

SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

19 OCTOBER 2017

PRESENT: Councillor R Wraith (Chair)
Councillor S Ellis (Vice-Chair)
Councillors: S Durant, K Richardson, Z Sykes and K Wyatt

Officers: S Barrett (Interim Fund Director), G Chapman (Head of Pensions Administration), B Clarkson (Head of Finance), M McCarthy (Deputy Clerk), G Richards (Democratic Services Officer), I Rooth (Head of Financial Services, BMBC) and P Rogers (Principal Auditor)

G Warwick (GMB)

Apologies for absence were received from Councillor T Hussain, N Doolan-Hamer, R Khangura and E Wharton

1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

There were no announcements.

3 URGENT ITEMS.

None.

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

RESOLVED – That items 18 'Contract Standing Orders – Tender Report' and Item 19 'EU Member State Tax Rules: Potential Tax Refunds' be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 20 JULY 2017

RESOLVED – That the minutes of the meeting of the Board held on 20 July 2017 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

RESOLVED – That the Board’s Work Programme be noted.

8 REVIEW OF PENSIONS ADMINISTRATION

The Board considered a report which gave an update on administration issues for the period 1 July 2017 to 30 September 2017.

G Chapman informed the Board that this was an expanding report due to the work completed to enhance the reporting facilities of the UPM system.

Members were informed that under the old AXIS regime there had been one general enquiry type. Under UPM there were many more and as a consequence the apparent numbers of priority casework had spiralled to the extent they were skewing the priority casework numbers and performance statistics as well as making the management of “Priority” work impossible.

Because of this and because of the enhanced reporting abilities that had been developed, it had been decided to revert to reporting on the core priority cases as detailed in the report.

Members noted that a significant aspect to the enhanced reporting facilities was the ability to provide a wider range of casework statistics not only on the work related to service standards, but also on the work that the staff do that has hitherto gone largely unreported.

The figures were now included in the report and the results showed that in addition to the near 18,000 casework processes performed in the quarter, just under a further 24,000 separate supporting tasks were performed by staff across the Division.

Overall performance had increased with casework completed showing a significant increase. This was due, in part, to the new staff who were performing well.

Overtime had continued throughout the reporting period and was now project based with staff efforts being directed at high importance backlog cases.

The Board noted the activities of the Communication, IT, UPM, Technical and Payroll and Administration Teams and also the work of the satellite offices.

No staff had joined or left the Authority during the period and sickness levels were down.

There were six formal complaints during the period, five of which were responded to within three working days. All six complaints related to delays in processing the casework associated with the Members’ records; none related to priority work and all had their cases brought forward to be dealt with as a matter of urgency.

RESOLVED – That the report be noted.

9 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

A report was considered which updated the Board on employers' performance and any known levels of outstanding workload during the quarter 1 July 2017 to 30 September 2017.

G Chapman informed the Board that overall performance across all employers had fallen by 8% from the previous quarter due almost exclusively to a poor return on new starters and early leavers by Sheffield City Council.

Since the report had been written it had been discovered that Sheffield CC had not sent details of any new starters for two months; this had a major impact on the performance results. Assurances had been given that this had now been rectified and data would revert to being issued on a monthly basis from now on.

G Chapman reported that with regard to monthly reconciliation, all four districts were engaged and interested in piloting the monthly returns. There was still several issues with the software which was being worked on, but things were generally moving on the right direction.

Cllr Ellis commented that as Sheffield CC had recently taken their payroll back in-house, patience would be required. Hopefully it would be not too long before significant improvement would be seen.

Cllr Sykes requested that if performance did not improve that the Sheffield members were informed so that they could intervene.

RESOLVED – That the report be noted.

10 RISK MANAGEMENT

The Board considered the strategic Risk Register.

Members noted the revisions to the Risk Register which were highlighted in red and also noted the addition of a new risk around the implementation of the General Data Protection Regulation in May 2018.

Referring to the risk around the SY Passenger Transport Pension Fund transferring to the Greater Manchester Pension Fund on 1 November 2017, Cllr Ellis requested that a letter be sent to members of the SY Passenger Transport Pension Fund Committee thanking them for all their hard work for the Fund.

RESOLVED:

- a) That the above-mentioned letter be sent to members of the Passenger Transport Pension Fund Committee.
- b) That the Risk Register be noted.

11 KPMG ANNUAL AUDIT LETTER

Due to apologies being received from KPMG, M McCarthy presented the Annual Audit Letter.

The Annual Audit Letter summarised the outcome of KPMG's audit work at the Authority in relation to the 2016/17 audit year.

KPMG had issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 26 July 2017.

In addition, KPMG had undertaken a risk assessment as part of their VFM audit work and had not identified any areas of residual audit risk that would need additional work.

KPMG had issued an unqualified opinion on the Authority's financial statements on 26 July 2017; no material or significant audit misstatements in the financial statements had been identified.

KPMG issued their certificate on 26 July 2017 which confirmed that the 2016/17 audit had been concluded in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

The report also include details of KPMG's fees.

RESOLVED – That the report be noted.

12 INTERNAL AUDIT PROGRESS REPORT

A report was submitted to inform the Board of the work completed and that in progress by the Internal Audit team from 1 July to 30 September 2017.

It was noted that a total of 73 days of planned work had been completed, including 29 days since the last report, which included Financial Conduct Authority Quarterly Compliance, Financial Conduct Authority Annual Compliance, UPM Payroll, Transfer Values and Lump Sums and Process Maps.

There were no new significant control or compliance issues to report.

RESOLVED - That the report be noted.

13 INTERNAL AUDIT PLANNING CONSULTATION PAPER

A report was submitted which set out the audit planning process and consulted with the Board with regard to potential project for inclusion in the draft Internal Audit Plan for 2018/19.

Members were requested to consider possible assignments and general areas for audit coverage for inclusion in the 2018/19 Plan.

In view of the planning timetable and the scheduling of meetings of the Board, Members were requested to send any nominations to the Chair for collation and notification to the Head of Internal Audit.

RESOLVED:

- a) That Members pass any nominations for the 2018/19 Annual Audit Plan through the Chair for notification to Internal Audit.
- b) That the Board are satisfied that the planning process is sufficiently robust to determine a value-adding audit plan, informed by risk and through consultation with appropriate senior management.

14 STATEMENT ON INTERNAL CONTROL: INTERNAL INVESTMENT MANDATE

The Board considered a report which sought to renew the internal investment mandate.

Members were reminded that following external audit comment it was the practice for the Authority to formally enter into a written mandate with its internal fund managers similar to that which would be entered into with external fund managers.

The mandate was reviewed annually and was last considered in November 2016; no changes of substance had been made since that date. It was noted that the mandate would require subsequent review to take account of the implications of pooling.

RESOLVED: That the Board agree to renew the Internal Investment Mandate for a further twelve months.

15 TREASURY MANAGEMENT UPDATE

The Board considered a report that gave an update on the treasury management operations of the Authority since the last report in July 2017.

Members were reminded that the Authority's treasury management strategy for the financial year had been approved in March.

It was noted that interest rates were still at historically low levels although there had been feelings in the market that the rates would rise within the next few months.

B Clarkson informed the Board that that the announcement earlier in the week that inflation had risen to 3% in September, the highest level for more than five years, had raised the likelihood of an increase in interest rates next month.

The Board noted the list of borrowers attached as an appendix to the report and also noted that the government's Debt Management Office facility had been used on 20 occasions during the period.

RESOLVED – That the report be noted.

16 PENSIONS REGULATOR - REPORTING BREACHES

A report was submitted to introduce the procedure for reporting breaches of the Pensions Regulator's Code of Practice No. 14.

The Breach Reporting Procedure outlined the actions the Authority would take in the event of a reportable breach. It was noted that this was an important step to start the process and record the Authority's commitment to the principles of breach reporting whilst the underlying requirements of the process were being developed.

Work was currently being undertaken that would put in place the mechanism for identifying and reporting breaches either immediately for material breaches or periodically for routine breaches; a register for all breaches would be kept and published as appropriate.

Although it was not anticipated that there would be any breaches of the code of practice, training and guidance would be provided to all staff to ensure they were aware of the circumstances in which breaches could occur and the appropriate mechanism for reporting them.

Also attached to the report were copies of correspondence with the Pensions Regulator, for Members' information. Earlier in the year, the Head of Pensions Administration had taken steps to report the breach of the requirement to issue annual benefit statements by 31 August 2017 before the breach actually occurred. The reasons were explained in the initial letter and subsequent response to the Regulator.

Following the second letter, the Head of Pensions Administration had a conference call with senior staff at the Regulator's office; they indicated that they understood the reasons for not issuing 100% of the annual benefit statements by the statutory deadline and they are unlikely to take any further action. The Head of Pensions Administration had promised to update the Regulator on progress on sending out the remaining statements and had confirmed that 91% had been sent out to date.

RESOLVED – That the Authority:

- a) Approve the Reporting Breaches Procedure.
- b) Note the work currently being undertaken to provide the detail behind the policy.
- c) Note the correspondence between the Head of Pensions Administration and the Pensions Regulator.

17 BUDGET MONITORING

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

Members noted that further costs relating to Equity Protection Insurance would exceed the original budget, therefore budget would be revised for 2017/18.

Preliminary expenditure had been approved at the Investment Board meeting on 14 September 2017.

RESOLVED – That the report be noted.

18 CONTRACT STANDING ORDERS - TENDER REPORT

A report was submitted to report upon awarded contracts as required under the Authority's Contract Standing Orders.

The report covered the period from the end of October 2016 until the end of September 2017. During this period there was only one relevant contract which was included in the attached appendix.

RESOLVED – That the report be noted.

19 EU MEMBER STATE TAX RULES: POTENTIAL TAX REFUNDS

A report was submitted to update members regarding the progress in pursuing potential claims for refunds of tax arising out of legal challenges to the legality of Member State tax rules.

RESOLVED – That the report be noted.

CHAIR