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**Sheffield City
Council –
Pensions
payments follow
up report**

Summary report

25 June 2014

Contents

**The contacts at
KPMG
in connection with
this
report are:**

Sue Sunderland

*Public Sector
Director, Nottingham,
KPMG LLP*

Tel: 0115 945 4490
sue.sunderland@kpmg.co.uk

David Phillips

*Public Sector
Senior Manager,
Leeds, KPMG LLP*

Tel: 0113 231 3623
or 0114 205 3054
david.phillips@kpmg.co.uk

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1. Background and purpose/scope

Background

The previous external auditors of Sheffield City Council (the 'Council') took a report to the December 2010 Audit Committee containing the results of a review of data flows between the Council and South Yorkshire Pensions Authority (SYPA). This review covered the flows of electronic and manual data from the Council to SYPA to support SYPA's administration of the LG pensions scheme (LGPS) for current and former Council employees.

The report concluded that *"Reports presented to South Yorkshire Pensions Authority's (SYPA's) Corporate Planning and Governance (CP&G) Board show that Sheffield City Council (SCC) does not provide SYPA with timely and accurate pension data. The risks of this to the Council and SYPA include:*

- *the annual benefits statement for SCC staff may be wrong;*
- *new retirees may not receive the correct pension or it may be late; and*
- *SCC may be paying the wrong amount in contributions to SYPA due to inaccurate actuarial valuations."*

The report also noted that *"The underlying statistics were not recognised by officers of SCC as the raw data had to be worked on by SYPA staff who are based at the local SCC office prior to being sent to SYPA. No communication appears to exist to confirm the reasons for the differences and thus help SCC officers to rectify the situation."*

It concluded that *"The Council and SYPA should work together to understand and deal with the discrepancies between the data presented by the Council and that which is received by SYPA. In doing so this should provide the formula to eliminate the late provision of data being reported at SYPA's CP&G Board and ensure that pensions information is provided in accordance with the service level agreement."*

Purpose and approach

The Audit Committee requested at its April 2014 meeting that it received an update on whether the issues identified in 2010 had been addressed.

The Director of Finance therefore contacted SYPA and received an update from them on the current position. We subsequently contacted our audit team at SYPA and confirmed that this update was consistent with their knowledge of the position.

2. Findings

Findings

The Head of Pensions Administration at SYPA provided the following informal update in April 2014.

The current position is that the situation is improving. For a number of years there have been issues with the timely issue of pensions data to SYPA mainly concerning New Starters, Contract Changes and Early Leavers. Retirements that require immediate payments to scheme members have generally been good. Overall performance against our SLA has generally been poor. Performance is reported to our Corporate, Policy and Governance Board on a quarterly basis.

“For SCC there are two main issues,

- 1. The electronic interface does not include all relevant changes,*
- 2. Year-end reconciliation queries not being answered.*

Following a particularly bad quarter last year an action team was created comprising representatives of SCC, Capita and SYPA. Through working together an action plan was created to improve the electronic interfaces and clear the 4000 + year-end queries by 31st March 2014. To assist the project SYPA provided Capita with experienced resource for 3 days per week.

Although the project overran it was reported to me last week that all the year-end queries are now cleared. This means that for the first time in many years that the year-end file which is due to be issued to us before the end of May will be able to be promptly investigated with the potential for it to be fully resolved before annual forecasts are issued to members at the end of August. All will depend on the quality of the annual file though.

The latest report I have on the electronic interfaces is that they are running normally - which is good.

Overall performance is improving but the performance rating will not improve significantly in the short-term as work on clearing the year-end queries unearthed cases that have not previously been notified and are therefore out of time. However once the backlogs are clear and providing the electronic interfaces do contain all relevant information the overall performance rating will start to improve.

Despite the improving performance it is intended that the action team continue to meet to discuss issues and monitor progress.”

A report on the annual position went to SYPAs Corporate Planning and Governance Board on 19 June 2014. This report said the following:

The submission of annual contribution data returns requires that reconciled data is received by the Pensions Authority by 31st May (following the year end 31st March). As at 2nd June the year-end file was almost fully complete for Sheffield, the delay in receiving the information relating to one academy school prevented it being fully complete by 31st May 2014 [later update from officers at Sheffield CC – the information for this school has now been submitted].

2. Findings (cont.)

Sheffield's performance against the SLA in respect of producing all relevant information within specified target days shows that, overall, for 2013/14 there has been some deterioration in performance compared to last year. Performance has improved in the latter quarter but not enough to demonstrate an overall improvement year on year. However, it is noted that overall performance has been affected by a significant increase in caseload in 2013/14. Whilst Sheffield is the largest employer and therefore expected to have the highest caseload, Sheffield has seen a significant increase in caseload, particularly in the last quarter (a record number of cases). Much of this is due to concentration being placed on clearing the large backlog – overall performance will continue to be affected by this until all old cases are fully cleared. For current cases, the introduction of electronic interfaces are now reporting on more events at the time they occur – this should contribute to better performance on current cases going forward, however there is still some manual work required. Meetings between the Pensions Authority, Sheffield CC and Capita are continuing periodically to discuss data issues and monitor the situation.

Conclusion

Some progress has been made since 2010, particularly in immediate past, and officers are optimistic that progress has been made in addressing the underlying issues. However this remains an area where improvements are required, so further work remains to be done.

Recommendations

R1 The Council should liaise with SYPA to ensure that continuing action is taken to address the issues in respect of data flows, and take further action if performance does not improve.

R2 The Audit Committee at the Council should continue to monitor the position.

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