

South Yorkshire Pensions Authority

Draft Report to the Audit & Governance
Committee: Value for money risk assessment

Year ended 31 March 2024

19th September 2024

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following pages.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Authority's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Authority does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Authority has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Authority's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of your previous auditor's recommendations.

The Authority will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

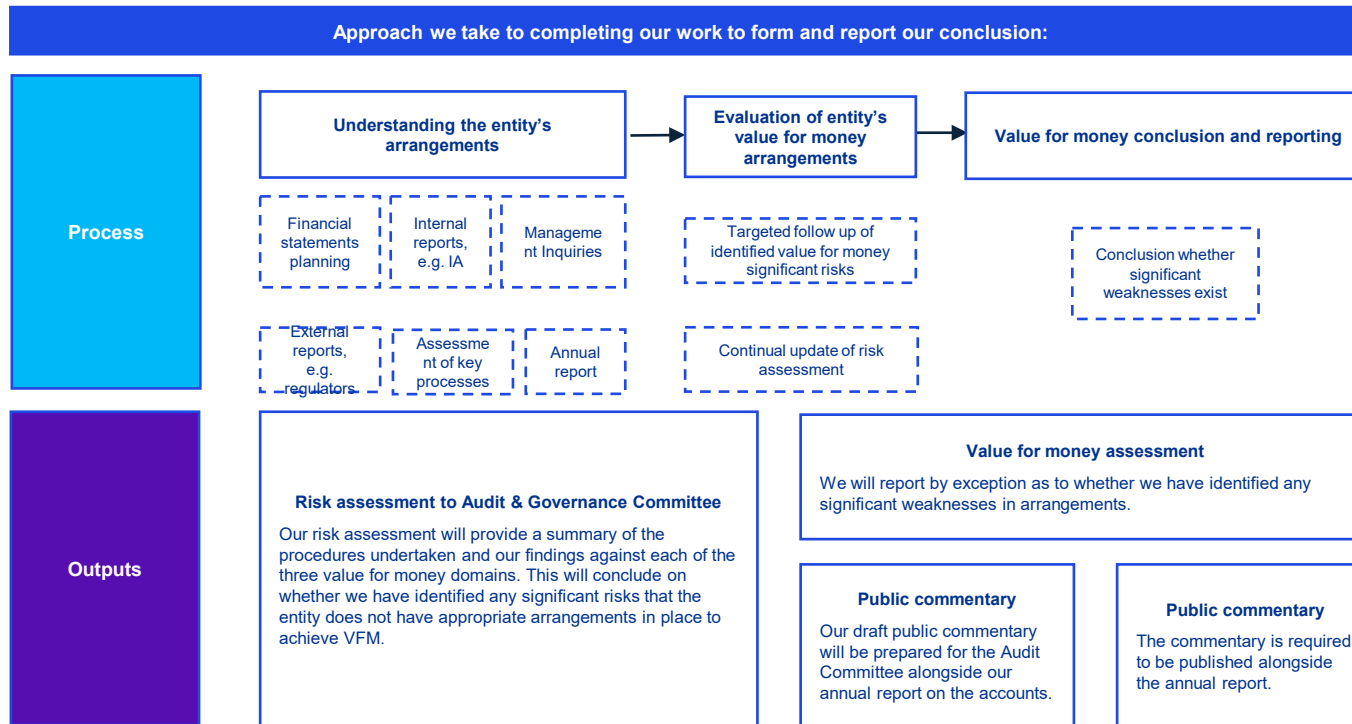
Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money



Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Authority's systems, reviewed reports from external organisations and internal audit and performed inquiries of management.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Authority for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risk identified
Governance	No significant risk identified
Improving economy, efficiency and effectiveness	No significant risks identified

As a result of our risk assessment, we have not identified any significant risks around the Authority's approach to securing Value For Money.

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the Corporate Strategy
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and
- Performance for the year to date against the financial plan.

Summary of risk assessment

Financial Planning

- Under the National Framework and CIPFA Code of Practice, South Yorkshire Pension Authority, 'the Authority', must produce an annual medium term financial strategy (MTFS) covering at least 3 years, aligned to the Corporate Strategy (CS). The MTFS sets out the framework for understanding the strategic, service and financial challenges the Authority faces. It is a key part of the Authority's Budget and Policy Framework, intended to ensure that financial resources are aligned towards the delivery of the Authority's future objectives and priorities, and ensuring its medium and longer term financial sustainability. We have evidenced that the MTFS for 2023-2026 was presented to the relevant committees for review and approval in a timely manner, with appropriate challenge and scrutiny being applied around assumptions on pay settlements and loss of external income.
- Finance Business Partners meet regularly to monitor overall spend against agreed budget through the regular Senior Management Team (SMT) meetings. As part of these meetings, discussions in relation to required spend for the following year's budget will be incorporated, to inform the budget setting process. Budgets are then planned by taking account of the previous year's spend, financial pressures identified throughout the current year and inflation rates. Once this initial planning process was finalised, these figures were collated into a final MTFS which was reviewed by the Assistant Director for Resources and presented to the Authority.
- The MTFS is used as a base for the annual budget and was then refined up until February when it is approved by the Authority. All movements between the MTFS and the annual budget are scrutinised by SMT before being approved. The annual budget for 2024-25 was approved by the Authority on 08th February 2024.
- Key assumptions used to produce the MTFS and annual budgets are clearly included within the respective papers that are presented and discussed at the Authority meetings in November and February, allowing for challenge and scrutiny of these key budget assumptions - such as assumed pay awards, inflation and government Funding.
- Risks in achieving the planned outcome are clearly communicated within the MTFS and annual budget setting process to ensure decision makers have the appropriate information to challenge and approve the plans. These risks to achieving the financial plan are also communicated to the Authority through the quarterly financial performance reports presented.

Value for money arrangements (cont.)

Financial sustainability

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Assessing Risks to Financial Sustainability

- Through our review of the 2024-25 annual budget and revised MTFS for 2024-2027, we noted that the Authority is forecasting a balanced position in all periods. This is because the Authority will recharge an amount South Yorkshire Pension Fund, 'the Fund' to cover its expenditure in year less a contribution from/to reserves and a levy on the district councils. We have noted that the charge to the Fund will increase year on year which is expected with inflation and the increase in staff costs each year.
- The forecasted change in financial position over the coming years results in useable reserves decreasing from a forecasted position of £137,540 at 31st March 2024 to £109,540 by 31st March 2025. This will however increase by 31st March 2027 to £389,540. The authority has demonstrated that it will have in place adequate reserves and resources to fund its medium term financial plans and that it is effectively supported financially by the South Yorkshire Pension Fund by way of its ability to recharge its expenditure in year.

Managing Financial Sustainability Risks

- From our review of the Corporate Risk Register, we have confirmed that the Authority discuss strategic, financial and operational risks through their review and challenge of the Risk Register. We also identified that within the Q3 Corporate Risk linked to financial sustainability that have been identified by management. These relate to staff skills and knowledge to deliver key projects. The risk register sets out mitigations and plans to reduce this risk to an appropriate level.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with financial sustainability.

Value for money arrangements (cont.)

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- How the Authority ensures decisions receive appropriate scrutiny;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored; and
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality.

Summary of risk assessment

Risk Management

- The Authority's approach to risk management is outlined in its 'Risk Management Policy' and is used to help identify and assess risks to ensure a consistent methodology is used. As part of the Authority's process, these risks are identified through internal discussions and are considered across 3 main areas - External, New and Emerging Issues and "Risk Topics" - with numerous risk sub-categories sat underneath (Regulation, The economy, Resources, Reputation).
- The Corporate Risk Register shows that the Authority has considered the likelihood and impact of each risk with sufficient and appropriate rationale and details how the Authority intends to reduce each risk to an achievable score. Our review has demonstrated that these documents included sufficient detail and demonstrate strong and robust arrangements in place to help identify, assess and monitor both financial and operational risk.
- The Authority operates an effective risk monitoring and reporting system to ensure that there is clear ownership of risk and robust scrutiny and oversight of how risks are managed. The Corporate Risk Register is on the agenda of all SMT meeting that happen monthly with the updates present to the Authority.
- The Authority is provided with an overview of risk management over the year. Each paper which is brought to the Authority will feature a section on the how this impacts the Corporate Risk Register which shows that it is considered at each decision making interval.

Decision Making

- There is an overarching committee structure in place in which policies and procedures are continually validated, refreshed and ratified. All relevant policies and procedures are communicated and made available to staff via the intranet. The Authority has a Code of Conduct for both members and employees, as well as the 'Authority Constitution'. Alongside the constitution sit a number of documents including the 'Scheme of Delegation', 'Contract Standing Orders' and 'Financial Regulations'. The 'Contract Standing Orders' and 'Scheme of Delegation' outline both financial limits in place for various processes within the Authority, as well as operational delegations to ensure both financial and non-financial authorisations and reviews are escalated appropriately.

Value for money arrangements (cont.)

Governance

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- The Authority's management structure is outlined within the 'Organisation Structure' document and provides a clear and detailed overview of the roles and responsibilities of each decision making body within the management structure. With the size of SYPA and the number of staff this makes it clear to each individual who they report to. Ultimately the SMT report into the Authority and Audit and Governance committee.
- We have reviewed relevant Committee and Authority minutes as well as the supporting papers throughout the financial year. We are satisfied that there is sufficient ability for Committee and Authority members to take informed decisions based upon the detail provided in the papers presented. These papers also demonstrate that with regard to financial risks reported and recommendations made, there are detailed discussions occurring to challenge and analyse the information being presented.
- Agenda items are accompanied by front sheets offering a summary of the paper and are tailored with a section outlining the relevance to the Authority's aspirations and to service improvement, as well as any delegations required and implications identified. The summaries included are appropriate and provide a concise high level overview of the paper so relevant committee members are able to identify the key messages discussed in the wider report.
- The Authority has a comprehensive business case process to make informed decisions. Business cases are supported by a relevant Service or Project Board before being reviewed and approved by the Authority. The business case process is supported by templates and guidance. For each business case, the preparer of the template must outline their proposed business case and include three possible solutions or quotes to complete the required actions. Alongside this they must present the consequences of the business case not being approved. Within each of these options they must provide an overview, objectives, timeframe, costs, benefits and risks. The business case must also include details of the proposed financial impacts and the split between capital and revenue.

Value for money arrangements (cont.)

Governance

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Budget Monitoring

- We found that the budget monitoring and control processes were able to identify and incorporate pressures into the financial plan to ensure it was achievable and realistic. The budgets for 2023-24 and 2024-25 were constructed based on appropriate local and national developments and we saw evidence of appropriate review and sign off. The budgets for the years are approved in February of 2023 and February of 2024
- Finance team members review each budget on a quarterly basis, and any variance is discussed with the budget holder. The budget statement viewable by budget holders includes details of the annual budget allocated and the current month and year to date (YTD) budget compared to current month and YTD actuals. As part of this review, narrative such as agreed actions to resolve negative variances on budget and forecasts are documented and discussed where necessary at the meeting of the SMT held monthly.
- Financial performance is reported directly to the Authority on a quarterly basis in the form of a 'Corporate Performance Report'. The quarterly 'Corporate Performance Report' includes an executive summary to provide an overview of financial performance from a revenue, capital and reserves perspective for both the Fund and the Authority with the focus primarily on the Fund due to the nature of the entities. The detailed report provides the Authority with an update on financial performance, including forecast outturn and variances to budget, as well as an update on reserves, efficiencies, and an overview of all adjustments to the budget since the original approval. Supporting appendices provide a clear summary of the narrative noted within the body of the report and include explanations of all variances in each relevant appendix.
- The Authority has been kept informed of the Funding arrangements in place for 2023-24. We have also confirmed through our review of the MTFS, annual budget and Q3 Corporate Performance Report that risks to the achievement of the financial targets are regularly monitored and reviewed throughout the year. The Quarterly Corporate Performance Reports provide an update to members on where progress is up to year to date and any significant risks that may impact the achievement of both the budget for the year in question, and monitor the MTFS from both a revenue, capital and reserves perspective.

Value for money arrangements (cont.)

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- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality.

Compliance with Laws and Regulations

- Through our review of the policies such as 'Scheme of Delegation', 'Codes and Protocols', and 'Contract Standing Orders', we are satisfied that these detail the roles, responsibilities and delegation of key officers and Committees / Groups, thus detailing appropriate processes to ensure officer compliance.
- As part of the Government's commitment to greater transparency, the Authority is required to regularly publish procurement information. This means the Authority publishes details of all contracts over £5,000. The 'Contracts Register' is updated on a quarterly basis and can be seen on the website YORtender.
- Codes of Conduct are in place for Authority Members and all Service staff that set out the behaviours expected of all employees and reinforce its values and standards. A range of policies, procedures and strategies, which staff are made aware of and adhere to through awareness and training, are available to be viewed on the Authority's website. The Authority and its clerk are equipped to deal with any breaches of ethics / behaviour through the arrangements set out in the relevant codes and protocols in the constitution.
- Through inquiries of management, we have confirmed that there have been no reported significant or repeated departures from key regulatory or statutory requirements, as well as no departures from professional standards such as CIPFA Financial Management Code, Prudential Code or Treasury Management Code.
- The 'Anti-Fraud and Corruption Strategy' includes reference to the Bribery Act and aligns itself with the relevant policies and procedures in place at the Authority, such as 'Anti-Fraud Policy', 'Anti-Bribery Policy', and 'Whistleblowing Policy'. These policies are all available online and provide useful knowledge for all staff with details of channels of communication and processes to follow for anyone who has concerns or suspicions of malpractice.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with governance.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

Identification of Cost Savings.

- The Authority takes part in a benchmarking exercise during the year which provides comparative data for other Pension Funds in England such as total pension administration costs per member and 'business as usual' costs. These were then used to identify where the Fund and Authority could be performing better in line with other providers of the same services, with the January 2024 benchmarking demonstrating that the Authority's pension administration costs of £26.77 per member were £3.35 below the adjusted peer average of £30.12. There is no formal cost saving plan at the Authority but they maintain a vigilant attitude to cost savings.
- Due to its size and nature of the expenditure, the Authority has limited opportunity to enact significant cost saving measures in regards to its non-pay expenditure. Staff costs comprise the majority of expenditure are dictated by central government pay scales. The other costs within the Authority represent a small proportion of expenditure when considered with the larger costs incurred by the Fund and as such we are satisfied that the above is in line with expectations for an entity of this size.

Monitoring of Outsourced Services

- The Authority does not currently outsource any significant services, which is in line with expectation given the nature of the entity and its operation.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with improving economy, efficiency and effectiveness.



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