

SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

18 JUNE 2015

PRESENT: Councillor R Wraith (Chair)
S Ellis (Vice-Chair)
Councillors: E Butler, B Lodge and K Wyatt

Officers: J Hattersley (Fund Director), G Chapman (Head of Pensions Administration), R Winter (Head of Internal Audit), M McCarthy (Deputy Clerk) and A Shirt (Senior Democratic Services Officer)

N Doolan (Unison), F Tyas (UCATT) and G Warwick (GMB)

L Wild (KPMG)

Apologies for absence were received from Councillor H Mirfin-Boukouris, Councillor J Wood, F Foster, A Frosdick, R Khangura and J Bell

1 APOLOGIES

Apologies for absence were noted above.

2 ANNOUNCEMENTS

M McCarthy provided the Board with a verbal update on the work undertaken to date in establishing a Local Pension Board (LPB). Members were informed that the Board now had a full complement of membership, with the exception of one vacancy for an academy representative, which was hoped to be filled in the coming weeks.

On-going negotiations were taking place between the Authority and the Department for Communities and Local Government (DCLG) regarding the establishment of a Joint Board for the two South Yorkshire LGPS administering authorities.

It was noted that arrangements were currently being made for the inaugural meeting of the SYPF Local Pension Board to be held before the end of July (likely to be held at the conclusion of the Corporate Planning and Governance Board scheduled for 23 July 2015).

3 URGENT ITEMS.

The Committee agreed to receive an urgent item, namely a report of the Head of Pensions Administration entitled 'Release of Preserved Benefit' (Exemption Paragraph 1), which would be considered in the absence of the Public and Press at agenda item 20.

4 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS.

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 19 MARCH 2015

RESOLVED – That the minutes of the meeting of the Board held on 19 March 2015 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered the Work Programme to 19 November 2015.

RESOLVED – That the contents of the Work Programme be noted.

8 REVIEW OF PENSIONS ADMINISTRATION

A report of the Head of Pensions Administration was submitted to update Members on administration issues for the period 1 January to 31 March 2015.

Members noted that in terms of overall performance for the quarter, the Authority had achieved 57%. It was explained that the fall in performance had been due to the implementation of the new UPM system and complications arising from LGPS 2014.

Overall performance was showing signs of recovery; however, this would be adversely affected whilst there was a backlog of casework. The total backlog of casework currently outstanding was now up to 14,000 cases. 9,800 cases were awaiting commencement and a further 2,000 cases required examination and recalculation following the recent pensions increase update, which had been run via the new UPM system. During the period there had also been five bulk annual exercises carried out via the new system.

Councillor Lodge asked if the Authority had any indication when the backlog of casework would be manageable and normal service restored. Furthermore, he asked if there were any financial implications for the Authority as a result of the high numbers of backlog casework; would the software provider be liable for these costs.

The Head of Pensions Administration informed the Board that, if the Authority had no added complications, he anticipated that the backlog would be cleared by the end of December 2015. It was noted that a detailed report would be presented to the October Pensions Authority regarding the issues which had been faced by the Authority following the introduction of the new UPM system.

Members were informed that the Authority was currently withholding payment of its final instalment to the software provider, until all issues were resolved to the

Authority's satisfaction. It was noted that the Authority would be obtaining legal advice regarding the supplier's obligations to the Authority.

In relation to employers SLA performance, the Board was informed that due to difficulty in obtaining statistics from the new system, no report would be available for today's meeting. From the retirements processed during the period, the overall performance of the four districts was 93% against target. A full report would be presented at the July meeting with a new methodology.

The Head of Pensions Administration reported that in order to improve reporting, the Authority would be bringing forward the implementation date when all employers must be registered to submit information electronically via EPIC.

During the period there had been 13 new employers admitted to the Fund.

Councillor Wraith commended staff, on behalf of the Board, for the excellent work undertaken during the transitional period onto the new pension administration system.

RESOLVED – That the contents of the report be noted.

9 CONSULTATION PROGRAMME - COMPLAINTS PROCEDURE SURVEY

A report was submitted to inform Members of the results of a survey carried out amongst Scheme members who had made a formal complaint in the period of 1 April 2013 to 31 March 2014, with a view to providing a basis for Members' further consideration at today's meeting.

During the period eight Scheme members were identified as having made a formal complaint, of which, four completed and returned a survey.

RESOLVED – That the report be noted.

10 ANNUAL GOVERNANCE STATEMENT

A report of the Clerk was submitted which allowed the Board to consider the Authority's Annual Governance Statement (AGS) for 2014/15.

The Annual Governance Statement was published with the annual statement of accounts and related to the governance framework as it applied during the year 1 April 2014 to 31 March 2015.

The draft Annual Governance Statement for 2014/15 was attached at Appendix A to the report now considered, outlining the following:

- i) The purpose of the governance framework;
- ii) The Governance Framework;
- iii) The process of annually reviewing the effectiveness of the Governance and Internal Control Framework; and
- iv) Identifying development and improvement issues, arising from the annual evaluation to be addressed during 2015-16.

RESOLVED – That the Board approves the Annual Governance Statement for 2014/15.

11 AUDIT COMMITTEE FUNCTION ANNUAL REPORT 2014/2015

A report of the Deputy Clerk was submitted requesting the Board to consider the draft Audit Committee Function Annual Report 2014/15 prior to its submission to the full Authority.

Members noted that good practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) recommended that audit committees produce an Annual Report for consideration by its “governing body” to enable the Board to be reassured that they are fulfilling their roles and responsibilities.

A discussion arose regarding member training and development and the financial implications associated for the Authority, in light of members’ non-attendance at pre-booked training events and also non-attendance at Authority meetings.

M McCarthy informed the Board that a procedure was in place to deal with Members’ non-attendance at consecutive Authority meetings and pre-arranged training events.

The Board felt that the consistency of membership tenure on the Pensions Authority should be addressed at a future South Yorkshire Joint Leaders’ meeting, given the volume of training required to become a knowledgeable member of the Pensions Authority.

RESOLVED – That Members:

- i) Note and approve the Annual Report for 2014/15;
- ii) Agree to submit the final version to the full Authority on 1 October 2015 and to publish it on the Authority’s website; and
- iii) Request the Deputy Clerk to raise the issue regarding consistency of membership tenure on the Pensions Authority at a future South Yorkshire Joint Leaders’ meeting.

12 INTERNAL AUDIT ANNUAL REPORT 2014/2015

A report of the Head of Internal Audit was submitted setting out the Internal Audit Annual Report 2014/15.

The Annual Report included:

- A summary of the actual position for the year against the original Plan;
- An outline of the work undertaken to review the financial control and other internal control arrangements; and
- The opinion on the internal control framework that had been taken into account in preparing the Annual Governance Statement for the Authority.

Members noted that based on the systems reviewed and reported on by Internal Audit during the year, together with management's response to issues raised, the Head of Internal Audit had given an Adequate assurance opinion. This was reduced from last year's Substantial assurance opinion due to:

- A limited assurance opinion being given for the payroll review, which had impacted upon by the issues during the new UPM system implementation;
- Of the 9 completed pieces of work (89%) received a positive opinion;
- 100% of the recommendations made were either 'Significant' or 'Merits Attention'.

RESOLVED – That the report be noted.

13 INTERNAL AUDIT PROGRESS REPORT

A report of the Head of Internal Audit was submitted to report on the work completed and that in progress by the Internal Audit Team from 1 April 2015 to 31 May 2015, to report on the position with regard to the implementation of recommendations and to inform the Board about planned work and the performance of the Team.

Members noted the one outstanding recommendation in relation to IT Development, Software Acquisition and Software Maintenance.

RESOLVED – That the report be noted.

14 INTERNAL AUDIT EFFECTIVENESS REPORT 2014/2015

A report of the Head of Internal Audit was submitted to present the information and evidence in support of the statutory review on the effectiveness of the internal audit function.

Members were reminded that the Public Sector Internal Audit Standards (PSIAS) had come into effect on 1 April 2013. The PSIAS required the Head of Internal Audit (HoIA) to develop and maintain a quality assurance and improvement programme (QAIP) that covered all aspects of the internal audit activity. The QAIP had been monitored during 2014/15 and a further full self- assessment would be undertaken at the year end.

It was highlighted that the QAIP must include both internal and external assessments. There were two elements to the internal assessment process. Firstly, the ongoing monitoring arrangements of the performance of the internal audit activity. The second element of the internal assessment process was the requirement to undertake periodic assessments to evaluate conformance with the PSIAS by an independent person.

The Audit Committee was required to assess this evidence and form a view as to their satisfaction that the Internal Audit function is effective and where improvements have been identified, agree these and monitor them during the course of the year.

Feedback obtained from 'auditees' highlighted that there was a positive level of satisfaction with the work of the Internal Audit function.

RESOLVED – That the Board:

- i) Considered the information in support of the review of the effectiveness of the internal audit function and confirmed their satisfaction with the service; and
- ii) Agreed to receive a progress report in approximately 6-months' time to monitor progress against the Quality Assurance and Improvement Programme Action Plan.

15 EXTERNAL AUDIT ARRANGEMENTS

A report of the Treasurer was submitted to advise Members of the external audit arrangements going forward following the demise of the Audit Commission.

Members noted the closure of the Audit Commission on 31 March 2015, and that from 1 April 2015 other organisations became responsible for delivering several of the Commission's functions.

A Code of Audit Practice would be produced and maintained by the National Audit Office, and would provide supporting guidance to auditors from 1 April 2015.

RESOLVED – That the report be noted.

16 BUDGET MONITORING

A report of the Treasurer was submitted to advise Members of current expenditure levels within the Authority against approved budget.

Members noted that in November 2014 the Authority had approved a revised budget for 2014/15 of £5,435,800 to maintain current levels of service, with £34,100 utilised from reserves to give a net budget of £5,402,700. In January 2014 the Authority approved funding of £530,000 to purchase a new Pensions Administration system. Although, there are still some issues to be resolved all costs were due and had been included in the financial year 2014/15.

Members noted an underspend of £199,246 when compared to the revised budget, which equated to a 3.66% saving. Full details of variances would be presented at the Authority's July 2015 Corporate Planning and Governance Board meeting.

RESOLVED – That the report be received.

17 TREASURY MANAGEMENT UPDATE

A report of the Treasurer was submitted updating the Board on the treasury management operations of the Authority. This included updates on the state of the economy, the Bank of England's forecasts for UK growth; the Authority's banking

arrangements and the status of deposit recovery from the UK subsidiaries of Icelandic banks.

RESOLVED – That the report be noted.

18 FCA CONSULTATION ON MIFID PROPOSALS ON CLIENT CLASSIFICATION OF LOCAL AUTHORITIES

A report the Treasurer was presented to advise Members that the Financial Conduct Authority had issued a paper on its proposals for implementing the Markets in Financial Instruments Directive II in respect of treasury management activities of local authorities, taking effect on 3 January 2017.

Members noted that the Authority had submitted a response to the Financial Conduct Authority on its views regarding the proposed implementation issues, prior to formal consultation later in the year.

RESOLVED – That the report be noted.

19 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That, under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 1 of Schedule 12A of the Act, and the public interest not to disclose information outweighs the public interest in disclosing it.

20 RELEASE OF PRESERVED BENEFIT

A report of the Head of Pensions Administration was submitted to seek ratification from Members of an Officer decision in relation to a request from a former Compass Scolarest employee for the release of preserved benefits.

RESOLVED – That Members:

- i) Reviewed the circumstances surrounding the request for release of preserved benefits as set out in Appendix A to the report;
- ii) Approve the decision taken by Officers to allow the request; and
- iii) Delegates decision making responsibility for similar future cases, where there are no costs to the Authority, to the Head of Pensions Administration.

CHAIR