

# Public Document Pack

Date: 09 March 2016

To: ALL MEMBERS OF THE SOUTH YORKSHIRE  
JOINT LOCAL PENSION BOARD



SOUTH YORKSHIRE  
LOCAL PENSION BOARD

18 Regent Street  
Barnsley  
South Yorkshire  
S70 2HG

[www.southyorks.gov.uk](http://www.southyorks.gov.uk)

This matter is being dealt with by: Gill Richards

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Dear Member

**SOUTH YORKSHIRE JOINT LOCAL PENSION BOARD**

**Thursday 17 March 2016**

A meeting of the South Yorkshire Joint Local Pension Board will be held at 11.30 am (or at the later conclusion of the Pensions Authority meeting) on Thursday 17th March, 2016 at the offices of the South Yorkshire Pensions Authority, 18 Regent Street, Barnsley, S70 2HG.

Car parking will be available at the rear of the building.

The agenda is attached.

Yours sincerely

D Terris  
Clerk

Encs

**Distribution:** Glyn Boyington (Chair), Geoff Berrett, Steve Carnell, Cllr Tony Corden, Cllr Ben Curran, Nicola Doolan, Kevin Morgan, Melanie Priestley, Susan Ross, Jill Thompson (Vice-Chair) and Gary Warwick.

## **Terms of Reference**

### **1. Administration**

- 1.1 Monitor and review the performance of Scheme administration including suggesting any changes to Service Level Agreements.
- 1.2 Monitor, review and report on the receipt of contributions.
- 1.3 Monitor investment manager reports.
- 1.4 Review the format, timing and source of management information presented to the Board.

### **2. Auditors**

- 2.1 Monitor and review the appointment and performance of the auditors.
- 2.2 Monitor and review the Annual Report and accounts.
- 2.3 Review the recommendations produced by audit and give consideration to what action should be taken and make recommendations to the Scheme Manager as appropriate.
- 2.4 Monitor and Review the Work Programmes for the Pensions Authority and its Boards and the South Yorkshire Passenger Transport Pension Fund Committee.

### **3. Internal Controls and Risk Register**

- 3.1 Monitor and review the Authority's Risk Register.
- 3.2 Monitor internal controls and procedures of the Pensions Authority.

### **4. Communications**

- 4.1 Monitor and make recommendations as appropriate on:-
  - The information available on the SYPA internet site
  - The information provided to Scheme members on leaving, retirement etc.
- 4.2 Produce an Annual Report upon its activities to be submitted to the Pensions Authority.
- 4.3 Produce reports and make recommendations to the Pensions Authority that relate to the work of the LPB. Any reports must be provided at least ten working days in advance of the next Pensions Authority meeting.

### **5. Monitoring and the Exercising of Discretions**

- 5.1 Monitor the validity of any discretions made by the employers/Administering Authority.

### **6. Budgets**

- 6.1 Agree a yearly budget for the operation of the Local Pension Board and submit to the Authority for approval.
- 6.2 Monitor the level of fees against the annual budget set for the Pensions Board.

# **SOUTH YORKSHIRE JOINT LOCAL PENSION BOARD**

**THURSDAY 17 MARCH 2016 AT 11.30 AM**

## **AGENDA**

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# Agenda Item 3

## SHEFFIELD CITY REGION COMBINED AUTHORITY/SOUTH YORKSHIRE PENSIONS AUTHORITY

### JOINT LOCAL PENSION BOARD

14 JANUARY 2016

PRESENT: G Boyington (Scheme Member) (Chair)

G Berrett (Employer, SYP), S Carnell (Scheme Member), N Doolan (Unison), K Morgan (UCATT), S Ross (Scheme Member), J Thompson (Employer, Action Housing) and G Warwick (GMB)

Officers: J Hattersley (Fund Director SYPA), G Chapman (Head of Pensions Administration SYPA), M McCarthy (Deputy Clerk), A Frosdick (Monitoring Officer) and G Richards (Democratic Services Officer)

(Observers)

Apologies for absence were received from Councillor T Corden, Councillor B Curran and M Priestley

#### 1 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting. Apologies were noted as above.

#### 2 DECLARATIONS OF INTEREST

None.

#### 3 MINUTES OF THE MEETING OF THE BOARD HELD ON 1 OCTOBER 2015

The Chair informed the Board that he and the Vice-Chair had met with officers from the Joint Authorities Governance Unit to discuss the Constitution, Terms of Reference and the Work Programme.

It had been decided to request the Authority's approval to delete most of Section 4 of the Constitution regarding Scheme Manager Consents; a report would be submitted to the next meeting of the Authority in March.

M McCarthy informed the Board that Doncaster MBC has appointed Councillor Tony Corden to the Board; unfortunately he was unable to attend today's meeting.

With regard to an appointment to the Board from First, S Carnell informed the Board that the person he had recommended be contacted regarding making an appointment had since left the Company; he suggested officers should contact B Gilligan, MD of First South Yorkshire.

A Frosdick informed the Board that Unison had accepted the points in his response to their letter.

The minutes of the meeting of the Board held on 1 October 2015 were agreed as a correct record.

#### 4 WORK PROGRAMME

The Board considered the Work Programme.

It was noted that the Risk Register would be presented to the Board at each meeting.

The Work Programme for the meetings in March and July needed to be populated; Members were asked to submit any items they wished to be considered. G Berrett suggested adding items listed in the Terms of Reference each meeting. Officers would work on this and circulate a revised Work Programme ahead of the next meeting of the Board for Members' comments and suggestions.

#### 5 ISSUES FOR CONSIDERATION AS A RESULT OF AUTHORITY MEETINGS

The Chair noted that the requirement to create six or seven British Wealth Funds was of particular concern at the moment. The Authority was in discussion with several other Authorities at the moment regarding investment pooling.

The Board were informed that the Authority had approved a draft Pensions Administration Strategy at its last meeting. The draft Strategy was currently out for consultation with employers; the Strategy allowed for the Authority to fine employers who did not submit timely data. If given approval, it was hoped to introduce the Strategy on 1 April 2016.

S Ross commented on the Civica presentation at the Authority meeting which highlighted the huge problems connected with the implementation of the new Pensions Administration system; it was thought the system was not fit for purpose when released.

The Chair noted that the situation was now more stable as the Administration staff had developed the system and built up expertise. More senior staff from Civica had been invited to the March meeting of the Authority to answer questions posed by Members, including recompense for the £50,000 in overtime payments the Authority had to pay in order to reduce the backlog of work caused by the problems with the system.

#### 6 ANNUAL FUND MEMBER SURVEY

Members considered a report which informed them of the results of a survey carried out amongst scheme members with a view to testing customer satisfaction following their attendance at the Annual Fund Meeting.

It was noted that numbers were again disappointing despite every attempt to engage with scheme members; location could make a difference and the meeting would be held in Sheffield next year where the numbers were generally higher.

J Thompson commented that she had attended the meeting and overall it was very positive although the time for questions was too short and due to time constraints it was not possible to promote the SY Joint Local Pension Board as intended.

It was noted that in general it was the same members who attended and these were, in the main, pensioners. Active members did not seem to be interested, even during the implementation of LGPS 2014.

G Chapman informed the Board that for the first time the meeting had been webcast live; a very small number had watched it.

J Hattersley commented that guest speakers had been used in the past, as had a lunchtime meeting, but neither had made a difference to attendance. This year, members had been encouraged to submit questions prior to the meeting. The answers to these questions had been included in the presentations, making them longer and hence less time at the end of the meeting to answer further questions.

The Chair noted that attendance at the Employers Forum had also been disappointing.

## 7 REVIEW OF RISK MANAGEMENT POLICY

M McCarthy informed the Board that at its meeting on 3 December 2015 the Authority had agreed to a comprehensive review of its Risk Management Policy and Risk Register. This would be carried out with the assistance of A Hunt, Risk and Governance Manager at BMBC.

The current Risk Management Policy and Risk Register were attached for Members information. It was hoped to develop a whole new approach to presentation including stronger links between operational and strategic risk.

It was intended to hold a Workshop to discuss the options available; officers would seek the Authority's approval for LPB members to attend.

Members were requested to submit any suggestions they had for the review; officers would keep them informed of developments.

## 8 2016 ACTUARIAL VALUATION: UPDATE

G Chapman informed the Board that it was now the final quarter before valuation day and staff were working hard to ensure employers submitted pay and contribution data by 31 May 2016.

The revised year-end template had been issued to all employers along with an amended guidance note, this was backed up with the offer of further guidance and assistance if required - there had been very little response from employers to date.

If the Authority has approved the Pensions Administration Strategy to commence on 1 April 2016, this would be implemented on employers who missed the deadline as late submission of data could affect the valuation. The Authority expected all employers to abide by the Strategy; someone from each employer would be expected to sign the strategy to confirm they had read and understood it.

The valuation software was currently being tested to ensure the data could be sent to the Actuary on 1 July 2016; the test would prove whether Civica had delivered the promised improvements.

9 GOVERNMENT CONSULTATION ON REVOKING AND REPLACING THE MANAGEMENT AND INVESTMENT OF FUNDS REGULATIONS

The Board were reminded that Government had issued consultation and guidance papers relating to the pooling of LGPS investments to reduce costs, with an emphasis on improved governance and infrastructure investment.

J Hattersley informed the Board that South Yorkshire was not a typical Authority as it was one of only three or four internally managed funds in the country. These proposals would cost the Authority money; it was impossible to achieve savings.

Members and officers had attended many meetings and presentations to discuss various pooling options. At its meeting earlier in the day, the Authority had selected the pool it preferred to join. J Hattersley informed the Board of other members of the pool, noting there would be no dominant member in the pool and the other Authorities shared the same general philosophies as South Yorkshire.

If the Passenger Transport Pension Committee agreed to the proposal at its meeting next week, the two South Yorkshire Funds would travel together; a public announcement would be made in due course. An individual and pool response to the consultation would be submitted to DCLG by the deadline in mid-February.

10 ANY OTHER BUSINESS

With regard to the £15,000 LPB Budget, J Hattersley enquired how the Board wanted this translating in the accounts. There were three options on how to allocate the budget:

1. Split between the funds by fund membership;
2. Split by Board membership; or
3. Allocated by actual expenditure.

The Board felt that Option 1 was unfair due to the differences in membership of the funds and Option 3 would be too onerous to administer.

S Carnell proposed that Option 2 be adopted, this was seconded by G Boyington.



RESOLVED: That the LPB budget be allocated on the basis of Board membership - i.e. on a 10/2 split.

11 DATE OF NEXT MEETING

The next meeting of the Joint Local Pension Board will be on 17 March 2016 after the meeting of the Pensions Authority at a time to be decided.

CHAIR

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**WORK PROGRAMME**

| <b>14 January 2016</b>                                     | <b>17 March 2016</b>                                       | <b>20 July 2016</b>  | <b>6 October 2016</b>                                      |
|--|--|--|--|
| Minutes of the previous meeting & matters arising          | Minutes of the previous meeting & matters arising          | Minutes of the previous meeting & matters arising          | Minutes of the previous meeting & matters arising          |
| Work Programme   | Work Programme   | Work Programme   | Work Programme   |
| Issues for consideration as a result of Authority meetings | Issues for consideration as a result of Authority meetings | Issues for consideration as a result of Authority meetings | Issues for consideration as a result of Authority meetings |
| Risk Management Policy                                     | Risk Register  | Risk Register  | Risk Register  |
| SYP Annual Fund Meeting Survey                             | Pensions Authority Meeting Cycle                           | Budget   | Review of Work Programmes                                  |
| 2016 Actuarial Valuation Update                            | Administration Strategy                                    | Review of Constitution & Terms of Reference                | SYP Annual Fund Meeting                                    |
| Investment Pooling Update                                  | Investment Pooling Update                                  | Member Learning & Development Update                       | Review of Information Provided to Scheme Members           |
|  | External Audit Arrangements                                | LPB Annual Report  |  |
|  |  |  |  |

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# Agenda Item 6

## PENSIONS AUTHORITY MEETINGS 2016/17

| Pensions Authority | Corporate Planning & Governance Board | Investment Board | LPB        |
|--------------------|---------------------------------------|------------------|------------|
|                    | <b>2016</b>                           |                  |            |
|                    | 2 June*                               |                  |            |
| 9 June (Annual)**  |                                       |                  |            |
| 23 June***         |                                       | 23 June**        |            |
|                    | 20 July****                           |                  | 20 July    |
|                    |                                       | 15 September     |            |
| 6 October          |                                       |                  | 6 October  |
|                    | 20 October                            |                  |            |
| 24 November        |                                       |                  |            |
|                    |                                       | 8 December       |            |
|                    | <b>2017</b>                           |                  |            |
| 12 January         |                                       |                  | 12 January |
|                    | 16 February                           |                  |            |
|                    |                                       | 9 March          |            |
| 16 March           |                                       |                  | 16 March   |
| 8 June (Annual)    |                                       |                  |            |
|                    | 1 June                                |                  |            |
|                    |                                       | 22 June          |            |

\* This meeting was originally scheduled for 16 June 2016

\*\* Meeting dates already arranged

\*\*\* Additional meeting of the Authority if necessary to discuss LGPS pooling (prior to the Investment Board) as discussed at the meeting on 11 February 2016.

\*\*\*\* This meeting is on a Wednesday. Member availability has been obtained.

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

### JOINT LOCAL PENSION BOARD

17 MARCH 2016

### PENSION ADMINISTRATION STRATEGY

1) Purpose of the report

To inform the Board of the Pensions Administration Strategy to be implemented with effect from 1<sup>st</sup> April 2016.

2. Background information

2.1 Although not a mandatory requirement the LGPS regulations provide the framework to allow Administering Authorities that so wish to prepare and maintain a Pensions Administration Strategy and it is considered best practice to do so.

2.2 The option to create an administration strategy was first introduced in 2008 and at that time we already had in place signed Service Level Agreements (SLA) with the employer which had been in operation for a number of years. Whilst our SLA was not as comprehensive as the suggested content for a pensions administration strategy it still contained many of the elements recommended by the regulations and therefore at that time there was no immediate requirement to change.

2.3 More recently a number of factors have brought the development of the administration strategy to the fore. Firstly from a pensions administration perspective the number of employers for whom we have administrator responsibility has increased dramatically since we developed the SLA's whilst, at the same time, the scheme has become significantly more complex. Secondly the new scheme has also brought in tighter deadlines for the issue of actuarial valuation data and member annual statements. Furthermore the Pensions Regulator now has a responsibility for Governance in the Public Sector and failure to meet deadlines will not be tolerated. All of this means that there must be a clear statement from the Authority of the roles and responsibilities between us as the administering authority and our employers and our administration strategy fulfils this requirement.

3. The Regulations

3.1 Regulation 59 of the Local Government Pension Scheme Regulation 2013 is reproduced below,

59. (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

- (a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
- (b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
  - (i) the setting of performance targets,
  - (ii) the making of agreements about levels of performance and associated matters, or
  - (iii) such other means as the administering authority considers appropriate;
- (c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- (d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
- (e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- (f) the publication by the administering authority of annual reports dealing with—
  - (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
  - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and
- (g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

- (a) keep its pension administration strategy under review; and
- (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

- (a) its pension administration strategy; and



(b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

#### 4. Draft Pensions Administration Strategy

4.1 A first draft strategy was launched at our Employers Forum in November and subsequently issued to all employers including First South Yorkshire Ltd with a closing date for comments of 29<sup>th</sup> February. First South Yorkshire did not make any comments but a number of employers did and where appropriate these have featured in the final draft that is attached for your consideration.

4.2 In particular the strategy introduces for the first time the concept of financial penalties on employers for non-compliance with the agreed performance targets. As described in the foreword to the strategy, these penalties will only be used as a last resort against employers who consistently fail to meet the specified target.

4.3 An exception to the above concerns the submission of annual returns. The receipt of a balanced annual return by the 31<sup>st</sup> May is absolutely vital if we are to stand any chance of issuing the actuarial valuation data on time and meet the 31<sup>st</sup> August deadline for issuing annual statements to members. We are therefore proposing that a penalty is levied if First South Yorkshire Ltd fail the 31<sup>st</sup> May deadline with subsequent penalties for each subsequent week of delay. It is worth noting that the 2015 annual return was not received until December 2015 some six months after the 31<sup>st</sup> May deadline which would have resulted in a penalty of £2950.

**REPORT AUTHOR  
POST**

**Ian Baker  
Pension Manager**

**Officer responsible:**

**Gary Chapman  
Head of Pensions' Administration  
Tel 01226 772954**

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# Administration Strategy

Appendix A



SOUTH YORKSHIRE  
PENSIONS AUTHORITY



# Administration Strategy

**SOUTH YORKSHIRE PENSIONS AUTHORITY**  
**STRATEGY FOR THE ADMINISTRATION OF**  
**THE LOCAL GOVERNMENT PENSION SCHEME IN SOUTH YORKSHIRE**

*Incorporating:*

- Employer Service Level Agreements with the Fund Administrator
- Fund Administrator Service Level Agreement with Employers
- Communication Policy and Strategy (Elements of)
- Consultation Policy and Strategy (Elements of)
- IDR Procedure (Charging Policy)
- Actuarial Services (Charging for certain elements)
- Interest (Policy & Rates)
- Funding and Debt Recovery Strategies (Elements of and Policy)


The following document details the strategy to be adopted in the administration of the Local Government Pension Scheme by South Yorkshire Pensions Authority and participating Fund Employers with effect from 1 April 2016.

It has been developed and adopted in consultation and agreement with the participating Fund Employers and is provided for through statute by Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended).

It sets out, amongst other things, how the Administering Authority, SYPA, will administer the Pension Scheme and Fund on behalf of Employing Organisations, and their Scheme Members, participating in the South Yorkshire Pension Fund, its requirements for employers in terms of the timely and accurate provision of information pertinent to the administration of the Scheme and Fund, and the penalties to be applied to those employing organisations failing to meet their duties, responsibilities and obligations as detailed within the strategy document.

The strategy has been developed and adopted in consultation to improve the overall standard of administration of the Scheme and the Fund and is intended to apply in a spirit of partnership working and co-operation where every assistance, tool, facility, system, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy. Any penalties and censures carried within the strategy are not intended to apply as a first resort but rather as a last resort following a period of time and opportunity given for improvement to any organisation struggling to meet its obligations.

Gary Chapman



Head of Pensions Administration  
 South Yorkshire Pensions Authority

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## REVIEW DATE

This Administration Strategy will be reviewed as follows:

- Every 5 years as a matter of routine
- Whenever impacted by Regulatory Changes
- Whenever impacted by other legislative changes
- Whenever impacted by major changes to other policies, statements and strategies used by the Administering Authority

Where changes are planned or thought to be necessary outside of the routine review period then consultation will begin on those proposals for change at the beginning of year five or earlier if necessary.

## REGULATIONS AND OTHER LEGISLATION GOVERNING THE STRATEGY

- The Local Government Pension Scheme 1995, 1997 and 2008 Regulations as they still have effect in part
- The Local Government Pension Scheme (Transitional Protection) Regulations 2014
- The Local Government Pension Scheme Regulations 2013 in force now or as amended and in force at any future date
- The Public Sector Pensions Act 2014
- The Pensions Act 1993
- The Pensions Act 1995
- The 2004, 2006 and 2014 Finance Acts
- The Occupational & Personal Pension Schemes (Disclosure of Information) Regulations in force and as amended
- The Occupational Pension Schemes (Transfer Values) Regulations in force and as amended

## SERVICE LEVEL AGREEMENTS

South Yorkshire Pensions Authority is using its powers under Regulation 59 of the Local Government Pension Scheme Regulations 2013, Pension Administration Strategy, to consolidate its former Service Level Agreement documents, which were signed by Employing Organisations on a voluntary basis when they were first introduced and only made compulsory for new organisations joining the Fund later, into, and make them an integral part of, this formal Administration Strategy document.



The publication of this Strategy following consultation with Employers means that there will no longer be a requirement for Employers to have a separate SLA with SYPA. It will be an implicit acceptance that the publication of this strategy means that ALL Employing Organisations in the South Yorkshire Pension Fund have agreed the strategy and have therefore signed up to the standard Fund SLA and the service standards contained within those former agreements.

Where either necessary, relevant or appropriate those standards are detailed in the following pages so that all parties are aware of the requirements of this element of the Strategy as the administration of the Scheme in South Yorkshire moves forward under this document.

## SCOPE

**These are the tasks and issues falling within the scope of the Administration Strategy:**

- The requirements and obligations of New Employers joining the Fund
- The routine notification and provision of information by employers about individual scheme members
- The annual provision of information by employers about their scheme members
- The non-routine bulk notification and provision of information by employers about their scheme members where event driven
- The payment of employee and employer contributions including any additional contributions paid by scheme members
- The payment by employers of deficit contributions in accordance with the Funding Strategy Statement
- The payment by employers of any costs associated with the early termination of employment of scheme members or policy decisions requiring additional funding
- The development and publication of Employer Discretionary Policies
- The IDR Procedure and/or Formal Member Complaints about Employing Organisations
- Actuarial Services
- Accounting Standard Exercises for Employers
- Fund Valuation Exercises
- TUPE Transfers, Admission and/or Bond Agreements, School Conversions
- The provision of information to employers in relation to their scheme members for the purposes of:
  - Individual member retirement benefit estimates
  - Bulk member retirement benefit estimates
  - Bulk costings for employer led early retirement exercises

- The Communication Strategy
- The Consultation Strategy
- Reporting to the Regulator
- Debt Collection Procedure
- The National Fraud Initiative Exercise
- Service Standards to Employers
- Service Standards to Scheme Members
- Funding Strategy Requirements where appropriate and inter-related
- The provision of information to third parties in relation to transfer values and deferred benefits for individual scheme members
- Reporting to the Authority and its Boards

## **STATEMENT OF ADMINISTERING AUTHORITY OBJECTIVES AND AIMS**

The following is SYPA's statement of its objectives and aims in relation to how it intends to deliver its administration service to all of its stakeholders:

***“The Authority wishes and intends to provide a high quality pensions’ service to employing organisations and members of the Fund by:***

- **Supporting member organisations in their planning, promotion and use of pension provision for their employment needs**
- **Administering pension provision for member organisations in accordance with statutory requirements**
- **Being recognised as a continually improving provider of cost effective, efficient and high quality pension administration**
- **Providing a first class, accurate and timely service to its members, their dependants and representatives for the entire lifetime of their relationship with the Authority”**

## **EQUALITY STATEMENT**

The Authority is committed to equal opportunities for our members and will take all necessary steps to ensure that it complies with the specific duties that have been placed upon it.

It is the Authority's intention, in addition to the specific promises made in its Customer Charters, to strive at all times to attain the aims of that commitment.

Additionally, the Authority recognises that some of its members may have special personal needs that may differ from the majority of its members and as such it aims to tailor some of its services to meet those needs.

Examples of where a bespoke service can be provided are:

- Large print documents
- Audio CD recordings of Customer Charter Service Standards
- Home visits where a member is unable to visit any of the Authority's premises
- Signing facilities for visiting members who are hard of hearing

Some services will necessarily require advance notification of their requirement in order to help the Authority make the necessary arrangements.

## **FINANCIAL CONDUCT AUTHORITY/THE PENSIONS REGULATOR – REPORTING POLICY**

### **Financial Conduct Authority (FCA)**

The Authority is regulated in the conduct of its business by the Financial Conduct Authority and will meet its requirements at all times and in all ways when conducting the business of the Fund.

More information about the role and responsibilities of the FCA can be found at:

[www.fca.org.uk](http://www.fca.org.uk)

### **The Pensions Regulator**

The Pensions Regulator is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisors, giving guidance on what is expected of them.

It also has functions under legislation passed in 2008 and a statutory objective to maximise compliance with the employer duties under that legislation relating to automatic enrolment.

Its principal aim is to prevent problems from developing. It uses its powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long-term.

SYPA has a policy of pro-active consultation with the Pensions Regulator where it has concerns over its own performance and possible breaches of codes of conduct and other guidance to ascertain the potential need for self-reporting.

It also has a policy of reporting employer breaches that it becomes aware of where such a breach is deemed to be detrimental to the Fund's position or reputation or where member benefits could be in jeopardy, for example where an employer deducts pension contributions from members' pay but either fails consistently to remit those contributions to the Fund by the statutory deadline or fails to remit them at all.

The Pensions Regulator will decide on any appropriate course of action or censure deemed appropriate.

More information about the role and responsibility of the Pensions Regulator can be found at:

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## **South Yorkshire Pensions Authority Annual Report**

The Authority will, as a matter of Policy, include the names of those organisations incurring financial penalties in any year for poor performance or non-compliance with the Administration Strategy, in its Annual report.

## **DATA HANDLING AND SHARING**

The business of the Authority requires it to transmit and receive personal data to a number of individuals and organisations, often electronically.

Where it transmits data electronically it will do so using a secure method and in accordance with any other Policies the Authority has in place, for instance, its E-Mail Usage Policy.

Where it receives data from individuals or organisations within the Fund it will require that data to be sent to it in a secure manner and may require the sender to adopt and use the Authority's own secure electronic transmission facility.

## **ADMINISTERING AUTHORITY DUTIES, RESPONSIBILITIES AND OBLIGATIONS**

The main duties, responsibilities and obligations of an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To prepare and publish the Pension Fund Annual Report
- To prepare, publish and maintain its Funding Strategy Statement
- To prepare, publish and maintain its Communications' Policy
- To commission and obtain a valuation of Fund assets and liabilities as at the 31 March in every third year commencing on 31 March 2016 and to obtain a report and a rates and adjustments certificate prepared by an Actuary in respect of that valuation
- To decide any question concerning a person's previous service or employment, the crediting of additional pension and the amount of benefit to which any person has or will become entitled out of the Fund
- To publish a statement concerning its policy on the use of its discretions
- To issue annual benefits statements in respect of its active, deferred, deferred pensioner and pension credit members
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the Administering Authority and to make a decision on such applications

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

## ADMINISTERING AUTHORITY DISCRETIONS

The main discretions afforded to an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The waiving of reductions in any benefits of members where there is no longer a scheme employer to fulfil that function
- The person(s) or bodies to whom it will pay any death grant arising from the death of a member

## EMPLOYING ORGANISATION DUTIES AND OBLIGATIONS

The main duties, responsibilities and obligations of a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To contribute to the Fund in each year covered by the rates and adjustment certificate the amount determined by reference to that certificate
- To pay over all amounts received from employees by way of their contributions to the Fund
- To deduct from a person's pay any contributions payable by the member under the Regulations
- To decide any question relating to a person's rights or liabilities under the Scheme not falling to the Administering Authority to determine
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the employer and to make a decision on such applications
- To provide the Administering Authority, within two months of the end of the Scheme Year, with a statement of details of every employee that has been an active member during the scheme year. Whilst Regulation requires provision within three months SYPA is using its statutory powers to shorten this deadline because of the pressures placed upon it to meet other work deadlines resulting from the Year End Exercise

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

## **EMPLOYING ORGANISATION DISCRETIONS**

The main discretions afforded to a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The Funding of additional pension
- Flexible Retirement
- Waiving of actuarial reductions
- Award of additional pension

## **PROVISION OF INFORMATION BY THE ADMINISTERING AUTHORITY TO:**

### **Members and Member Representatives**

The Authority is required to provide members and/or their representatives with a wide range of information under Regulation and other legislation which may also prescribe timeframes in which the information must be provided.

SYPA has published Customer Charters detailing its target service standards which are invariably much tighter and more stringent than those allowed for in law.

SYPA will administer the Scheme in relation to the provision of information to members and/or their representatives in line with the Regulations in force at any time and in line with any other legislative requirements.

The major requirements in this respect are as follows:

- The notification to individual members and/or their representatives of the type of benefit and amount of benefit to which the member and/or their representatives or dependants have become entitled as a result of an actual event, such as retirement or death, will be issued in line with the standards detailed in the Authority's Customer Charters. Any payments due from the Fund as a result will also be dealt with in line with the same service standards. The detailed content of such information will, as a minimum, meet the requirements of any Regulations or legislation in force at the time.
- The issuing of Annual Benefits Statements to Active, Deferred, Deferred Pensioner and Pension Credit members. Regulation states that these must be issued by 31 August and, although the Authority relies heavily on its Employing Organisation Partners for data upon which to base these statements it is the Authority's intention and objective to comply with Regulation in this respect and to issues Annual Benefit Statements by the 31 August each year or by whatever date subsequent changes in the Regulations dictate.

- The provision of information for matrimonial proceedings is a statutory duty under both Regulation and over-riding Divorce legislation. The Authority will administer the provision of this information in accordance with both sets of legal requirements both in terms of timeframes and the persons to whom the information is to be released. The service standards for this are also contained with the Authority's Customer Charters. Where matrimonial proceedings result in an actual Pension Sharing order then the SYPA's Policy is to make a charge of £350 plus VAT for the implementation and maintenance of such an order. Costs will usually be charged to the ex-spouse of the member but may be allocated or apportioned by the Court in which case the Authority will comply with such direction and invoice the parties accordingly.
- The provision of Preserved Benefit and Transfer Value information is also prescribed for in Regulation and specific legislation. The Authority will provide such information in accordance with its legal obligations to members and/or their representatives. In this context a member's representative may be any financial advisor appointed by the member, any third party administrator authorised by the member to obtain such information or the administrators of any occupational scheme acting for the member in a new or subsequent employment.

The Authority's Policy on the provision of this information is to only provide it to the member and or their representative once in any twelve month rolling period.

The Authority reserves the right to make a charge for the provision of this information prior to the commencement of a new 12 month period and the right to introduce such a charging policy at any time without notice. Any such charge so levied will only ever seek to cover the actual cost to the Authority of the work undertaken in producing the information again.

### **Independent Financial Advisors or other advisors acting for or on behalf of the member**

The Authority will provide information to Independent Financial or other Advisors appointed or authorised by the member in accordance with any Regulatory or legislative obligations and, where Preserved Benefit and/or Transfer Value information is concerned, in accordance with the Policy described in the preceding paragraph.

The Authority:

- Will provide all member specific information it is obligated to provide in the timeframes required of it in law
- Will provide all generic Scheme information it is able to provide in order to assist the enquirers to advise their client(s)
- Will not respond to additional questions it deems not relevant to the enquiry
- Will not engage in follow up discussions by telephone, or communications by e-mail or letter until such time as the member has made a decision in relation to any transfer out of the Scheme, but
- Will provide all information required by the member or their representatives to enable members to take advantage of the Freedoms of Choice as enabled by the Government at the 2015 Spring Budget

## Participating Employer Organisations

Information will be provided to participating employers as a matter of routine in some instances and upon request in others.

Where information is provided as a matter of routine it will be provided in timeframes and schedules as follows:

- Employer performance, as measured against the agreed service standards, will be reported quarterly in retrospect for the periods:
  - 1 January to 31 March
  - 1 April to 30 June
  - 1 July to 30 September
  - 1 October to 31 December

in each calendar year. Employer performance will also be reported to the Authority.

- Electronic Employer Newsletters will be issued as and when circumstances dictate that Regulatory or legislative change needs to be communicated
- Employer specific alerts of outstanding tasks will be communicated through the EPIC System or any subsequent replacement system developed and introduced by the Authority
- The Authority will hold an Employers' Forum at least once a year, usually in the Autumn, to disseminate other important and relevant information
- The Authority will, either pro-actively or upon request, where appropriate and/or necessary, disseminate information by the use of roadshows, presentations, advisory surgeries, training seminars, on-line tutorials, and other electronic media. There would usually be no charge for these services

Where information is provided following a request from the employer then the following service standards will apply:

- Retirement Estimate requests for individual employees will be provided within 5 working days of the Authority being in possession of all information necessary to ensure the accuracy of the estimate
- Bulk Retirement Estimate requests involving 20 or more employees will be provided within 10 working days of receipt of the bulk request template assuming this is populated correctly and accurate estimates can be provided as a result
- Early Retirement Strain on the Fund Costs as part of a bulk estimate request will also be provided within 10 working days of receipt of the bulk request template

None of the information detailed above or the services used to provide this information will incur any fee or charge to employing organisations.



### **Other Administering Authorities:**

The working relationship between SYPA and other LGPS Administering Authorities is usually one based on member administration except where the Authority undertakes an element of collaborative working with another Administering Authority or the Administering Authority has become a software/systems client of SYPA.

Member administration would usually involve:

- Supplying information to Fund Actuaries and the other Administering Authority where a bulk transfer of staff was taking place between employers of the respective Funds and either receiving and investing or paying out a subsequent bulk transfer payment, or
- Administering the Scheme in respect of individual voluntary member movement between funds and receiving and investing or paying out individual transfer payments

The Authority will conduct the administration of member business in respect of either of these scenarios in accordance with the requirements of any Regulations in force at the time and the service standard targets set by SYPA for individual member administration.

### **The Fund Actuary:**

Typically, the routine business of the Authority with its Fund Actuary will fall into one of the following categories:

- Triennial Fund Valuation
- Accounting Standards exercises for participating employers
- Individual contribution rate assessments for new employers
- Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer
- Employer covenant assessments
- Liability assessments for employers leaving the Fund
- Re-assessment of Employer's Contribution Rate where any allowance is exceeded

### **Fund Valuation**

The Fund Valuation is a Statutory Duty of the Administering Authority and SYPA will carry out this duty in accordance with the Regulations in force at the time.

The Authority will, as a partner and under Regulation, consult and work closely with employing organisations to ensure that member data and financial data relating to employer cash flow is accurate and up to date at all times and that year end data, or as the case may be, monthly data, submissions, are accurate, timely and usable. The objective being that immediately following the 31 March in any given valuation year the Authority will be in a position to provide the Fund Actuary with data of sufficient quality and timeliness to allow for accurate calculations of the Fund's assets and liabilities to be performed using agreed methodology and assumptions.

The target schedule in any valuation year will be as follows:

|  |                          |
|--|--------------------------|
| Year End work completed by SYPA and Valuation Data Extract to Fund Actuary | <b>July</b>              |
| Interim Results  | <b>September/October</b> |
| Individual Employer Results Consultation                                   | <b>October/November</b>  |
| Formal Report  | <b>March</b>             |

There are no employer charges or fees related to the Valuation.

### Accounting Standards Exercises

Although not required to do so under Regulation the Authority does offer to obtain the appropriate accounting standards requisite information as a voluntary service to employers.

By making use of the readily available expertise and Fund profile familiarity of the Actuary the Authority feels it is able to offer a structured and efficient method of providing this information to participating employers whilst also using efficiency of scale to save employers money compared to the potential cost involved in individual approaches for actuarial assessments.

There are three scheduled exercises each year, one for organisations with a Year End of 31 March and one for Educational Establishments with a Year End of 31 July and one for Academies with a Year End of 31 August.

The procedure and schedule for all organisations is driven and set by the Fund Actuary following consultation and agreement on the assumptions to be used in the exercises.

*The typical target schedule for organisations with a 31 March Year End would be:*

**End of January prior to Year End** - SYPA writes to employers inviting participation and collection of data begins

**Mid February prior to Year End** - Data issued to Actuary

**Mid-April following Year End** - Results issued to participating employers

*The typical target schedule for organisations with a 31 July Year End would be:*

**End of May prior to Year End** - SYPA writes to employers inviting participation and collection of data begins.

**By 3<sup>rd</sup> week in July** - Data issued to Actuary

**End of August following Year End** - Results issued to participating employers

*The typical target schedule for organisations with a 31 August Year End would be:*

**Mid-July prior to Year End** - SYPA writes to employers inviting participation and collection of data begins

**By Mid-August** - Data issued to Actuary

**End of September following Year End** - Results issued to participating employers

There is a cost for this service as the Authority has to commission and pay the Actuary for the work performed.

SYPA will negotiate an overall cost with the Actuary each year based on the numbers participating in the exercises. This cost will then be notified to those employers when known as part of the communication process.

In addition the Authority makes an administrative charge to cover its own costs of the additional work involved. Currently this charge is £100.00 per employing organisation but the Authority reserves the right to increase this in future should its own costs of administering the exercise(s) increase.

Employers will be invoiced by the Authority for their individual charge.

### **Individual contribution rate assessments for new employers**

As part of the process of setting up a new employer when it joins the Fund, member data will be collected and submitted to the Actuary for an assessment of the indicative contribution rate payable for the remainder of the valuation period by the employer in question.

Typically, such assessments take about six weeks to complete. There is a schedule of charges for such work which is set by the Actuary and not the Authority. This is updated by the Actuary at regular intervals. The latest schedule is available upon request.

The new employer or the outsourcing employer is expected to pay any charges incurred in this respect.

### **Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer**

Where a participating scheme employer outsources a service to a private contractor and that contractor enters into an admission agreement to admit transferred employees to the Scheme then, as a matter of routine, or at the instigation of the outsourcing employer, SYPA will, through the Fund Actuary, commission a risk and bond assessment as provided for by Regulation, in order to protect the outsourcing employer and the Fund from incurring unfunded liabilities in the event of early termination of the contract and the possible redundancy of employees upon re-absorption of the service.

The cost of the actuarial work will be recharged to the outsourcing employer.

### **Employer covenant assessments**

Covenant assessment may form part of the routine work associated with the admission of a new employer, in which case the cost of such work will be included in the overall cost of the risk/bond assessment and recharged accordingly.

However, where the Fund undertakes covenant assessment work at its own initiative as part of long-term risk management strategy then no charge will be passed on to employing organisations as a result.

## **Liability assessments for employers leaving the Fund**

These assessments are commissioned by the Authority when an employer exits the Fund. An exit from the Fund may be triggered by:

- The natural end of a set period outsourced service contract
- The early termination of an outsourced service contract by the outsourcing employer or by the contractor
- The forced termination of an organisation as a result of financial issues
- The natural effluxion of active members leaving no contributors to the Fund

The Authority's Policy, as set out in its Funding Strategy Statement, (FSS), is that termination assessments, where required, will be calculated on a "least risk" basis to ensure that residual liabilities are fully funded and that, subject to prudent investment, sufficient money is recovered from the exiting employer to fund those liabilities for the remaining lifetime of its members and their dependants. However, its Termination Funding Policy under Regulation, set out within the FSS allows certain flexibilities in how, when and over how long it will recover those costs. In addition, employers within the scheme whose active membership has reduced to nil for some reason, will not automatically be required to exit the Scheme, thereby triggering an exit cost calculation. Instead they will be allowed a period of grace to allow for recruitment strategies to bring in new active members.

Where the exiting employer is solvent and able to discharge its liabilities in respect of the Fund the cost of the actuarial work will be added to the total to be recovered in respect of those liabilities.

Where the exiting employer is insolvent the cost of the actuarial work will be added to any claim made by the Authority, as a creditor, to the appointed administrator(s).

Where the exiting employer is a contractor and the exit is triggered by the natural expiry of the contract then SYPA will normally have endeavoured to manage the contributions required over the period leading to the exit to avoid any deficit or surplus arising.

## **Government and other Public Sector Agents**

The Authority has signed up to be included in the National Audit Office's (NAO) bi-annual National Fraud Initiative (NFI) in which Public Sector Bodies and Organisations share Pensions and Payroll information in an effort to combat benefit fraud and reduce overpayments in both areas to individuals no longer entitled to receive them.

As a participant in this exercise SYPA will share information about its Fund Members with:

- The National Audit Office
- Its own Internal and External Auditors where appropriate
- The Auditors of other Local Authorities and other Local Government Organisations
- Other Local Authority Benefit Departments
- The Department for Work and Pensions
- The Police where appropriate and/or necessary

The Data Protection Act permits the sharing of data without the express consent of the individuals concerned where the object of such sharing is the prevention of fraud and other crimes.

Prior to the release of the reports SYPA will notify its members of its participation in the forthcoming exercise and confirm the intent to share data with other agencies.

Upon the release and receipt of the NFI Reports at the commencement point of each bi-annual exercise the Authority will nominate a senior officer to manage the project.

It will then prioritise and address the workload arising as follows:

- Apparent un-notified pensioner member deaths will be investigated within two months. Pensions in payment from the South Yorkshire Fund will be immediately suspended
- Apparent un-notified preserved pensioner deaths will be investigated within three months
- Apparent un-notified re-employment of South Yorkshire Pensioners will be investigated within 6 months according to the recommended priority matches received from the NAO

As a matter of Policy, SYPA will in all cases:

- Report instances of suspected Fraud to the NAO, its Internal Audit Office and the Police
- Pursue the recovery of all overpayment of pensions resulting from the non-notification of pensioner deaths whether fraud is suspected or not\*

\*See later section on Debt recovery

As part of its management and administration of casework relating to the payment of Death Grants from the Fund the Authority will also share some data with other Administering Authorities through the Local Government Association's (LGA) National Database. It will also participate in the National "Tell us Once" initiative.

As part of its Communication Strategy the Authority will also share and/or provide member data to its printer Agents, for the provision of information to members, and its Tracing Agents for the purposes of paying benefits.

## General

It should be noted that where information is required by any member, member representative, dependant or advisor, whether legal or financial, in order to pursue a claim through the courts for financial loss, damages or compensation for any event not connected to the Authority's actions or inactions or omissions, then the Authority will always make a charge to cover the cost of the work done in connection with the provision of the information requested. Any such charge will not be negotiable and will always need to be settled prior to the release of the information required.

## POTENTIAL NEW EMPLOYERS

Potential new employers will have certain obligations to enable their admittance to participate in the LGPS in South Yorkshire to be completed in a timely and accurate manner and that there is no subsequent detriment to members. Admission Agreements cannot be backdated.

The LGPS can be an expensive commitment and any potential new employers having a choice of pension provision, either through legislation or constitution, should satisfy themselves as to the appropriateness and suitability of the Scheme for their staff, organisation, budget and business plan.

### Schools converting to Academy Status

Academies have no choice and are required to offer their non-teaching staff membership of the LGPS upon conversion. Schools considering conversion to Academy Status should:

- Liaise with their LEA well in advance of any proposed conversion date in relation to the current funding of the Pension Scheme and any potential financial deficit to be inherited
- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of their non-teaching staff being transferred to the new organisation, any deficit payments necessary and any business development plans under consideration following conversion
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to convert together with a proposed conversion date
- Be able to provide a full and detailed personal and payroll data set of the non-teaching staff being taken on by the new organisation from the old school at least three months in advance of the proposed conversion date
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion

### Transferee Admission Bodies

Potential Transferee Admission Bodies considering pensions implications of bidding for a Local Authority or other public sector service contract where transferring staff would normally be eligible for the LGPS should:

- Liaise with the letting body well in advance of any proposed contract date in relation to the pension costs and liabilities involved in the running the contract
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies

- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be in a position to provide a bond or such guarantee as might be required by the letting body
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of, or, where the appropriate, the Parent Company should be aware of, the financial implications for early termination of the contract, and also be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion

### **Community Admission Bodies**

Community Bodies have absolute discretion in deciding whether to apply for admission to the Fund. Any organisation meeting the criteria for admission to the Fund as a Community Admission Body and considering applying should:

- Make their formal application at least six months prior to any proposed admission date
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be able to provide financial and personal data about the employees to be admitted under the terms of the Admission Agreement at least three months prior to any proposed admission date
- Be able to demonstrate strength of covenant
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion
- Ensure they can provide a third party financial guarantor in line with the Authority's policy on the admission of Community Bodies

## Town & Parish Councils

Town and Parish Councils are precepting, resolution bodies. There is no compulsion upon them to offer employees membership of the LGPS. Town and Parish Councils considering using the LGPS in South Yorkshire should:

- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of the employees they wish to give access to Scheme to
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to implement a Resolution to use the LGPS for their staff
- Ensure an appropriate resolution is passed at least one month prior to the proposed implementation date detailing the staff or posts to be designated as pensionable and to provide SYPA with copies of the Council Approved Resolution(s)
- Be able to provide a full and detailed personal and payroll data set of the employees joining the Scheme at least three months in advance of the proposed admission date
- Ensure that where they operate their own payroll, the Payroll System, or where the Payroll Function is provided by a third party that the third party system, can provide the range of information required by the Scheme
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy

## NEW EMPLOYER REQUIREMENTS

All new employers to the Fund will be required to:

- Attend a scheme administration meeting with officers of the Authority to ensure they understand the administration requirements of the Scheme in relation to their role as a scheme employer
- Ensure that the appropriate people attend such a meeting so that where responsibilities and duties in relation to the Pension Scheme are split across different posts all responsible people are aware of their obligations in this respect
- Undergo training where training needs are identified by either the Administering Authority or the Employer. Such training may be held either on site at the Employer's premises or at SYPA HQ where access to systems may be more easily facilitated if necessary
- Submit electronic documentation in relation to the formal notification of new joiners to the Scheme and any subsequent contractual changes affecting their employee members' pensionable circumstances, through the Authority's EPIC system or any replacement system introduced in the future. Paper documentation will not be accepted.
- Nominate specific contacts with whom the Authority can work on the various aspects of Scheme Administration requiring specialist knowledge or authority



## **FEES FOR THE PROVISION OF INFORMATION AND ADDITIONAL NON-STANDARD WORK**

The Authority recognises that Employers already contribute to the administration of the Scheme through an actuarial allowance built into their contribution rates by the Fund Actuary as part of the triennial valuation exercise and, as such, it will carry out all of its statutory and routine duties and obligations under the Regulations and any other legislation affecting it without further charge.

However, the Authority reserves the right to charge for non-standard work requested by an Employer that would require SYPA to undertake work over, above and beyond that which it would normally undertake or to provide a requested service that it would not normally provide.

The Authority also reserves the right to make a charge for bulk routine work that is required as a matter of urgency in exceptional circumstances that would lead the Authority to incur additional costs to complete the work, for example by the use of overtime, or where the work is required, exceptionally, well within the agreed service standards for that work that could compel the Authority to resource the work at a cost to other work, members or employers.

Any such charge or fee would always be made clear and agreed at the outset before any such work was commenced or service provided.

Possible examples of instances where the Authority may deem it appropriate to make such a charge are:

- A bulk redundancy exercise where an employer may require benefit estimates and employer costs sooner than the the agreed service standard for providing such information
- Non-routine or bespoke actuarial work, (see later Section on Actuarial Services)
- Officer attendance at special meetings outside normal working hours

The above list is not exhaustive.

## **INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)**

Under the Local Government Pension Scheme Regulations 2013, both Administering Authority and Employing Organisations are required to appoint an Adjudicator to review First Instance Decisions upon receipt of an application by the member or member's representatives. This is generally referred to as Stage 1 of the IDRP.

Where a Scheme Employer reviews a First Instance Decision under Regulation 74 and makes a consequential decision under Regulation 75 that results in the member making a referral to the Administering Authority for reconsideration of that decision, generally referred to as Stage 2 of the IDRP, then the Administering Authority Adjudicator will reconsider the First Instance decision and notify the employer and the member accordingly.

Where the Administering Authority makes a decision to uphold the member's appeal against the First Instance Decision and to refer the matter back to the employer for re-consideration then the Administering Authority may take the view that there has been a failing by the

Employing organisation in the original decision making review process as a result of the Employer concerned:

- Not taking into account all relevant evidence, or
- Taking into account non-relevant evidence, or
- Disregarding the relevant evidence and making a decision that would be perverse or contrary to Regulation

SYPA's Adjudicator will always be happy to discuss these referrals and to provide any assistance, advice and guidance where appropriate or requested in the interests of ensuring that correct decisions are reached for right reasons and the member receives fair and equitable treatment through the process.

## **ACTUARIAL SERVICES**

Actuarial services are provided by the Fund Actuary.

This service is subject to periodic tender and the appointed Fund Actuary may change.

The Fund Actuary is independent.

The retention of the Fund Actuary is a Regulatory requirement for the Authority and a number of the services commissioned from him are also required by Regulation.

Where a service or exercise is provided to the Administering Authority or Fund as a result of a statutory requirement then the Authority will fund this work from its administration budget.

Where a non-statutory service, task, exercise or bespoke work is offered by the Authority to employing organisations then it is on the understanding that the Actuarial fees or charges will be passed through either proportionately or as previously agreed to those employing organisations on a non-profit basis for the Authority and/or Fund.

Where a service, task, exercise or bespoke work is requested specifically by an employing organisation to be commissioned by the Authority then it is on the understanding that the Actuarial fees or charges will be passed through to the employing organisation(s) concerned on a non-profit basis for the Authority and/or Fund.

Where an employing organisation chooses to approach the Fund Actuary independently, whether for advice, guidance, consultancy work or anything else then it on the understanding that no charges will be incurred on behalf of the Authority or Fund and the employer concerned will be solely responsible for the settlement of any fees or charges arising.

It should be noted that the Fund Actuary will never invoice an employing organisation directly but will submit their bill for any work carried out to SYPA who will then recharge the amount invoiced to the employer concerned.

Where the Fund Actuary provides a schedule of standard charges for certain categories of work then SYPA will provide this to Employing organisations on request.

## SERVICE STANDARDS – SERVICE LEVEL AGREEMENTS

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

### Administering Authority to Employing Organisations

- Respond to employer queries **5 working days**
- Individual retirement benefit estimates **5 working days**
- Individual early retirement employer costs **5 working days**
- Bulk retirement benefits estimates (20 or more) **10 working days**
- Bulk early retirement employer costs **10 working days**

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the “event date” to the date of receipt by SYPA in its HQ Office at 18 Regent St, Barnsley, S70 2HG, whether electronically or in paper form.

### Employing Organisation to Administering Authority

- Notification of a new scheme joiner **8 weeks**
- Notification of a member’s contractual change **4 weeks**
- Notification of a member leaving the Scheme with a right to immediate payment of benefits **4 weeks**
- Notification of a member leaving the Scheme without a right to immediate payment of benefits **8 weeks**
- Notification of the death of an active member **2 weeks**
- Provide a written response to any query **1 week**

## SERVICE STANDARDS - CUSTOMER CHARTER

All service standards in the Customer Charters are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

### All Members

- Complaints **3 working days**
- General Enquiries **5 working days**
- Provision of information for Divorce Proceedings **5 working days**
- Notification of death benefit entitlements to Dependents and/or representatives **4 working days**

**Active Members**

- Setting up a new joiner record **5 working days**
- Making changes to records **5 working days**
- Providing information about Additional Benefits **12 working days**
- Provision of Retirement Benefit Estimates\* **5 working days**
- Providing transfer value quotations **5 working days**

**Preserved Pensioner Members**

- Notification of Entitlement **20 working days**
- Provide an updated benefit statement **5 working days**

**Pensioner Members**

- Information on re-employment **7 working days**

\*Subject to the Authority's policy in force at the date of the request.

## **FINANCIAL PENALTIES FOR NON-COMPLIANCE BY EMPLOYING ORGANISATIONS**

The Authority has determined that there will be a range of financial penalties for non-compliance with the requirements of this Administration Strategy under Regulation 70 of the Local Government Pension Scheme Regulations 2013, "Additional Costs arising from Scheme Employers' level of performance".

In addition it has determined a Policy to apply under the umbrella of this strategy document whereby penalties imposed on the Administering Authority by third party agencies as a result of, whether directly or indirectly, the poor administrative performance or decision making process of a scheme employer, will be recovered from the Employing organisation concerned.

**Penalties imposed on the Administering Authority by other Agencies**

The penalties that will be recovered are as follows:

- Financial penalties imposed on the Administering Authority by Agencies such as the Pensions' Regulator for a breach of its statutory duties, such as the issuing of Annual Benefit Statements, but where the breach was occasioned by the poor performance of an employing organisation by reason of non-provision of member and/or financial data, provision of data not fit for purpose or the late provision of data or a combination of all these factors.

The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

- Financial Penalties imposed on the Administering Authority by HMRC, for instance Scheme Sanction Charges that arise as a result of the decision of a Scheme Employer, (for example, by allowing a member to claim benefits that will entail the Authority making an unauthorised payment).

The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

- Any penalties imposed by the Office of the Information Commissioner following a data breach where the breach was occasioned by the actions of a scheme employer.

The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

The list is not exhaustive and the Authority reserves the right to utilise the same principles and policy for other penalties imposed on it by outside agencies not detailed here.

### **Financial penalties for non-compliance by employing organisations**

Financial penalties as detailed here may be applied by SYPA where failure of an employing organisation to:

- Meet the requirements of the Administration Strategy
- Meet the requirements of the Regulations
- Meet the requirements of other legislation

Results in:

- Additional work for the Authority or its Agent(s)
- Additional cost(s) for the Authority or its Agent(s)
- Failure of the Authority to meet its own obligations under Regulation, other legislation or guidance
- Complaints by organisations or Members
- Appeals by members or their representatives

Then the Authority will impose either a fixed penalty or a charge based on the cost of the work occasioned.

The table in Appendix A provides details of the fixed penalty charges or hourly cost rates to be applied in various circumstances and scenarios.

## INTEREST

It is the Authority's Policy, supported by Regulation in a number of areas, to charge interest for late payment on the following items and at the following rates. Late is defined as being a month or more after the due date:

- Payment of Employees' Pension Contributions, including any additional contributions paid by the employee, remitted to the Fund
- Payment of lump sum employer contributions arising from an employer decision to backdate membership for an individual or group of individuals (but cannot apply to Admission Agreements)
- Payment of Employer's Pension Contributions remitted to the Fund

**Employee and Employer Contributions have to be with the Fund by the 19<sup>th</sup> of the month following the month of deduction. (Pensions Act 1993).**

- Payment of any Lump Sum Deficit Contributions owed to the Fund

Deficit payments are calculated as an annual amount due by the Fund Actuary. That annual figure is then sub-divided into 12 equal payments for remittance on a monthly basis by Employers. To allow for the spread of payments over a 12 month period and to compensate the Fund for lost investment return an element of interest is already included in the monthly amounts to be paid. Late payment of these amounts will however incur additional interest.

- Any rechargeable payments due in respect of Injury Allowances, Gratuities and Added Compensatory years
- Any costs arising from initial and annual invoices in respect of strain on the Fund costs arising from the early release of retirement benefits
- Lump sum payments arising from the granting of additional pension
- Any fees or charges arising from the use of additional or bespoke Actuarial Services or Employer initiatives
- Any fees or charges arising from the voluntary participation in Accounting Standards Exercises
- Any costs arising from the termination or exit from the Fund of a solvent employing organisation
- Any liability settlement charge arising from a claim on a Bond Agreement or similar charge that would have arisen from such a claim but where no Bond was required by the outsourcing employer. In these latter circumstances the liability falls to the employer concerned

Annual Invoices carry an element of interest in their costs already at the point of issue to allow for the spread of the cost over three years (or less). However, further interest will be incurred if annual invoices are settled late.

The rate of interest charged on all of the above items is 1% above the Bank of England Base Rate compounded with quarterly rests.

## DEBT RECOVERY POLICY AND PROCEDURE

The Authority has a Debt Recovery Policy and Strategy in place.

It is the Authority's Policy to attempt recovery of ALL debts whether invoiced or not.

The Policy applies to individual Scheme Members, their dependants, their representatives, employing organisations, third party or outside agencies, purchasers of goods or services from the Authority and other person or persons upon whom the Authority has a reasonable claim for payment.

The debt recovery procedure is as follows:

- Once the amount of the debt and the debtor is identified the Authority will issue an account
- If no response is received within one month of the date of issue of the account the Authority will issue one reminder
- No further reminders will be issued
- If no response is received within one month of the date of issue of the reminder the debt will be passed to the Authority's Debt Recovery Agents who will pursue the debt using the full force of the law if necessary
- Any additional costs incurred as a result of the debt recovery process, including interest for late payment, agent's fees and legal fees will be added to the total amount to be recovered
- Any party receiving an account from the Authority should immediately contact the number provided with a view to settling the debt in full or arranging a payment plan

No debt will be written off unless there is no prospect of recovery for any reason, for example there are no assets of value belonging to the debtor, (organisation insolvency), or the debtor's estate or where there is no estate and no surviving family.

Where the debt is in respect of overpaid pension and the pensioner has died recovery will be made against the estate through the pensioners surviving family, dependants or representatives.

## **SPECIAL REQUIREMENTS FOR EDUCATIONAL ESTABLISHMENTS**

For business continuity purposes and for ensuring that scheme members of Educational Establishments are able to be provided with, and have access to, the same level of service as scheme members in other organisations during educational holiday breaks such as end of term and half term holidays as well as the extended summer break holiday, Educational Establishments must:

- Provide contact details of Payroll, HR, Finance and Business officers who are able to continue to conduct the pensions administration side of the employers business during any closedown or holiday period
- Ensure officers are available to deal with routine pensions administration tasks and queries during any closedown or holiday period
- Ensure specialist personnel are available to maintain the Accounting Standards Exercises during any closedown or holiday period, especially given that these exercises affect other employers and are Actuary driven

The Authority will not be responsible for the effects of any failure of Educational Establishments to have arrangements in place during closedown or holiday periods that will enable an establishment to:

- respond to invitations,
- respond to data collection requests
- respond to queries on such information
- provide member information and documentation as normal to ensure member benefits are not delayed
- enable records to be kept up to date and
- ensure that the normal daily business of pensions administration is able to be continued for that establishment



## **ADMINISTRATION GUIDE FOR EMPLOYERS**

To assist all participating employing organisations with the task of administering the employers' functions in relation to the Local Government Pension Scheme, the Authority has produced an online administration guide.

The guide can currently be found on EPIC and should be referred to whenever an employer is in any doubt about what is required of them in terms of their pension scheme administrative duties and obligations.

In addition, help, advice and guidance will always be available from Member Services Management Teams for employers falling within their purview.

Contact can be made by e-mail, telephone or letter.

## APPENDIX A

### Tables of charges and financial penalties

#### Charges

|  |  |
|--|--|
| Implementation of a Pension Splitting order  | <b>£350 + VAT</b>  |
| Provision of information in relation to Accounting Standards Exercises   | Currently <b>£100</b> but being reviewed                                   |
| Provision of additional transfer value within 12 months should the Authority introduce a charging policy. The current policy reserves the right to charge. | <b>£350 + VAT</b>  |
| Bespoke Pensions Administration work   | At the appropriate hourly rate to recover the actual cost of the work only |
| Rechargeable Actuarial work  | At the appropriate hourly rate to recover the actual cost of the work only |

## Penalties

|   |   |
|---|---|
| <p><b>Year End Returns</b></p> <p>Failure to submit a usable, balanced Year End Return by the deadline detailed in this document</p>  | <p>A fixed penalty of <b>£250</b> plus a further fixed penalty of <b>£100</b> for every further week late following that deadline</p> |
| <p><b>Queries arising from the Year End</b></p> <p>The provision of Year-End information resulting in the Administering Authority being unable to reconcile information with the member record and necessitating a query</p> <p>Responses to queries necessitating a re-query</p> | <p><b>£10</b> per case query*</p> <p><b>£5</b> per case re-query*</p>   |
| <p><b>Service Level Agreements</b></p> <p>Failure to submit member event information in line with the requirements of the SLA</p>   | <p><b>£2.50</b> per case*</p>   |
| <p><b>Discretionary Policy Statements</b></p> <p>Failure to devise and publish any statement of policy on the use of discretionary powers under the Regulations by any statutory deadline</p>   | <p>A fixed penalty of <b>£250</b> plus a Further fixed penalty of <b>£100</b> for every further week late following that deadline</p> |

\*Subject to the Authority's "de Minimis" invoice levels of £50



## SOUTH YORKSHIRE PENSIONS AUTHORITY

### JOINT LOCAL PENSION BOARD

17 MARCH 2016

#### EXTERNAL AUDIT ARRANGEMENTS: UPDATE

1) Purpose of the report

To keep the Board informed about external audit arrangements following the demise of the Audit Commission.

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2) Recommendation

**That Members note the report and place an item regarding monitoring the appointment of the external auditor on next year's work programme.**

-----

3) Background information

3.1 It was reported to the June and July Corporate Planning and Governance Board meetings on the arrangements for external audit following the closure of the Audit Commission on 31 March 2015.

3.2 A stakeholder consultation exercise has recently concluded and has resulted in the extension of local government contracts to cover the audits for the 2017/18 financial year. This means that this Authority will need to appoint its own auditor with effect from the 2018/19 financial year. In other words, the Authority will have had to make an appointment by 31 December 2017.

3.3 The attached paper has been prepared by the Authority's current auditor, KPMG, and has not been reviewed by officers.

3.4 It is suggested that the Board include monitoring of the selection of the external auditor in the 2016/17 work programme of the Board.

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Democratic Services Officer

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## Appointing your external auditor

Considerations for the local government sector

November 2015

A word cloud graphic featuring various terms related to financial audits and stakeholder interactions. The most prominent words include 'Financial Audit' and 'Expert'. Other visible terms include 'Suppliers', 'Regulators', 'Customers', 'Employees', 'Shareholders', 'Tax authorities', 'Banks', 'Reconciliation', 'Verification', 'Determination', 'Re-computation', '100%', 'Framework', 'Reporting', 'Opinion', 'Internal', 'Misstatement', 'Confidence', 'Express', 'View', 'Statements', 'Enhance', 'True', 'Cost', 'Risk', 'Error', 'False', 'Law', and 'True'.

# Appointing your external auditor

## Background

In August 2010 the then Secretary of State for Communities and Local Government, Eric Pickles, announced that he intended to close the Audit Commission, the body that appointed external auditors to Local Government and NHS organisations (excluding Foundation Trusts). As part of this announcement, he also stated that organisations whose appointments were previously controlled by the Audit Commission should have the freedom to appoint their own external auditors.

The Audit Commission closed on 31 March 2015. At that time contracts were already in place for local government and NHS external audit appointments that covered audits up to and including the financial year 2016/17. Within these contracts there is an option to extend for a maximum of three further years, i.e. up to and including the financial year 2019/20.

A consultation exercise with key stakeholder groups has recently been concluded on whether, and if so for how long, to extend these contracts. The Government decided that for local government bodies the contracts will be extended by one year, so incorporating the audit of the 2017/18 financial year. Contracts for NHS bodies will not be extended.

## What does this mean for your organisation?

This decision means that you will assume the power to appoint your external auditor from the 2018/19 financial year onwards. This will be the first time you have made such an appointment. External auditors provide an important professional service and play a critical role in the stewardship of public spending, so it is vital that this new decision making power is exercised after careful consideration on how to proceed. Whilst you have different options open to you on how to approach this new power, you will need to comply with some specific requirements.



# Appointing your external auditor

## What should local authorities be considering?

In deciding what to do there are a number of considerations.

|   |  |
|---|--|
| <p><b>Do your current external auditors provide you with a good service?</b></p>          | <p>If yes, do you need to change? If no, now you have an opportunity to do something about it.</p>   |
| <p><b>How could we procure an external audit service to ensure we get best value?</b></p> | <p>You will have a number of options on how and when to procure your external audit service – these are summarised later in this document.<br/>Given the range of options it will be important to consider the best approach for your organisation.</p>  |
| <p><b>What do we need to do before we start a procurement process?</b></p>                | <p>The new regulations require you to have an Audit Panel, which will be responsible for recommending who your external auditor should be. This Panel must include a majority of independent (i.e. not elected) members and an independent chair. It makes sense for the Panel to have links with your audit committee.</p>  |
| <p><b>When do we need to undertake a procurement exercise?</b></p>                        | <p>The regulations require you to have appointed your external auditor by 31 December in the year preceding the year of audit. As 2018/19 is the first year of these new arrangements, you will need to have appointed your auditor by 31 December 2017.<br/>You will need to undertake whatever procurement process you follow in good time – sometime between the Spring and Autumn of 2017. And before doing that you will need to have established your Audit Panel – by early 2017 would be sensible.</p> |
| <p><b>Who can I appoint to be our external auditor?</b></p>                               | <p>You will only be able to appoint an audit firm that has been authorised by the ICAEW to undertake 'local audit work'. Local government auditing is highly specialised and you will need to ensure that your auditor has the necessary capability, experience and capacity to fulfil the statutory duties of a local government auditor.</p>   |

# Appointing your external auditor

## Procurement options

Although local government bodies will all assume the same power to appoint their external auditor, it is likely that various options will be followed on how they go about doing this. The main options are set out below.

|  |  |
|--|--|
| <p><b>Re-appoint incumbent auditor</b></p> | <p>One option might be to continue with your current audit provider for a short period, say between one and three years. This would delay testing the market, although you could benchmark proposed fees for reasonableness against published data or by comparing to similar bodies. This would provide stability of service in the short term and also avoid the 'rush to market' as large numbers of local authorities undertake procurement exercises within a short period of time, allowing you to procure later in a more settled audit market.</p>   |
| <p><b>Stand-alone tendering</b></p>        | <p>As with any other service, you could run your own procurement process. This allows complete autonomy over how and when you want this to be done, although you will need to ensure you follow the Regulations and consider any guidance issued by DCLG or other relevant bodies. However, you should consider whether you will have sufficient purchasing power on your own to obtain best value.</p>  |
| <p><b>Combined procurement</b></p>         | <p>You could join together with one or more neighbouring authorities to undertake a collective procurement exercise. This would enhance your purchasing power, but would diminish your autonomy over the process and you would need to consider how to retain sufficient sovereignty over decision making and whether this might complicate auditor independence considerations.</p>   |
| <p><b>Existing frameworks</b></p>          | <p>You could use one of the many existing government or public sector frameworks. These list firms who have already been shortlisted and therefore might speed up the process. You will need to ensure that the firms on any framework have been authorised by the ICAEW for local audit work, however.</p>  |
| <p><b>Sector led procurement</b></p>       | <p>The new audit legislation allows for a sector-led body (referred to as a 'specified person' in the Regulations) to undertake a bulk procurement process. If such an organisation emerges then this option provides an administratively easy route and would most likely have the greatest element of specialist audit procurement expertise. It would also provide good purchasing power, although with less autonomy than some other options, and might afford easier management of potential auditor independence issues than other combined procurements approaches. It will be the most similar option to the current arrangements.</p> |

# Appointing your external auditor

## What other factors should you consider?

When you are deciding who to appoint as your external auditor you will need to consider a range of factors. Key areas to consider are as follows:

- **Quality:** This is a vital consideration and should be appropriately weighted in any scoring methodology for assessing tenders. Relevant considerations include audit methodologies, systems and processes, staff training and expertise, and quality monitoring arrangements.
- **Experience:** Local government auditing is a specialist business and your auditor must have the necessary skills and sector experience. This is not just about understanding local authority financial reporting, but extends into auditors' value for money audit responsibilities and 'challenge' work.
- **Independence:** You will need to consider possible relationships with audit firms via non-audit work such as consultancy and tax advice. Independence is also an important mind-set for auditors to adopt, where you should be satisfied that your future auditor will be sufficiently challenging (and your current auditor should not be constrained in exercising their duties by any tendering process).
- **Organisational fit:** As with any service it is important to consider how the people you see in the audit team fit with your own organisational culture – i.e. can you work with these people.
- **Price:** Like any other out-sourced service you need to obtain good value through a competitive audit fee. However, best value does not mean the cheapest quote. The fee must be sufficient to provide a good quality service taking account of the scale, nature and risk profile of your organisation, and also the requirement for your external auditor to comply with auditing standards and other statutory duties.
- **Other services:** Although ethical standards provide limitations, you should consider what other services you might want your auditor to perform, whether that is other assurance services (e.g. certifying grant claims) or more added-value services.

## Appointing your external auditor

### What next?

There is still plenty of time before you appoint your external auditor for the first time, but there will be a long lead up to that decision. It is therefore important to think about how your organisation should approach this in good time. We would suggest that you should be developing your procurement strategy and selecting your preferred approach during 2016.

It is likely that further guidance and support will be issued by DCLG, and potentially other organisations such as CIPFA, to help you with the decisions you need to make and how you proceed. We will continue to update you on key developments.

If you want to discuss this further please contact your audit Engagement Lead (Rashpal Khangura) or Manager (Linda Wild).





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