor Stan Anderson (Substitute for Councillor Agatha Mary Akyigyina), Councillor Daniel Holden (Substitute for Councillor Janice Howard) and Councillor Imran Uddin (Substitute for Councillor Mary Curtin)

ALSO PRESENT: Steve Bowsher (Chief Accountant), Paul Evans (Assistant Director of Corporate Governance), Caroline Holland (Director of Corporate Services), Michael Udall (Democratic Services) and Marissa Bartlett (Joint Head of HR Transactional Services)

Paul King (External Auditor, Ernest & Young)

1 DECLARATIONS OF INTEREST (Agenda Item 1)

Councillor Imran Uddin declared an interest (but not a disclosable pecuniary interest) by reason that he was Chair of the Council's Pension Fund Advisory Committee.

2 APOLOGIES FOR ABSENCE (Agenda Item 2)

Apologies for absence were received from: Councillors Agatha Mary Agyigyina, Mary Curtin and Janice Howard.

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

RESOLVED: That the Minutes of the meeting held on 12 March 2015 be agreed as a correct record.

16 REPORT ON THE USE OF TEMPORARY WORKERS AND CONSULTANTS (Agenda Item 16)

1. Agenda Order – Following consultation with other members, the Chair brought forward discussion of this item.

2. Reason for Urgency: The Chair had approved the submission of this report as a matter of urgency so as to comply with the Committee's work programme. Hard copies of the report were circulated at the meeting, including a coloured A3 size copy of Appendix 1 (Summary data of the Council's current interim positions) which was confidential and not for publication.

2.1. Caroline Holland (Director of Corporate Services) briefly introduced this standard item, including apologising for the report's lateness. She explained that this had been due to delays in obtaining the relevant information and then the need to check its accuracy before it could be released to members.

2.2. The Chair referred to the need for future such reports to be on time and included with the main agenda. Caroline Holland advised that she had already asked for a meeting with relevant officers so as to ensure this happened.

3. Appendix – Font Size – Councillor Ian Munn complained about the small font size on the Appendix, making it difficult to read. Caroline Holland undertook to look at this and also the possibility of displaying the Appendix via a projector on a screen at future meetings.

4. Discussion - Marissa Bartlett (Head of Joint HR Transactional Services) then further introduced the report, including advising that the trend graphs on pages 10-13 of the Appendix reflected the figures on the front page of the Appendix (page 5). During the subsequent extensive discussions, Marissa Bartlett together with Caroline Holland responded to members queries.

4.1 In response to queries about the placement of (temporary) interim staff in the Council, Marissa Bartlett advised that -

(a) "on contract" referred to temporary staff engaged -

(i) either through the Council's corporate contract with Comensura for the supply of temporary agency staff:

(ii) or through the London Borough Recruitment Partnership (LBRP) for very specialist consultant type roles; and ;

(b) "off contract" referred to interim staff recruited outside of the above provisions..

4.2 She confirmed that managers were encouraged to use "on contract" staff and discouraged from using "off contract" staff; and outlined the steps taken by HR to scrutinise and keep under review all interim contracts, and the greater difficulties of policing contracts for "off contract" staff, including hiring managers not engaging with HR.

4.3 Officers indicated that now Finance notified HR when "off contract" invoices were received in order that HR could then discuss the particular contract/post with the relevant hiring manager. It was noted that this was a further mechanism to ensure that all interim staff contracts were captured by the Council's systems; and that the number of "off contract" interim staff had decreased considerably.

4.4 Officers confirmed the graphs on the back page of the Appendix (page 14) showed that the trend was for the number of interim (or temporary) staff to increase. Marissa Bartlett advised that a similar situation was occurring in other Boroughs, and one reason for this could be that as organisations, such as local authorities, go through significant organisational change, there was a tendency not to fill vacant posts with permanent staff at first, but to make a temporary appointment pending a further review of the service concerned.

4.5 Members referred to the market for some specialist posts being mainly only local authorities and the possibility of local authorities liaising to set salary limits for such posts. Officers outlined the difficulties of achieving this, but indicated that there was an appetite across London to work together to get a common understanding of the appropriate price point for certain roles such as social workers, planners and IT workers.

4.6 Comparative Figures - Caroline Holland confirmed that in relation to the comparative spend figures for various Boroughs on the back page of the Appendix (page 14), she had asked HR to see if information on the number of interim/temporary posts involved in each Borough could be obtained.

4.7. Corporate Services Dept.– Members expressed concern that the Corporate Services Department had the highest number of “off contract” interim staff, when the Corporate Services Department had responsibility for policing other Departments on interim staff. Caroline Holland outlined the areas of her Department where “off contract” interim staff often had to be used, such as various business improvement projects and IT services where permanent staff were difficult to recruit. She confirmed that recruitment via Comensura or LBRP as appropriate was always tried first prior to appointing “off contract”; and that the necessary exemption form had to be signed off by another Director in each case.

4.8. Salary Figures – A member referred to the Appendix including weekly and monthly salary figures, and suggested that for ease of comparison all figures be in full time equivalent. Caroline Holland advised that some posts were full time and some part time, so costs to date or to end of contract were given; and indicated that an hourly rate reckoner could possibly be included with the figures..

5. Street Naming Officer - Councillor Ian Munn expressed concern that he and other Cricket Green Ward Councillors hadn't been consulted about recent new street names in their Ward by the temporary officer dealing with this matter. Caroline Holland undertook to deal with this.

RESOLVED: That the progress made to monitor and control the use of temporary workers and consultants be noted.

4 2015/16 AUDIT FEE LETTER (Agenda Item 4)

Paul King (Council's External Auditor) introduced the report, including highlighting the 25% reduction in the audit fee (as detailed on page 10) and advising that the audit team (shown on page 11) would be changing as Michael Yeats would be leaving Ernst & Young shortly, and that a replacement would be sought.

RESOLVED: That the report be noted.

5 MERTON PENSION FUND 2015/16 AUDIT FEE LETTER (Agenda Item 5)

Paul King (Council's External Auditor) introduced the report, including highlighting that the audit fee (as detailed on page 14) would remain the same.

RESOLVED: That the report be noted.

6 MERTON PENSION FUND 2014/15 AUDIT PLANNING REPORT (Agenda Item 6)

Paul King (Council's External Auditor) introduced the report, including that the completion of audit referred to in the timetable (in para. 4.6, page 27) would be reported to the September meeting of this Committee.

Materiality (para. 4.3, page 26) – In response to members queries , Paul King explained that -

- (a) any uncorrected audit misstatements greater than £236,122 would be reported to the Council (via this Committee); and
- (b) the figure of £236,122 was, in accordance with standard practice, 5% of the figure for overall materiality for the financial statements of the Pension Fund which was £4,722,430 based on 1% of net assets.

Some members queried the size of the £236,122 figure, and the possibility of a lower figure. Paul King explained that

- (i) the figure of £236,122 might seem large in financial terms but was small in audit terms;
- (ii) any issues of less than £236,122 but of significance in governance terms would be reported to Committee; and
- (iii) there would be no increase in the audit fee if the figure of £236,122 were to be reduced, as all issues found by the auditors were reported to officers.

Following discussion of possibly halving the figure for reporting of uncorrected audit misstatements from to £236,122 to £118,061, it was agreed by 6 votes to 3 that the figure remain unchanged.

RESOLVED: That the report be noted.

7 EXTERNAL AUDIT PROGRESS REPORT (Agenda Item 7)

Paul King (Council's External Auditor) introduced the report, including that the initial work on the 2014/15 audit had been done and that this hadn't disclosed any issues that needed to be drawn to the attention of the Committee.

RESOLVED: That the report be noted.

8 AMENDMENT TO STANDING ORDERS (Agenda Item 8)

Paul Evans (Assistant Director of Corporate Governance) introduced the report.

RESOLVED: That the General Purposes Committee recommends to Council that it agrees to authorise the changes to the council's constitution (set out in paragraphs 2.4 and 2.5 below) in order to comply with the requirements of the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015.

9 MEMBERS' DECLARATIONS OF INTEREST (Agenda Item 9)

Paul Evans (Assistant Director of Corporate Governance) introduced the report, including explaining that further to 2013 DCLG guidance, membership of a Trade Union should be declared.

In response to queries, Paul Evans clarified that

- (a) any involvement in a contract, no matter how trivial should be declared;
- (b) any directorship of a company, whether in or outside of Merton, even if it was dormant should be declared;
- (c) whilst simple membership of the National Trust need not be declared, any position of control or management in the National Trust or any other organisations operating in the borough should be declared; and
- (d) guidance and examples would be produced for members; and
- (e) he was happy to give advice to any Councillor.

RESOLVED: That the Committee

(1) notes the review of the Members' declaration of interest form and guidance;.

(2) agrees the form and guidance should be updated to include declaration of trade union membership;

(3) agrees the form and guidance should be updated to include declaration of third party organisations in the borough where a Councillor or Co-opted Member holds a position of management or control;

(4) agrees that action be taken to ensure all Councillors are guided by the Monitoring Officer on the new requirements that come into effect on 1st September 2015; and

(5) agrees to recommend to Council the changes to the declaration of interest form and guidance.

10 SHARED AUDIT SERVICE (Agenda Item 10)

Caroline Holland (Director of Corporate Services) introduced the report.

Shared Arrangements – Further Report – Reference was made to discussions at Standards Committee regarding the oversight of all the various shared service arrangements across the Council, which involved varying configurations of different local authorities, and the need for all the information on the various shared service arrangements to be available at one place on the Council's web-site, including governance and monitoring arrangements.

Members requested that a report be made to this Committee on the matter. Caroline Holland confirmed that a suitable report could be made to the next meeting; and also

indicated that shared services were already referred to in the report on the Annual Governance Statement 2014/15 to this meeting (on page 94).

RESOLVED: That (1) the Committee agrees to the principle of Merton joining the shared Richmond and Kingston Internal Audit Service from 1st October 2015; and

(2) a report be submitted to the next meeting on shared service arrangements across the Council as outlined above.

11 2014/15 DRAFT REVENUE OUTTURN AND FINAL ACCOUNTS (Agenda Item 11)

1. Caroline Holland (Director of Corporate Services) introduced the report, including drawing attention to the projected £6.4m overspend and to the Collection Fund which showed a surplus in respect of Council tax and a deficit in respect of NDR.

2. There was a query about the increase in the use of revenue reserve for capital purposes from £5.360m to £6.062m. Caroline Holland advised that this was being used to finance short life assets. Caroline Holland undertook to circulate the relevant analysis on the matter to all members of the Committee.

3. There was also a query about why three significant reserve balances had not changed (the insurance reserve, the energy renewable reserve and the repairs and renewals fund). Caroline Holland stated that the energy renewable reserve had not been applied as suitable schemes had not yet been identified.

RESOLVED: That the General Purposes Committee notes the draft Statement of Accounts for the Council for the year ended 31st March 2015 before they are authorised (subject to any final, minor, drafting narrative and numerical amendments) by the Section 151 Officer at a date up to the latest of 30th June 2015.

12 ANNUAL GOVERNANCE STATEMENT 2014/15 (Agenda Item 12)

Caroline Holland (Director of Corporate Services) introduced the report.

RESOLVED: That the General Purposes Committee agrees the Annual Governance Statement

13 WORK PROGRAMME (Agenda Item 13)

RESOLVED: That the report be noted.

14 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING (FOR INFORMATION ONLY) (Agenda Item 14)

RESOLVED: That the report be noted.

17 PENSION FUND REPORT (Agenda Item 17)

1. Caroline Holland (Director of Corporate Services) introduced the report, including that the Proposed Strategic Asset Allocation (in column 3 of para. 1.2, page 172) should be corrected to the following

Passive equity – 60%

Active Equity – 40%.

2. Reference was made to the comments in paragraph 3 (page 173) that “Members of the Committee and officers are well briefed on the investment changes proposed.....”. Caroline Holland explained that this referred to previous reports made to the Pension Fund Advisory Committee; and confirmed that this was the first report on the issue to the General Purposes Committee.

3. Councillor Imran Uddin, Chair of the Pension Fund Advisory Committee, indicated that the Advisory Committee had been considering the issue for some 18 months; and outlined the background to the proposals to give the Council’s fund managers greater discretion in making investments.

4. Caroline Holland responded to queries regarding investments with greater growth, possibly having more risk, including advising that most of the Council’s pension funds would still be invested in equities and confirming that investments with a major risk would not be made.

5. Investment in tobacco or armament industries -In response to queries regarding possible investment of pension funds in investments connected to the tobacco or armament industries, particularly following the transfer of some Health matters to Local Authorities, Caroline Holland undertook to circulate to all members of the General Purposes Committee the relevant guidance used by the Council’s fund managers in relation such investment decisions.

RESOLVED: That the Committee

(a) approves the proposed changes to the current pension fund asset allocations;

(b) agrees the procurement of a pension fund investment adviser via the National LGPS Framework to support the investment manager selection process;

(c) agrees that the Director of Corporate Services can procure investment managers required for Diversified Growth Fund and Equities mandates via an independent OJEU procurement process or via the London CIV; and

(d) agrees the re-procurement of the management of fixed income and property investments for value for money reasons using any one or more of the processes described in (c) above

