

## SOUTH YORKSHIRE PENSIONS AUTHORITY

### CORPORATE PLANNING AND GOVERNANCE BOARD

2 JUNE 2016

PRESENT: Councillor R Wraith (Chair)  
S Ellis (Vice-Chair)  
Councillors: H Mirfin-Boukouris, J Wood and K Wyatt

Officers: J Hattersley (Fund Director SYPA), G Chapman (Head of Pensions Administration SYPA), J Bell (Director of Human Resources, Performance and Communications, BMBC), F Foster (Treasurer), A Frosdick (Monitoring Officer), R Winter (Head of Internal Audit), M McCarthy (Deputy Clerk) and G Richards (Democratic Services Officer)

N Doolan-Hamer (Unison) and G Warwick (GMB)

E Wharton (KPMG)

Councillor A Sangar (Observer)

Apologies for absence were received from Councillor E Butler and F Tyas

#### 1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

#### 2 ANNOUNCEMENTS

None.

#### 3 URGENT ITEMS.

There were no urgent items but the Chair had agreed to take an additional paper 'External Audit Progress Report and Technical Update' at agenda item 16.

#### 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 25 MARCH 2016

RESOLVED - That the minutes of the meeting of the Board held on 24 March 2016 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its Work Programme to February 2017.

RESOLVED - That the report be noted.

8 REVIEW OF PENSIONS ADMINISTRATION

A report was considered which updated the Board on administration issues during the period 1<sup>st</sup> January 2016 to 31<sup>st</sup> March 2016.

The Board noted that, as expected, casework performance had levelled out during the period and was currently 86%. The reasons for this were:

- Recent RTI (Real Time Information) issues with payroll combined with an earlier March closedown to accommodate the year-end process had meant staff had spent longer out of the system than was anticipated.
- Resource had to be directed onto clearing the year-end processes outstanding from 2014/15 in order to avoid delaying the start to the 2015/16 year-end exercises.
- Staff shortages due to maternity leave, retirements etc.
- Some processes still need work to make them function more efficiently.

In response to a question from a Member, G Chapman reported that recruitment was under way, the payroll vacancies had been filled and it was hoped to appoint to the other posts in the very near future.

Members were informed that the stress on staff was unrelenting and would be for the foreseeable future due to the pressures of preparing the Annual Benefits statements for members and valuation data for the actuary by the deadline of 31 August 2016.

Some staff were working overtime again (due to workload issues) and day-to-day work had been reorganised to only deal with priority cases such as deaths and retirements; this would inevitably lead to a backlog of non-urgent casework.

With regard to the employers' annual returns, the introduction of the Administration Strategy appeared to have had a positive effect. By the deadline of 31 May 2016 there were 41 outstanding annual returns compared to 152 at the same time last year.

Members noted that during the period 8 new employers had been admitted to the Fund. G Chapman informed the Board that from Rotherham alone it was expected that 23 academies would be admitted during 2016/17; there would also be

applications from academies in the other districts and it was thought there would be a number of multi-academy trusts seeking membership.

This would inevitably lead to further pressure on staff and a significant increase in workload. G Chapman would undertake a review of staffing levels and, if necessary, bring a proposal to the Board towards the end of the year.

RESOLVED - That the report be noted.

9 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

A report of the Head of Pensions Administration was submitted to update Members on employers' performance and on any known levels of outstanding workload during the quarter 1 January 2016 to 31 March 2016.

The Board noted that total performance was down 1% from last quarter to 65%. An unusually low return on new starters and the usual low figures for contract changes were the main reasons for the overall performance result; Members were reminded that following the decision taken at the last meeting this was the last time contract changes would feature in this report.

Members noted that retirements continued to be consistently the best performing area which, along with deaths, was the category that resulted in actual payments to scheme members and therefore of most significance.

Members were informed that the results for the 'other' employers was disappointing as performance fell by 15% from the last quarter. This was a worrying trend given the fall of 13% from the previous quarter; urgent investigations as to the cause(s) was underway.

With regard to the districts, the Board note:

Barnsley

Live interface files for new starters using the new UPM format were regularly being received. The changes interface file was also being trialled and appeared to be working well so far.

Doncaster/Rotherham

Automated process from RMBC continued to be effective although the current interfaces had not yet been moved over to the UPM format; discussions were continuing about how best to achieve this.

Sheffield

Interfaces from Capita still required intervention and had not yet been moved over to the new UPM format. These issues were currently being investigated by Capita.

With regard to the figures for new starters, a Member questioned why Barnsley was only returning 25% compared to Rotherham at 81%.

G Chapman replied that the cause was unclear at present but the new system was not responsible for the problem.

F Foster informed the Board that BMBC were aware of the problem and were currently urgently investigating what had gone wrong.

In response to a question from a Member, the Head of Pensions Administration confirmed that the 'other' employers performance figures could be broken down into categories e.g. contractors, academies etc.

RESOLVED - That the report be noted.

10 DRAFT AUDIT COMMITTEE FUNCTION ANNUAL REPORT 2015/16

The draft Audit Committee Function Annual Report 2015/16 was submitted for approval and agreement to submit the report to the Authority's meeting in October.

The report covered the Board's work during the financial year 2015/16 in relation to its Audit Committee function and covered the Board's roles and responsibilities, membership and attendance and achievements.

RESOLVED:

- i) To approve the Audit Committee Annual Report 2015/16.
- ii) Agree to submit the report to the Authority's October meeting.

11 ANNUAL GOVERNANCE STATEMENT 2015/16

A report of the Clerk was submitted to enable the Board to consider the Authority's Annual Governance Statement for 2015/16.

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 2015 to 31 March 2016.

The draft Annual Governance Statement, attached at Appendix A to the report, outlined the following:

- i) The purpose of the governance framework.
- ii) The Governance Framework.
- iii) The process of reviewing the effectiveness of the Governance and Internal Control framework annually; and
- iv) Identifying development and improvement issues, arising from the annual evaluation, to be addressed during 2016/17.

The Board noted that an Action Plan had been prepared that would form the basis for Corporate Planning and Governance monitoring at regular intervals throughout the year.

RESOLVED - That the Board approves the Annual Governance Statement for 2015/16.

12 INTERNAL AUDIT ANNUAL REPORT

The Head of Internal Audit submitted a report which set out the Internal Audit Annual Report 2015/16.

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 due to:

- All of the 13 completed pieces of work received a positive assurance with seven being substantial and six being adequate;
- No Fundamental recommendations were made;
- All of the recommendations made were either Significant or Merits Attention.

Members noted that whilst there had been no major issues warranting fundamental recommendation or limited assurance opinions given, there had been a number of issues and concerns during the year around the full and efficient implementation of the UPM system. The situation would be monitored and supported during the current audit year; a post-implementation review was currently being undertaken.

RESOLVED - That the report be noted.

13 INTERNAL AUDIT EFFECTIVENESS REPORT

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

The Board were reminded that the Public Sector Internal Audit Standards (PSIAS) required the Head of Internal Audit to develop and maintain a quality and assurance improvement programme (QAIP) that covered all aspects of internal audit activity; the QAIP formed the basis of the annual review of the effectiveness of the internal audit function. The QAIP had been monitored during 2015/16 and a further full self-assessment would be undertaken at the year end.

It was noted 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 internal audit activity and secondly, the requirement to undertake periodic assessments to evaluate conformance with

PSIAS by an independent person. Members were informed that the precise arrangements regarding periodic assessments were currently being discussed.

The Board noted that external assessments by a qualified, independent assessor or assessment team from outside the organisation are required to be conducted at least once every five years.

The external assessment was undertaken in late 2015 with a final report being presented to BMBC Audit Committee in March 2016. The assessment found that the Internal Audit function achieved the highest classification with regards to conformance with the Standards.

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 Action Plan.

#### 14 BUDGET MONITORING

A report of the Treasurer was submitted which informed the Board of current expenditure levels within the Authority against the approved budget.

The Board noted that the 2015/16 annual accounts were being finalised and the Final Outturn reports would be produced once final accounting was complete.

Members were informed that the administration actuarial fees was overspent against the budget at 31 March 2016. It was expected that there would be increased work commissioned in respect of contribution requirements from newly formed academies; these initial set up fees related to new academies would be recovered as part of the deficit lump sum paid by the employer.

RESOLVED - That the report be noted.

#### 15 TREASURY MANAGEMENT: UPDATE

A report of the Treasurer was submitted to update Members on the treasury management operations of the Authority.

It was reported that there had been no change in the Bank of England's stance on interest rates. There were some concerns that the economy was slowing and the possibility of a 'Brexit' was affecting short-term market sentiment.

Members were reminded that under the strategy the Authority's maximum lending size to a single borrower was £15m; however there was a proviso that, subject to the approval of the Chair and Vice-Chair, a deposit could be increased to a maximum of £20m. The Fund had the use of a facility with the Debt Management Office for this purpose; the Fund Director reported that during the period this facility was used once.

With regard to Icelandic banks, Members were reminded that the Authority's deposits with two Icelandic banks and two UK subsidiaries were written off with the 2008/09 accounts.

The Glitnir and Landsbanki deposits and claims had been recovered; there was a small amount of ISK remaining (approximately £26,000) pending relaxation of exchange controls.

The latest update regarding the Heritable administration suggested that a final recovery would be made in 2016 and would result in roughly 98/98/£ payment; the last KSF dividend was received in March and brought the recovery to 83.5p. Members were informed that the administrator's report was not encouraging as to the extent of recovery or the timescales involved. Consequently the sale of the Authority's claim was concluded in April for 85p, realising c£62,000.

A Member queried whether the possibility of 'Brexit' posed any risk to the Fund at the moment.

The Fund Director replied that, with regard to the Fund valuation, currency was a concern and the possibility of sterling cheapening in the event the UK left the EU.

With regard to trade, opinions varied but the markets did not appear to be overly concerned. There was the possibility that the domestic economy could be affected if GDP slowed but there had been forecast of a slowdown in any event.

RESOLVED - That the report be noted.

16 KPMG EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

The Board welcomed Lizzie Wharton to the meeting who had recently taken over from Linda Wild as Audit Manager, KPMG.

Members considered the External Audit Progress Report and Technical Update noting that the interim work had been substantially completed. The finals work commenced on 1 June 2016; the on-site team would arrive on 13 June 2016.

It was reported that the initial risk assessment in relation to KPMG's work on Value for Money had been completed and had identified one significant risk around the new pensions administration system. Discussions with officers indicated that, as at 31 March 2016, significant progress had been made in addressing the problems although some outstanding issues remained. KPMG would review the reports presented to the Authority and Corporate Planning and Governance Board to confirm arrangements are in place to support informed decision making around the issue.

RESOLVED - That the report be noted.

CHAIR