

SOUTH YORKSHIRE PENSIONS AUTHORITY

ANNUAL GOVERNANCE STATEMENT 2018/19

1. SCOPE OF RESPONSIBILITY

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk. Apart from employing its own officers and advisors the Authority also receives support services from officers of Barnsley Metropolitan Borough Council (BMBC) under the terms of a service level agreement.

The Authority's Local Code of Governance complies with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework *Delivering Good Governance in Local Government* Framework 2016.

A copy of the Authority's code is on our website at www.southyorks.gov.uk. This statement explains how the Authority has complied with the code and meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015 relating to the preparation and approval of an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled and the activities through which it accounts to and engages with employing bodies, pensioners, contributors and other stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk: it can only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is ongoing and is designed to identify risks to the achievement of the Authority's policies, aims and objectives. The system attempts to evaluate the likelihood of those risks being realised and the impact should they be realised and how to manage them efficiently, effectively and economically.

The governance framework has been in place during the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK – OUTLINE

The Authority's framework of governance continues to evolve in line with best practice and is based upon CIPFA / SOLACE guidance.

The Authority's arrangements are set out under 7 Core Principles embodied within their 2016 report, *Delivering Good Governance in Local Government: Framework*.

3.1 Identifying and communication of the Authority's vision of its purpose and intended outcomes for employing bodies, pensioners and contributors

The Authority is responsible for administering the South Yorkshire Pension Fund in accordance with local government law and the various regulations governing the operation of the Local Government Pension Scheme. It has a fiduciary duty to the contributors and beneficiaries of the Fund to ensure that contributions are collected, that benefits are calculated correctly and paid promptly, and that any surplus monies are properly invested.

Within the statutory framework the Authority has established objectives, policies and performance standards relating to the investment and administration of the Fund. The Authority reviews these objectives on a regular basis.

The development of policy by the Authority is informed and shaped by:

- Regulation
- Professional advice
- The nature of the liabilities of the Fund
- The results of the triennial actuarial valuation of the Fund
- Periodic asset and liability studies
- Consultation with employees, employers and other stakeholders
- Participation in the Border to Coast Pensions Partnership
- Membership of the Local Authority Pension Fund Forum
- Customer Service Excellence criteria

The policies of the Authority are published by means of the:

- Annual Report, newsletters and Authority/Board reports
- Publication of policies on the internet.
- Corporate Strategy Statement
- Live webcast of Authority meetings
- The Fund's meetings for pensioners and contributors and employers.

3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements

Changes to the Local Government Pension Scheme and in particular the transition to Pooling arrangements for the investment arm of funds together with a changed funding position together with ongoing changes in customer expectations mean that the Authority needs to fundamentally review all of its policy planning framework. Work has commenced on this during 2018/19 with a significant review of the Authority's corporate planning framework and its overall governance arrangements which will be implemented from the beginning of 2019/20.

3.3 Measuring the quality of services for users, to ensure they are delivered in accordance with the Authority's objectives and that they represent the best use of resources

Service quality is monitored via satisfaction surveys which target scheme employers contributors and recipients, the complaints system and Customer Service Excellence reviews. The key service standards are monitored and action taken where these are not met. The Authority has been awarded Customer Service Excellence status for more than ten years.

3.4 Monitoring performance against operational, financial and other strategic plans

The Authority has established and adopted six corporate objectives within its Corporate Strategy which are published on the website and in the Annual Report.

The performance management process in place provides for the Authority and its Boards to receive reports on, and monitor performance against, the Authority's objectives and priorities. Performance reports considered during the year:

- Quarterly Planning & Performance Management Framework reports on the Authority's and Service's performance against the six strategic objectives;
- Reports on the performance of Pensions Administration measured against other local authorities through CIPFA benchmarking arrangements;
- Quarterly investment performance reports including measurement against the Fund's customised benchmark;
- Financial reports which indicate budgetary performance against forecasts and provide information to allow proper oversight of Treasury Management activity;
- Monitoring reports on the achievement of the Internal Audit Plan;
- Reporting of Breaches of law and regulation;
- Reports on the implementation of Internal and External Audit recommendations;
- The Annual Governance Statement review process.

These arrangements will be revised during 2019/20 to reflect the adoption of the new Corporate Strategy and the changes to the Authority's governance arrangements. Emphasis will be placed on creating a single corporate report providing a holistic view of organisational performance.

3.5 Establishment of risk management processes by which key risks are identified and mitigated

Risk is managed at all levels within the Authority with, at the highest level, a corporate risk register forming part of the Corporate Strategy. The identification and monitoring of risks is a standing item at Senior Management Team meetings. The Authority's risk register is reviewed quarterly by the Corporate Planning and Governance Board (CPGB).

The Authority has thoroughly reviewed the Risk Register including content and format in conjunction with internal audit. The Risk Register underwent a more detailed baseline review by the Authority in October 2018.

3.6 Audit Committee

The Corporate Planning and Governance Board functions as an audit committee and conducts its arrangements in accordance with the CIPFA good practice guidance for local authority audit committees. The Board produces an Annual Report on its activities and this is reported to the Authority and subsequently published on the website. This arrangement has been reviewed during the year and a dedicated Audit Committee will be put in place from 2019/20.

3.7 Local Pension Board

In accordance with the requirements of The Public Services Pensions Act 2013 the Authority has established a Local Pension Board. The Board has held regular meetings and provides oversight, challenge and scrutiny over how the administering authority exercises its responsibilities. It publishes its own annual report which is available on the Authority's website, and within the Annual Report. A review of the terms of reference of the Board during the year has resulted in changes which focus the Board's attention more clearly on ensuring compliance with the Regulator's code of practice.

3.8 Defining and documenting the roles and responsibilities of the Authority, members and officers, with clear delegation arrangements and protocols for effective communication and arrangements for challenging and scrutinising

activity

The roles and responsibilities of the Authority, members and officers are set out in the Authority's Constitution which identifies matters reserved to the Authority, the terms of reference of Boards and Committees, the scheme of delegation to officers, standing orders and financial regulations.

The Authority maintains forward work programmes which outline future matters for consideration. These are regularly reviewed.

All officers have job descriptions and a training and development framework exists.

3.9 Developing communicating and embedding codes of conduct, the standards of behaviour for members and staff

Members and officers are subject to codes of conduct. Officer codes of conduct are reviewed on an ongoing basis. There is, also, a Member and Officer Relations protocol. Equality and diversity training is part of the development programme for staff. The Authority has a Member Training and Development Strategy which supports learning and maintains high levels of compliance. This includes Induction. Individual training needs analysis interviews are conducted with Members to further support this process.

3.10 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

Officers are charged with reviewing fundamental systems on a rolling basis and the Authority receives regular updates and considers changes when necessary. Recommendations arising out of audit reviews or changes necessitated by legislation are brought to Members' attention. As stated previously it is acknowledged that amendments will need to be made to a range of governance/constitutional documents to reflect changes stemming from legislation governing the Local Government Pension Scheme. In addition during 2018/19 a fundamental review of the Authority's procurement rules has been undertaken and work has commenced on the changes to constitutional documents which will be required for the changed governance arrangements from 2019/20.

3.11 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Annual Statement of Accounts, including the Annual Governance Statement is reported to Members. The statutory officers of the Authority during 2018/19 were the Clerk, Treasurer, Monitoring Officer, Fund Director, supported by the members of the Authority's senior management team. Through service level agreement arrangements with Barnsley MBC, the Authority has access to HR and Internal Audit functions. Collectively these senior officers supported by their staff, provide professional advice to the Authority on its functions, powers, internal policies and procedures. They seek to ensure that the Authority operates within the law; that expenditure is lawful and effective management procedures are maintained to identify and address any areas of non-compliance.

Formal reporting on Internal Audit, External Audit, expenditure and Treasury Management is built into the annual meetings cycle.

The role of the Head of Internal Audit is fulfilled through the Head of Internal Audit at BMBC. The Internal Audit service operates in accordance with the Public Sector

Internal Audit Standards (PSIAS). Internal Audit reports to management all identified weaknesses in the internal control arrangement, for resolution. The plan of work, progress against the plan and an annual report, including the Head of Internal Audit's opinion on the internal control arrangements, are reported to CPGB.

The Authority's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*.

Having obtained legal advice the Authority has determined not to comply with regulation 6 of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 and does not operate a separate bank account for its pension fund, on the basis that unlike other administering authorities all of the activities of the Authority represent a charge to the Pension Fund and there is therefore no risk of co-mingling pension fund and local authority monies.

3.12 Ensuring that a Whistleblowing policy, supported by other processes for receiving and reporting complaints, is in place

Confidential reporting procedures are in place for all personnel, whether directly employed, or providing services through a service level agreement. Complaints procedures exist with the aim of ensuring prompt response, appropriate action, and recording. The Anti-Fraud and Corruption Strategy incorporates the best practice guidance issued by CIPFA. It incorporates the whistle blowing policy and additional guidance on expected behaviour and reporting.

3.13 Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The above CIPFA Statement sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance arrangements needed to support them. These are that the Chief Financial Officer should:

- Be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- Be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy;
- Lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
- Lead and direct a finance function that is resourced and fit for purpose.
- Be professionally qualified and suitably experienced.

The Authority has the following financial arrangements which demonstrate compliance with the above key principles:

- The Chief Executive of Barnsley MBC is designated as the Clerk to the Authority and the Treasurer function and that of Monitoring officer are also provided by officers of Barnsley MBC;
- The Clerk to the Authority is responsible for monitoring the effectiveness of governance arrangements.
- The Treasurer is professionally qualified and suitably experienced.

These arrangements have been strengthened over the course of the year by changes to the directly employed role of Head of Finance and Corporate Services which now includes the responsibilities of the statutory deputy to the Treasurer.

3.14 Determining the conditions of employment and remuneration of officers

The Authority sets the conditions of employment and remuneration of its officers and approves an annual Pay Policy Statement setting out these arrangements.

3.15 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

Induction training is provided to all new Authority members. All members are required to attend the Fundamentals Training for Trustees Course prepared by the Local Government Employers organisation. Additional specific training is provided as appropriate throughout the year. Externally organised training opportunities are reported to members as they arise. Invitation to these events are extended to members of the Local Pensions Board.

Senior officers attend appropriate specialist training events and conferences to support their strategic roles. A training budget is maintained for members and officers.

The Authority has introduced a self-assessment process for Members. The current procedures satisfy the requirements under the Myners' Principles, which the Authority has agreed to continue to use as a performance benchmark.

3.16 Establishing clear channels of communication with employing bodies, pensioners and contributors and other stakeholders, ensuring accountability and encouraging open consultation

The Authority has well developed consultation and communications procedures and has published a Communication Policy Statement.

3.17 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements

The Authority has established a working protocol with Barnsley MBC in agreement with the other South Yorkshire District and City Councils.

The Authority is a member of the Border to Coast Pensions Partnership pooling arrangements and is fully represented by members and officers in the various aspects of the governance arrangements of this partnership. The Authority has also taken steps to ensure that appropriate protocols are in place to ensure that the different roles which the Authority has within BCPP, such as investor and shareholder are carried out in different places within its governance structure, and that any conflicts of interest that might occur are managed.

4. REVIEW OF EFFECTIVENESS

4.1 The Authority has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review is based upon work by its senior officers, the Head of Internal Audit's annual report and any comments made by the external auditors or other review agencies.

4.2 Monitoring the effectiveness of the governance framework has been accomplished in several different ways:

4.2.1 **Through the normal ongoing business of the Authority**

- The Authority and Boards have met on a regular basis and have received reports from officers on issues concerning its business;
- Regular performance reports have been presented to the Authority and Boards by managers;
- The Authority reviewed its budget requirements and set a budget;
- Actuarial valuations of the Fund. The last triennial valuation was undertaken in March 2016; and interim valuation work was undertaken during the year in preparation for the full 2019 valuation.
- Periodic asset and liability studies;
- The review of a number of strategic policies and procedural documents during the year including:
 - Review and update of the Corporate Planning Framework, including:
 - Corporate Strategy
 - Medium Term Financial Strategy
 - HR Strategy
 - ICT Strategy
 - Equality and Diversity Scheme
 - Pay Policy Statement, workforce profile and gender pay gap report
 - Risk Management Policy
 - Treasury Policy and Strategy Statement
 - CLG LGPS Consultations
 - Investment Strategy Statement
 - Investment Mandates for assets transferring to Border to Coast.
 - Shareholder Engagement – Statement on Corporate Governance and Social Responsibility
 - Responsible Investment Policy review
 - Commercial property health and safety review
 - Voting Guidelines

4.2.2 Through formal processes of compliance

- The work of the Internal Audit section.

The Head of Internal Audit is responsible for providing assurances on the robustness of the governance, risk and control arrangements to the Authority. An annual report on audit activity and the performance of the Internal Audit Service is also presented to the Authority.

The Head of Internal Audit has provided an interim statement subject to the production of his Annual Report to be submitted to the July meeting of the Authority's Audit Committee:

“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 is able to give an *indicative* substantial assurance opinion regarding the effectiveness of the control, risk and governance environment.

Eight specific pieces of work have been completed to date, all of which received a substantial assurance opinion. A number of pieces of work are being completed at the time of preparing this Annual Governance Statement. These will be reported on and taken into account in the Annual Report to the July Audit Committee.”

4.2.3 **By the adoption of Risk Management**

Maintenance of a corporate risk register, which is reported to the Authority's Corporate Planning and Governance Board on a quarterly basis. Regular monitoring of risk exposures within the Senior Management Team

4.2.4 **By participating externally in processes which enhance the quality of governance**

The Authority is a member of the Local Authority Pension Fund Forum.

4.2.5 **Through other processes in support of the main review**

- Officer assurance statements have been sought from the Authority's senior managers and also from the Statutory Officers (within Barnsley MBC). These require a positive return (i.e. a formal statement even if there are no issues to raise);
- Completion of Core Principle Templates which provide for greater focus in determining governance issues / actions required to evidence and measure compliance against the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework ***Delivering Good Governance in Local Government*** Framework 2016;
- A review of Authority reports and minutes
- A review of complaints received
- A review of member declarations

4.3 The Corporate Planning and Governance Board has overseen the whole process of review, and this statement is for the purpose of advising the Authority on the implications of the review, including a plan to address weaknesses and ensure that continuous improvement takes place.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1 The processes described in Section 4 have identified the following governance issues for attention. Some of these remain longer term issues and as such continue to feature. The outcome of the Annual Governance Review suggests that the following significant governance issues need to be included in the 2018-19 Annual Governance Statement Action Plan. These are:

- The need to develop improved reporting of activity and performance across all aspects of the Authority's work following the review of the Corporate Strategy and the beginning of the transition of assets to Border to Coast.
- Changes required to the organisation to improve customer focus and stakeholder engagement.
- The implementation of changed governance arrangements for the Authority's business.
- The delivery of the 2019 Valuation of the Fund including developing more active engagement with stakeholders and the completion of the associated review of the Investment Strategy and a specific review of the agricultural property portfolio.

5.2 The actions taken to date to address these have been or will be reported to the Authority and the Audit Committee. Progress in monitoring the implementation of these improvement actions will be monitored by Managers and Internal Audit and through regular reports to the Authority and Committee.

<p>Signed:</p> <p>Chair South Yorkshire Pensions Authority</p>	<p>Signed:</p> <p>Fund Director South Yorkshire Pensions Authority</p>
---	---

APPENDIX A

South Yorkshire Pensions Authority Annual Governance Statement Action Plan for 2019/20			
Issue	Action Required	Responsible Officer	Date for Completion
The need to develop improved reporting of activity and performance across all aspects of the Authority's work following the review of the Corporate Strategy and the beginning of the transition of assets to Border to Coast.	Redesign reporting of investment performance to accommodate the introduction of pooling and a move away from internal management with a wider focus on the links to funding, cash flow and impact.	Head of Investment Strategy	To be developed on a continuing basis during 2019/20
	Redesign reporting of administration performance to focus on customer service and statutory compliance and highlight improvement initiatives	Head of Pensions Administration	April 2019
	Introduce a new form of corporate performance report providing a balanced scorecard type approach to the overall work of the Authority	Fund Director and Head of Finance and Corporate Services	To be developed on a continuing basis during 2019/20
Changes required to the organisation to improve customer focus and stakeholder engagement.	Introduce a systematic approach to the handling of incoming enquiries whether by phone, e mail or traditional post by developing a customer	Head of Pensions Administration	December 2019

	<p>centre to handle the first point of enquiry</p> <p>Identify activities falling within the scope of engagement and reallocate resources to support these activities, including a review of the role and function of all existing administration and ICT teams (including the District Offices)</p>	Head of Pensions Administration	December 2019
The implementation of changed governance arrangements for the Authority's business.	<p>Implement revised governance arrangements from the beginning of the 2019 Municipal Year, including a revised constitution and scheme of delegation.</p> <p>Institute a pattern of informal member seminars for both policy development and learning and development</p>	<p>Clerk / Fund Director</p> <p>Fund Director</p>	<p>May 2019</p> <p>May 2019</p>
The delivery of the 2019 Valuation of the Fund including developing more active engagement with stakeholders and the completion of the associated review of the Investment Strategy and a specific review of the agricultural property portfolio.	<p>Produce and consult on revised Funding Strategy Statement.</p> <p>Produce and consult on revised investment strategy statement and associated policy documents.</p> <p>Conduct review of the Agricultural Property portfolio</p>	<p>Fund Director</p> <p>Head of Investment Strategy</p> <p>Head of Investment Strategy</p>	<p>March 2020</p> <p>March 2020</p> <p>March 2020 (for implementation by January 2021)</p>