

Due to Scottish Government guidance relating to Covid-19, this meeting will be held remotely

Tuesday, 15th December, 2020 - 9.30 a.m.

AGENDA

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- 1. APOLOGIES FOR ABSENCE**
 - 2. DECLARATIONS OF INTEREST** – In terms of Section 5 of the Code of Conduct, members of the Committee are asked to declare any interest in particular items on the agenda and the nature of the interest(s) at this stage.
 - 3. MINUTES -**
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 - 4. HYMANS ROBERTSON PENSION FUND VALUATION UPDATE –**
Presentation by Robert Bilton, Hymans Robertson
 - 5. PENSIONS ADMINISTRATION MONITORING REPORT** – Report by the Executive Director - Finance & Corporate Services 12 – 16
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- ITEM LIKELY TO BE CONSIDERED IN PRIVATE**
- 11. SUPERANNUATION FUND - INVESTMENT UPDATE** – Report by the Head of Finance 35 - 40

Members are reminded that should they have queries on the detail of a report they should, where possible, contact the report authors in advance of the meeting to seek clarification.

Morag Ferguson
Head of Legal and Democratic Services
Finance and Corporate Services

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8th December, 2020

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**THE FIFE COUNCIL - SUPERANNUATION FUND AND PENSIONS COMMITTEE AND
FIFE PENSION BOARD – REMOTE MEETING**

30th September, 2020

2.00 p.m. – 4.40 p.m.

PRESENT: Committee - Councillors Dave Dempsey (Convener), David Barratt, Bobby Clelland, Altany Craik, Colin Davidson, Fiona Grant, Mino Manekshaw, Alistair Suttie and Jonny Tepp.

Fife Pension Board – Gordon Pryde (Chair), Councillor Dave Coleman, Councillor Ian Ferguson, Robert Graham, John Ireland, Colin Paterson, John Wincott and Vicki Wyse.

ATTENDING: Elaine Muir, Head of Finance, Laura C Robertson, Finance Operations Manager, Avril Cunningham, Service Manager, Audit & Risk Management Services, Fiona Clark, Pensions Specialist, Revenue & Commercial Services and Karen Balfour, Senior Banking and Investments Officer, Finance; Helena Couperwhite, Manager - Committee Services and Wendy MacGregor, Committee Officer, Legal & Democratic Services.

ALSO IN ATTENDANCE: Bruce Miller and Stewart Piotrowicz, Lothian Pension Fund.

105. DECLARATIONS OF INTEREST

Councillor Bobby Clelland declared an interest in the business on the agenda being a Trustee of the Mine Workers Pension Scheme.

106. MINUTE -

The Committee considered the

- (a) Minute of the meeting of the Superannuation Fund and Pensions Committee of 17th March, 2020

Decision

The Committee approved the minute.

- (b) Minute of the meeting of the Superannuation Fund and Pensions Committee of 31st August, 2020

Decision

The Committee approved the minute.

- (c) Fife Pension Board Minute of 17th March, 2020.

Decision/

Decision

The Committee noted:-

1. the minute of the Fife Pension Board and
2. that updates had been provided on the areas highlighted in the minute; and
3. that a list of administrative operating procedures and responsibilities for members of the Committee and Fife Pension Board would be circulated when it was available, this would include a process for dealing with changes to the membership of the Fife Pension Board.

Councillor Colin Davison and John Ireland, Fife Pension Board joined the meeting during consideration of this item.

107. ANNUAL AUDIT REPORT 2019/20

The Committee considered a report by the Service manager, Audit and Risk Management providing the annual audit report which was a requirement of the Public Sector Internal Auditing Standards (PSIAS). The report contained a link to the Annual Assurance Statement 2019/20, providing an overview of 2019/20 audit performance, compliance with the PSIAS, and an update on the 2020/21 audit plan.

Decision

The Committee noted the contents of the report.

108. PENSIONS ADMINISTRATION MONITORING REPORT

The Committee considered a report by the Executive Director (Finance and Corporate Services) providing members with monitoring information on the performance of the Pensions Team.

Decision

The Committee:-

1. noted the contents of the report; and
2. noted with appreciation the performance of the Pensions Team to ensure that regulatory timescales and Key Performance Indicators had been met through challenging times due to the Covid-19 pandemic.

109. PENSION FUND BUDGETARY CONTROL

The Committee considered a report by the Executive Director (Finance and Corporate Services) providing members with details of the provisional outturn of the Pension Fund for 2019-20 and Budget for 2020-2021.

Decision/

Decision

The committee noted:-

1. the provisional outturn for 2019-20;
2. the indicative budget for 2020-21; and
3. that further reports in relation to the financial position of the Fund would be submitted to the Superannuation Fund and Pensions Committee on a bi-annual basis.

The Committee adjourned at 3.05 p.m. and reconvened at 3.15 p.m.

Robert Graham left the meeting.

110. SUPERANNUATION FUND - INVESTMENT UPDATE

The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 6 of Part 1 of Schedule 7A to the Act.

The Committee considered a report by the Head of Finance, providing an overview of the Fund's investments at 30th June, 2020. A verbal update of manager monitoring activity and of investment strategy was provided for members of the Committee.

Decision

The Committee noted:-

1. the Funds strategic asset allocation and current allocations relative to target;
2. the value of the Fund's assets on 30th June, 2020 after rising by 14.7% over the quarter; and
3. that longer term absolute returns were strong and relative returns were above both the asset and liability benchmarks.

Councillors Fiona Grant and Ian Ferguson left the meeting and Robert Graham re-joined the meeting during consideration of this item.

111. FORWARD WORK PROGRAMME

The Committee noted the Forward Work Programme.

Fife Pension Board Meeting

30 September 2020, 13:00

Remote by Teams

Present: Gordon Pryde, John Ireland, John Wincott, Robert Graham, Vicki Wyse, Cllr Ian Ferguson, Cllr Dave Coleman

Apologies for late attendance: Colin Paterson

Pre-meeting (13:00):

1. Minutes of meeting 17 March had already been agreed.
2. The Chair (GP) updated the Board on a meeting he had with Elaine Muir (Head of Finance), and Cllr Dave Dempsey (Pension Committee Convenor) on 29 Sept regarding closer working between the Pension Committee and the Pension Board, in particular to address issues raised by the Pension Board in their minutes. Report from GP as follows:

It was suggested that the engagement be planned to continue with a meeting as above after the Pension Board minutes are produced. **Agreed by the Board.**

GP suggested that there is a specified time period after the minutes are produced within which this meeting occurs. **Agreed by the Board, to be agreed by EM, DD, GP.**

GP had requested that the Board Chair be invited to attend Committee pre-agenda meetings. EM and DD agreed. **Agreed by the Board To be confirmed by Committee.**

Exploring the minutes of the meeting 17 March:

Item 2. The Chair received apologies regarding the handling of the replacement of Cllr Watt with Cllr Coleman.

Item 3. Cost transparency is now included in the work plan.

Colin Paterson joined the meeting.

Item 4. The administering body is awaiting a response from procurement regarding appointing a Professional Independent Observer. **The Board request that this work be undertaken as a matter of urgency.**

Item 5. Fossil fuel holdings figures work completed and issued.

Item 6. The Board was informed that the ISP minutes are subject to a confidentiality agreement. **The Board remains of the opinion that greater oversight of this is required by both the Committee and the Board and has asked that EM explore ways to make this happen. Agreed at Committee meeting that EM will look at this.**

Further to the Chair's report, the Board discussed Board Minute Items 7 and 8.

Item 7. Reflecting on the decision making process at the meeting where the Small Employers' proposed exit strategy was determined, the matter of conflict of interest was raised at the Board. Specific questions were considered viz.:

Why did no members declare an interest at the earlier November meeting?

Were the correct processes followed at the March meeting after members had declared a conflict of interest?

What legal advice, if any, did members receive prior to the meeting?

The Board agreed to raise this in the main Committee meeting.

Item 8. Regarding training of new Board and Committee members, the Chair reported that at his meeting with EM and DD they confirmed that this was being examined.

The Board meeting adjourned to attend the Pension Committee meeting.

Post meeting.

Present: Gordon Pryde, John Ireland, John Wincott, Robert Graham, Vicki Wyse, Colin Paterson, Cllr Dave Coleman

Apologies for absence: Cllr Ian Ferguson

3. The Conflict of Interest matter continued to cause concern to the Board as follows:

a) Cllr Craik was not on the board of any Small Employer in November and so had no conflict at that meeting. However other members were on the boards of a number of Small Employers in November and the Pension Board are concerned that a Conflict of Interest may have existed. The Board also have concerns around the explanation given that the Small Employers list being anonymised as a legitimate explanation for the non-disclosure of a Conflict of Interest. Any member of the board of a small employer should be aware that they are in potential conflict in decision making regarding small employers, and is therefore required to examine whether there is such a conflict.

b) At the March Pension Committee meeting, although three members declared a conflict of interest, they did not all leave the meeting and exclude themselves from the meeting. Had they done so then the meeting would have been inquorate and could not have proceeded.

c) The Board is concerned that the financial implications for the small employers of the proposed exit scheme are potentially so significant that it would be impossible for Pension Committee members to perform both their duties to this committee and those to the Boards of the small employers.

d) The Board therefore require a review of the rules regarding conflict of interest, a training refresher for all members of the Committee and Board, and a clear legal statement of the validity of the decision-making process at that time.

e) The Board are also concerned that, since the departure of the previous Committee Manager, there is no qualified legal person available to advise the Committee. The Board therefore recommend that the Committee consider the implications of operating effectively without qualified legal advice and provide an explanation of any risks involved in this.

4. The Committee and officers have agreed to put in place a 'process' to replace Board members in future to ensure that the situation that occurred when Cllr Watt stood down is not repeated. The Board welcomes this, and the statement that the Board's recommendations regarding this process are being considered, however the Board will reserve judgement until the process and controls are provided. The Board is also concerned about the possibility of the requirement for this process occurring before it is in place, and requests that any changes of personnel on the Committee or Board are carefully considered in the interim. The Board also reiterates that this process must fully comply with the Pension Regulator Code of Practice, the Fife Pension Board Constitution, and CIPFA guidance.

5. The Board recognises the effort and dedication of the Pensions Administration Team, however it is concerned about the reduction in KPI performance in Pensions Administration. While recognising the impacts of COVID-19 on staff operation, this metric is a core element of the Board's scrutiny, and the reasons for performance loss given in the report at the meeting point beyond COVID-19 to other issues regarding resources. On this basis, the Board request a report to be brought to the next meeting of the Committee and Board detailing how staffing changes may have impacted on performance. This Report should also detail the plans to be put in place to manage the challenges of the known pension changes in prospect for the next 12 to 24 months (e.g. McCloud). The Board also notes the challenges around staff recruitment, specialist knowledge requirements, and the difficulties surrounding these. In light of this, the Board requests that this report also details succession planning, key person risk, and skills resilience in these vital functions.

6. The Board welcomed the Pension Fund Budgetary Control report and requests that information behind these figures is made available to provide more granularity.

Cllr Dave Coleman left the meeting

7. The Board welcomed the Fund Investment Update report and the greater detail regarding transition to the Strategic Asset Allocation set by the Committee (Table 3). Given the questions asked at the meeting, it is recommended that the report information showing Manager Returns (Table 5) is organised to show where the funds map across into the strategic allocations.

8. The notification regarding some funds looking at merging as a route forwards, reminded the Board that there is a review due on the success of the collaboration of which Fife is now

part. The Board therefore request that this is brought forward for consideration by the Committee and the Board, especially identifying the cost savings that were promoted as one of the reasons for the collaboration. The Board notes that this is not itemised on the Forward Work Programme and requires it to be added as soon as possible.

**THE FIFE COUNCIL - SUPERANNUATION FUND AND PENSIONS COMMITTEE AND
FIFE PENSION BOARD – REMOTE MEETING**

26th November, 2020

2.00 p.m. – 3.00 p.m.

- PRESENT:** Committee - Councillors Dave Dempsey (Convener), David Barratt, Bobby Clelland, Mino Manekshaw, Alistair Suttie and Jonny Tepp.
- Fife Pension Board - Gordon Pryde (Chair), Councillors Dave Coleman and Ian Ferguson, Colin Paterson, Robert Graham and John Wincott.
- ATTENDING:** Elaine Muir, Head of Finance, Finance; Laura Robertson, Finance Operations Manager, Finance; Anne Bence, Accountant, Karen Balfour, Senior Banking and Investments Officer, Finance; Morag Ferguson, Head of Legal and Democratic Services, Helena Couperwhite, Manager - Committee Services, and Wendy Macgregor, Committee Officer, Legal & Democratic Services.
- ALSO IN ATTENDANCE:** Tim Bridle, Audit Manager and Brian Howarth, Audit Director, Audit Scotland and Bruce Miller, Lothian Pension Fund.
- APOLOGIES FOR ABSENCE:** Committee - Councillors Altany Craik and Fiona Grant.
- Fife Pension Board - Vicki Wyse

112. DECLARATIONS OF INTEREST

Councillor Bobby Clelland declared an interest in the business on the agenda, being a trustee of the Mine Workers Pension Scheme.

113. FIFE PENSION FUND ANNUAL AUDIT REPORT AND AUDITED ACCOUNTS

The Committee considered a report by the Executive Director, Finance and Corporate Services containing the Audited Accounts for Fife Pension Fund for 2019-20 including the Annual Audit Report. The report also provided a brief response to the External Auditor's report to Fife Council and the Controller of Audit.

Decision

The Committee:-

- (1) approved the Audited Accounts for signature;
- (2) noted the report by Audit Scotland, the Council's External Auditors and the management response; and
- (3)/

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- (3) expressed their thanks and appreciation to the staff of Fife Council, Finance Services and Audit Scotland, for their hard work and effort involved in the delivery of the audited Fife Pension Fund Accounts, under challenging circumstances due to the Covid-19 pandemic.
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15th December, 2020

Agenda Item No. 5

Pensions Administration Monitoring Report

Report by: Eileen Rowand, Executive Director (Finance and Corporate Services)

Wards Affected: N/A

Purpose

To provide the Committee with monitoring information on the performance of the Pensions Team.

Recommendation(s)

The Committee is requested to note the contents of this report.

Resource Implications

Managing and monitoring team performance is important in providing an efficient service to employers and members and can highlight areas for improvement. Performance is considered and monitored to ensure regulatory timescales and Key Performance Indicators (KPIs) are met.

Legal & Risk Implications

Team performance monitoring ensures regulatory timescales and KPIs are met.

Impact Assessment

Not relevant.

Consultation

Not relevant.

1.0 Background

- 1.1 Key Performance Indicators (KPIs) which support the pension administration function are collated within Altair, the pension administration software. KPIs are reported quarterly to managers and updated in the Council's performance management system, Pentana.
- 1.2 An internal audit of the Governance framework of the Fund, which formed part of the Fife LGPS Strategic Audit plan, recommended that there should be a formal reporting of administration performance to the Committee.

2.0 Key Performance Indicators

- 2.1 KPI information for the year from 1 October 2019 to 30 September 2020, and a comparator for the year to 30 September 2019, are detailed in Appendix A.
- 2.2. The Pensions Team continues to work from home to provide a service to members and employers. In line with guidance issued by the Pensions Regulator, priority has been given to the business critical tasks of paying existing pensioners, processing new pension benefit cases and dealing with bereavement cases.

Performance indicators are lower in some areas compared with indicators provided in previous reports. This is predominantly due to:-

- During lockdown the Team has no access to a telephony system. Contact with the Team is mainly through the group Pensions Team email account. Emails are initially received by the Shared Service Desk who deal with routine queries and more complex cases are forwarded to the Team. This has led to a ten-fold increase in emails being received in the last nine months, this has impacted on the Team's performance given emails can often generate additional contacts. The Team continually reviews the types of emails received to look to provide member communications to help reduce contacts.
- Unfortunately, there has been a couple of long-term staff sickness during the last three months. Steps have been taken to resolve the impact on administration by training other team members in key areas. However, due to the complex nature of pension administration, it can take time to fully train a team member on the regulatory background, methodology and processes required for benefit calculations.
- The processes required by the Council's new Oracle Cloud payment system have created extra work for the Team e.g. the Team must set up each retiree/leaver with a supplier number in addition to pulling information from Oracle into Altair to align records. Staff familiarity with the system should help but the current process is short term awaiting on an update by Oracle.

- 2.3 The Team is continuing with the review of its current KPIs and processes and is looking to complete the review by the end of January 2021. The Team will produce a set of revised KPI indicators for approval at the March 2021 Committee.

3.0 Conclusions

- 3.1 This report provides members with monitoring information on the Pension Administration Team's performance. The KPIs cover a range of administrative tasks and give a comprehensive picture of team performance.

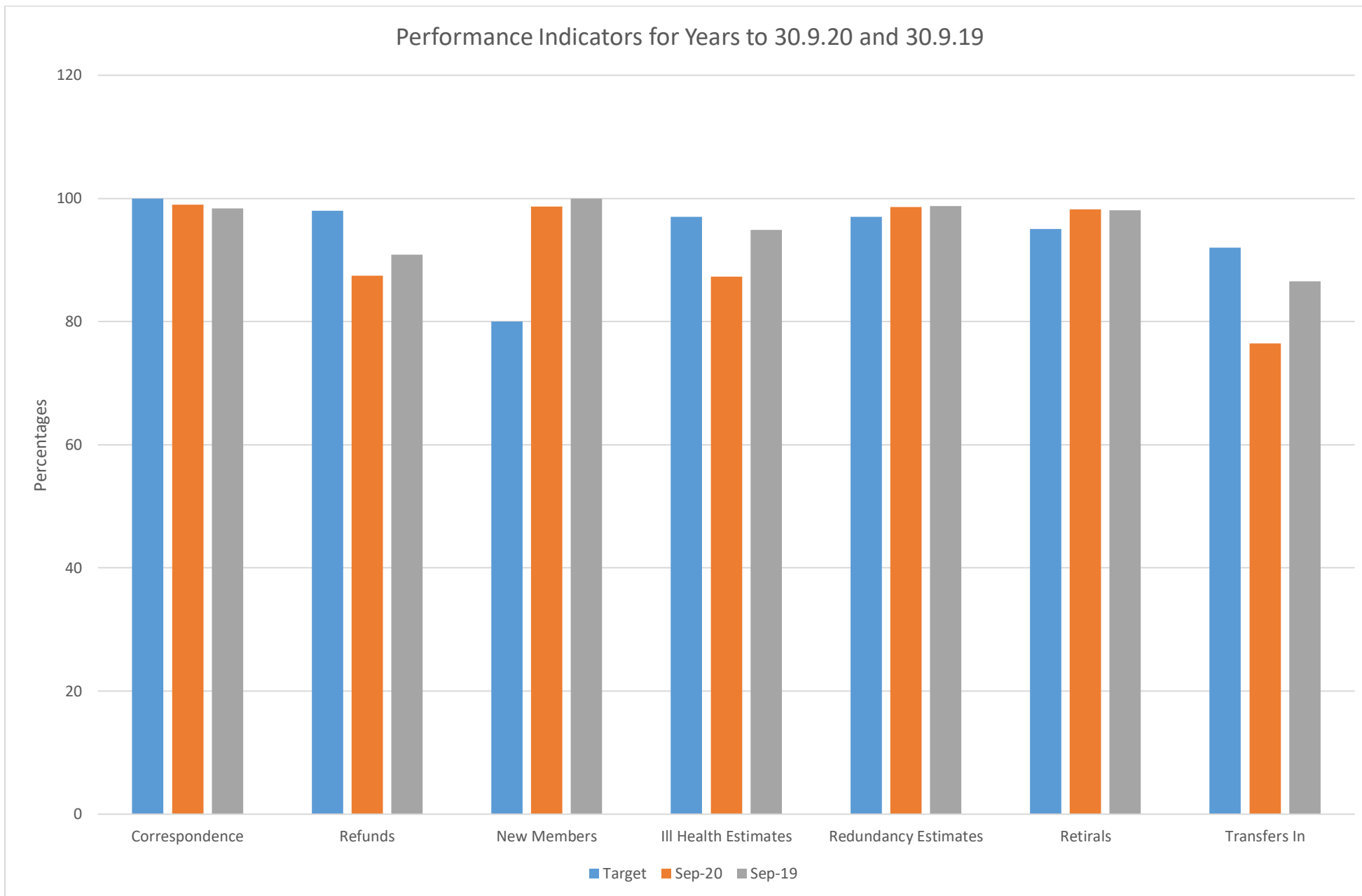
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Appendix A – Pension Team Performance Indicators

Report Contact

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KPI	From 01.10.2019 to 30.09.2020	Total Cases 01.10.2019 to 30.09.2020	From 01.10.2018 to 30.09.2019	Total Cases 01.10.2018 to 30.09.2019	Target Days	Target %	RAG Status	Comments
Correspondence	99%	100	98.37%	123	10 days	100%		1 case over target. Case was complex requiring further investigation.
Refunds	87.43%	708	90.89%	801	5 days	98%		Refund processing was impacted in the last 3 months by staff sickness. Process currently being reviewed.
New Members	98.66%	1937	99.96%	2504	20 days	80%		
Ill health Estimates	87.27%	55	94.92%	59	13 days	97%		Cases over target were complex requiring further investigation or revised pay information from employer. Processing of cases also impacted by staff sickness in last 3 months.
Redundancy Estimates	98.57%	70	98.77%	89	13 days	97%		
Retirals	98.24%	569	98.08%	583	5 days	95%		
Transfers In	76.47%	102	86.54%	52	10 days	92%		Processing of transfer in cases was impacted in the last 3 months by staff sickness.

15th December, 2020

Agenda Item No. 6

Pension Fund Budgetary Control

Report by: Eileen Rowand, Executive Director, Finance and Corporate Services

Wards Affected: All

Purpose

The purpose of this report is to provide the committee with details of the projected outturn for 2020-21 as at the end of September 2020.

Recommendation(s)

The committee is asked to:-

- Note the projected outturn for 2020-21
- Note that further reports in relation to the financial position of the Fund will be brought forward on a bi-annual basis.

Resource Implications

Fluctuations in market rates and movements in investment valuations have a direct impact on the Pension Fund. In addition, expenditure greater than income generated will also impact on the fund.

Legal & Risk Implications

There are no direct legal implications arising from this report. However, there is a risk that the actual audited outturn will vary from the projected outturn contained in the report because of market performance and conditions.

Impact Assessment

An EqIA checklist is not required because the report does not propose a change or revision to existing policies and practices.

Consultation

None

1.0 Background

- 1.1 This report presents details of the projected outturn for 2020-21 as at 30 September 2020 and provides commentary on the budget compared to the projected position for the year and an analysis of significant variances.
- 1.2 It is intended that reports outlining details of the revenue account of the Pension Fund continue to be presented to this committee on a bi-annual basis.

2.0 Projected Outturn 2020-21

- 2.1 Appendix 1 details the projected outturn for 2020-21. The significant assumptions made in calculating this projection are detailed below along with commentary on significant variances.
- 2.2 *Contributions Received from Employers / Employees*
Contributions received are expected to be greater than budgeted. The budgeted figure was estimated based on the average contributions received up to the end of June 2020. Contributions vary from month to month and based on the most recent information the contributions from Fife Council for both employers and employees have increased resulting in an increase in the expected annual total.
- 2.3 *Lump Sum Benefits*
Lump sum benefits are unpredictable and therefore difficult to budget for as these are dependent on employee choice. Employees may choose to commute part of their annual pension. Both the budget and the projection are based on an average of the past few years.
- 2.4 *Transfers to and from other Schemes*
Both transfers in to and out of other schemes have been budgeted using the average value of transfers over the past 5 years. At present no major transfers in or out of the scheme are anticipated therefore the projections are based on the actual transfers as at the end of September 2020.
- 2.5 *Pension Payments*
Pension payments in the year are expected to be greater than budgeted. The budgeted figure was estimated based on the average payments made up to the end of June 2020. Payments vary from month to month and based on the most recent information the payments made have increased resulting in an increase in the expected annual total.
- 2.6 *Investment Management Expenses*
These costs have been subdivided into 4 parts:-

Management Fees – these fees split into 2 parts, direct fees and indirect fees. The direct fees are calculated based on the value of the fund in each portfolio at the end of each quarter. As the performance of the market is impossible to predict accurately, the projection for these fees is based on the fund position as at the end of September 2020. The indirect fees are notified to Fife Council via the Cost Transparency Initiative (CTI) Templates at the end of each financial year. An estimate has been included in the projected figures based on the actual reported in 2019-20.

Performance Related Fees – not all fund managers are subject to performance related fees. It is impossible to predict market positions with any accuracy, so the projected outturn has been based on the 2019-20 information supplied in the CTI Templates.

Custody Fees – custody fees represent the amount paid to The Northern Trust Company as the Fund's global custodian. As with the management fees this is based on the value of the fund at the end of each quarter and as such the projected outturn is based on the information as at the end of September 2020.

Transaction Costs – these costs are split into direct and indirect costs and vary from portfolio to portfolio depending on the type of investments managed. In the main CBRE and Baillie Gifford make up the bulk of these transaction costs. The direct costs have been estimated based on the fund position at the end of September 2020 and the indirect costs are based on the 2019-20 information reported in the CTI Templates.

2.7 *Net Returns on Investments*

This heading represents the profit and losses on disposal of investment and changes in the market value of investments. This is dependent largely on the performance of financial markets and it is impossible to predict accurately. Markets have performed well in the first 6 months of the year and the fund value at the end of October has increased by £435.366m in the year and this is being used for projection purposes.

3.0 Retirement Benefits Update

- 3.1 The Local Government Pension Scheme (LGPS) provides for the early payment of retirement benefits from age 55. Benefits are payable from age 50 on redundancy/efficiency grounds if the member was in the LGPS on 05 April 2006.
- 3.2 Throughout the financial year Services and Employers' make decisions on early retirements. Within the first six months of this financial year, 73 Fife Council retirements have taken place with a strain costs of £1.500m and 3 retirements from other employers in the fund with no strain costs. It is important to note that these costs are met by the Services/Employers' therefore there is no detriment to the Fund.

4.0 Conclusions

- 4.1 The projected outturn for 2020-21 shows net additions of £0.060m from the dealings with members, including management expenses and a net return on investments of £459.797m, resulting in a projected net increase in the value of the Fund of £459.857m.

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1. Appendix 1 – 2020-21 Projected Outturn

Background Papers

No background papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973.

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Fife Pension Fund
2020-21 Projected Outturn

	Budget	Actual	Projected Outturn	Variance
	£m	£m	£m	£m
Dealings with members, employers and others directly involved in the fund				
Contributions Received	(101.850)	(54.113)	(102.886)	(1.036)
Additional Contributions from Employers	(2.910)	0.000	(2.910)	0.000
Transfers from Other Schemes	(2.650)	(1.744)	(1.744)	0.906
	(107.410)	(55.857)	(107.540)	(0.130)
Pension Payments	68.450	37.357	68.987	0.537
Lump Sum Benefits	19.860	9.364	19.860	0.000
Refund of Contributions	0.250	(0.471)	0.250	0.000
State Premium Schemes	0.030	0.044	0.030	0.000
Transfers to Other Schemes	3.400	2.727	2.727	(0.673)
	91.990	49.020	91.854	(0.136)
Net (additions)/withdrawals from dealings with members	(15.420)	(6.837)	(15.685)	(0.265)
Administrative Costs	1.870	(0.009)	1.870	(0.000)
Oversight and Governance Costs	0.600	0.162	0.568	(0.032)
Investment Management Expenses:-				
Management Fees	7.840	1.089	8.403	0.563
Performance Related Fees	1.070	0.000	1.126	0.056
Custody Fees	0.480	0.027	0.484	0.004
Transaction Costs	3.590	0.263	3.174	(0.416)
Net (additions)/withdrawals including fund management expenses from dealing with members	0.030	(5.305)	(0.060)	(0.090)
Returns on investments				
Investment Income	(24.590)	(12.885)	(24.591)	(0.001)
Taxes on income	0.160	0.000	0.160	0.000
Profit and losses on disposal of investments and changes in the market value of investments	(91.300)	(435.366)	(435.366)	(344.066)
Net return on investments	(115.730)	(448.250)	(459.797)	(344.067)
Net (increase)/decrease in the net assets available for benefits during the year	(115.700)	(453.555)	(459.857)	(344.157)
Opening net assets of the scheme at 1 April 2020	2,535.511	2,535.511	2,535.511	
Net increase/(decrease) in the Fund	115.700	453.555	459.857	344.157
Closing net assets of the scheme at 31 March 2020	2,651.211	2,989.066	2,995.368	344.157

15th December, 2020

Agenda Item No. 7

Update on 2020/21 Audits

Report by: Avril Cunningham, Service Manager, Audit and Risk Management Services

Wards Affected: All

Purpose

This report provides an update on 2020/21 audits and summaries of any IJB audit reports issued.

Recommendation

The Committee is asked to note the contents of this report.

Resource Implications

None.

Legal & Risk Implications

There are no risk or legal implications arising directly from this report.

Impact Assessment

An EqlA has not been completed and is not necessary as this report is not proposing a change or revision to existing policies and practices.

Consultation

None.

1.0 Background

- 1.1 The Audit Plan for 2020/21 was approved at the Superannuation Fund and Pensions Committee on 17 March 2020.
- 1.2 Audits were unable to progress during the initial phases on the pandemic response. However, we are working with Service Management to progress the planned audits, while minimising disruption to the Service, to allow an opinion to be formed on the adequacy of the Fife Council systems of controls relating to the Pension Fund for 2020/21.
- 1.3 To enable the Committee to form an opinion on the effectiveness of the internal control environment, to provide assurance where internal controls are working well and to highlight areas for concern, this report also provides a summary of any audit reports issued, if applicable, since the previous Committee. Full audit reports are provided to the Committee at the time of issue.

2.0 Update on 2020/21 Audit Plan

- 2.1 The Pension and Superannuation Fund Operational Audit Plan for 2020/21 was approved at the Superannuation Fund and Pensions Committee on 17 March 2020.
- 2.2 An update on the current position is included on the schedule at Appendix 1.

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- 1. Schedule of Audits

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Schedule of Audits and Planned Progress

2020 -21	Planned audits	Update on audit progress
PF7	Training and resourcing	Audit has started, with a view to completion of the fieldwork by the end of December.
PF11	Compliance with regulations and guidance	Audit has started, with a view to completion of the fieldwork by the end of December.
PF13	Follow up audit – Altair Systems review	Information has been received from the Pensions Team and the follow up audit is now underway.

15th December, 2020
Agenda Item No. 8

Post Audit Review Report

Report by: Avril Cunningham, Service Manager Audit and Risk Management Services

Wards Affected: All

Purpose

This Post Audit Review Report (PAR) relates to internal audit reports issued in the period 1 July 2019 to 30 June 2020. Actions are complete for all reports issued prior to that period.

Recommendation(s)

Members are asked to note the contents of this report and the satisfactory progress that has been made in implementing recommendations.

Resource Implications

N/A

Legal & Risk Implications

Non-implementation of recommendations could lead to control failures resulting in potential financial and/or non-financial losses.

Impact Assessment

An IIA Checklist is not required because the report does not impact on policy and does not require a decision.

Consultation

Audit Services has consulted with all subjects of the reports.

1.0 Background

- 1.1 Post audit review is a process by which internal audit reviews whether management has implemented its agreed action plan resulting from an audit previously carried out.
- 1.2 Audit Services uses Pentana, the Council's performance management system, to monitor progress with agreed actions. The use of the Pentana Actions Module means that all recommendations and Service actions, as agreed by Management and Audit, can be followed up on immediately after they become overdue, resulting in a more proactive approach to improvements.
- 1.3 Services update Pentana when recommendations are implemented. This indicates the Service's progress in implementing agreed actions and provides reasons for non-implementation of recommendations.
- 1.4 Audit Services carries out follow ups on a randomly selected sample of audit reports to verify implementation of recommendations.
- 1.5 Failure to update recommendations in Pentana results in triggers being breached and reminders issued to Services. Continued non-implementation of recommendations results in reminders to Heads of Service and Executive Directors, instances being reported to the Council Executive Team and then to this Committee.

2.0 Issues and Options

- 2.1 Since the date of the previous Post Audit Review report, in the period 1 July 2019 to 30 June 2020, 3 audit reports have been issued and uploaded to Pentana, including one report issued by External Audit. Details of the reports are contained in Appendix 1. Of the 9 recommendations in these reports, the Service has reported that 5 have been fully implemented. The remaining 4 recommendations not fully implemented, have had revised implementation dates agreed.
- 2.2 We will continue to monitor progress in implementation of these recommendations and, if necessary, report non-completion to this Committee. However, where Audit Services is satisfied that the risk posed by the non-implementation of a recommendation is low, no further action will be taken.

3.0 Conclusions

- 3.1 The process for Post Audit Reviews has introduced a structured procedure for following up on non-implementation of recommendations arising from audit reports, including reporting the outcomes to this Committee.
- 3.2 The overall response from Services has been good and outstanding actions will continue to be monitored until they have been completed to the satisfaction of Audit Services.

- 3.3 Although there are some agreed actions that have remained outstanding for longer periods than anticipated, in my view, in the overall context of the operations, the delayed implementation of these recommendations does not pose a significant risk.

List of Appendices

1. Appendix 1 – Results of reports issued covering the period 01/07/19 to 30/06/20.

Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:

- No background papers

Report Contact

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Project	Report Number	Recommendations				Current Position
		Made	Satisfactory Actions	Not Implemented		
				Moderate	Substantial	
External Audit						
Fife Pension Fund 2018/19	15	4	4	0	0	Complete
Internal Audit						
Superannuation Fund	P1	1	1	0	0	Complete
Management of Information - Pensions	P2	4	0	1	3	Implementation dates extended to 31/12/2020 due to impact of COVID-19
TOTAL		9	5	1	3	

15th December, 2020

Agenda Item No. 9

National Fraud Initiative 2020/21 Progress

Report by: Avril Cunningham, Audit and Risk Management Services Manager

Wards Affected: All

Purpose

To advise the Committee of the process to be followed for the 2020/21 National Fraud Initiative Exercise.

Recommendation(s)

The Committee is asked to note the contents of this report, the progress made to date and the outcome of the June 2020 Pensions to DWP Deceased exercise.

Resource Implications

Participation in the National Fraud Initiative requires staff resources to be made available to investigate the matches identified.

Legal & Risk Implications

Participation in the exercise is mandatory.

Impact Assessment

An Equality Impact Assessment is not required because the report does not impact on Council policy and does not require a decision.

Consultation

Audit Services has consulted with all subjects of the reports.

1.0 Background

- 1.1 As part of the Council's overall fraud strategy, Fife Council takes part in the biennial National Fraud Initiative which is run by Audit Scotland. The exercise complements the Council's own data matching and gives the Council access to data from other organisations.
- 1.2 Fife Council is required by law to protect the public funds it administers. In doing so, it may share information provided to it with other bodies responsible for auditing or administering public funds in order to prevent and detect fraud.
- 1.3 Data matching involves comparing computer records held by one body against other computer records held by the same or another body to identify matches. This is usually personal information. Computerised data matching allows potentially fraudulent claims and payments to be identified, but inclusion within a data matching exercise does not mean that any specific individual is under suspicion. Where a match is found, it indicates that there may be an inconsistency that requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out. The exercise can also help bodies to ensure that their records are up to date.
- 1.4 The purpose of this report is to advise on the process to be followed for the 2020/21 exercise.

2.0 Requirements and Roles of the 2020/21 Exercise

- 2.1 The Executive Director (Finance and Corporate Services) has the responsibility for ensuring that the statutory requirements for bodies participating in the National Fraud Initiative are met, namely:-
 - nominating a key contact for the exercise;
 - providing the key contact with access to the matches when they become available on 28 January 2021; and
 - ensuring the key contact fulfils all data protection requirements.

For the purposes of the 2020/21 exercise, Avril Cunningham, Service Manager, Audit and Risk Management Services, has been nominated as the key contact.

- 2.2 The key contact will be responsible for:
 - nominating appropriate data download contacts. This should be the person with the most knowledge of the system in question;
 - nominating appropriate dataset contacts;
 - ensuring that the data formats guidance and data specifications are adhered to;
 - fulfilling data protection requirements. The key contact should be in direct communication with their organisation's data protection officer or person with equivalent responsibility;
 - coordinating and monitoring the overall exercise; and
 - providing feedback on the outcomes of the exercise.
- 2.3 The data download and dataset contact for Pensions is Janice Gibson, Transaction Lead Officer and dataset owner is Les Robertson, Head of Revenue & Commercial Services.

2.4 The **data download contact** will be responsible for submission of the data for the appropriate data set:

- in accordance with the data specifications
- in the correct form
- using the secure Data File Upload (DFU) facility in the National Fraud Initiative website
- by the required time.

The **data download contact** extracted the required data, as at 30 September 2020 for upload to the website from 9 October 2020. These data sets have all been uploaded.

2.5 The data upload timetable for Private Supported Care Home patients and Personal Budgets has still to be confirmed by the Cabinet Office.

2.6 The **dataset contact** is responsible for investigating or coordinating the investigation of the data matches allocated to them by the key contact. In addition, the dataset contact will be responsible for responding to enquiries from other matched bodies. This responsibility included ensuring the appropriate filters are used on the data provided by Audit Scotland and that resources are made available to ensure the data is reviewed in a reasonable timescale.

3.0 Fair Processing Notices

3.1 The processing of data by Audit Scotland for National Fraud Initiative purposes is carried out as part of statutory audits. It does not require the consent of the individuals concerned under the Data Protection Act 2018.

3.2 The Data Protection Act 2018 normally requires participating bodies to inform individuals that their data will be processed. Unless an exemption applies for the data processing to be fair, the first data protection principle requires the data controllers to inform individuals whose data is to be processed of:

- the identity of the data controller
- the purpose or purposes for which the data may be processed
- any further information which is necessary to enable the processing to be fair.

The provision of this information is known as a fair processing notice.

3.3 Audit Scotland has issued a Code of Data Matching Practice (September 2018) that sets out the forms of fair processing notices that participating authorities should use to inform individuals whose personal information is to be provided for the purpose of the National Fraud Initiative in Scotland.

3.4 Processing bodies are required, as far as is practicable, to ensure that fair processing notices are actively provided or at least made readily available to individuals about whom they are sharing information.

3.5 To comply with these requirements, the following steps have been taken:

- The Council's website has a page outlining the Council's approach to data matching in general and the National Fraud Initiative exercise specifically. Links are provided to the Audit Scotland Data Matching website.
- Each of the pages that relate to data that is matched mentions the National Fraud Initiative and contains links to the Council's webpage.
- The dataset contact ensures, as far as possible, that all application forms contain a summary notice.

- For payroll and pensions, a summary notice is provided, once a year, on payslips as well as on the new start form.

4.0 Reporting

- 4.1 Data will be available to the Council from 28 January 2021 when checking will be carried out. It is proposed an interim report will be brought to the Committee with an update of progress made along with a timetable for future reporting in Autumn 2021.

5.0 Pensions to DWP Deceased Matching

- 5.1 As an outcome from the 2018/19 NFI Exercise and previously reported, it was agreed to undertake the twice-yearly additional matches offered by the Cabinet Office for Pensions to DWP Deceased Records. Pensions rely on notification of deaths to keep their records up to date. In part the Council relies on the “Tell Us Once” process that is undertaken when registering a death to inform relevant Services of the death to take appropriate action and update their records. However, the process is voluntary and relies on the completeness and accuracy of the information provided at a difficult time.
- 5.2 This exercise was undertaken in August 2020 and identified in 33 matches detailed as follows:
- 23 Pension matches were already known about and pension payments stopped accordingly.
 - 3 Pension matches had already been suspended due to payments being returned by the bank. Recovery action for any outstanding amounts is being progressed by tracing the next of kin, however there has been no recovery to date.
 - 7 Pensions were still in payment and action has been taken to stop these pensions. Recovery action for any outstanding amounts is being progressed by tracing the next of kin, however, there has been no recovery to date.
- 5.3 The tables below (**Table 1 and 2**) provide a breakdown of the NFI match number, Gross Annual Pension and pension overpayment amount.
- 5.4 **Table 2** has an additional column to illustrate the potential savings in pension payments, if payments had continued from October 2020 to January 2021. The date January 2021 is the earliest date that Pensions would be aware of these deceased pensioners through the data match release for the main NFI exercise. The potential savings amount of £8,179.19 demonstrates the value for this exercise when compared to the fee from NFI of £1,000 for the exercise.

Table1 – Pension matches that had already been suspended due to payments being returned by the bank.

NFI Match No.	Gross Annual Pension	Over Payment
134	4,525.19	153.34
140	1,339.32	88.37
144	1,897.06	92.01
Totals	£7,761.57	£333.72

Table 2 - Pensions matches still in payment at time of exercise.

NFI Match No.	Gross Annual Pension	Over Payment	Potential Future Pensions Payments Saved: October 2020 to January 2021
135	1,846.08	1,105.50	615.36
136	8,357.64	5,633.08	2,785.88
139	994.93	561.67	331.64
146	4,117.45	1,348.11	1,372.48
147	3,078.34	1,007.51	1,026.11
150	5,999.68	1,630.44	1,999.89
151	143.46	132.83	47.82
Totals	£24,537.58	£11,419.14	£8,179.19

6.0 Conclusions

- 6.1 The National Fraud Initiative is an important national exercise which complements Fife Council's fraud strategy and widens Fife's data matching by allowing access to external records. The exercise gives assurance to Fife Council that its own data matching strategy is working as well as giving assurances to the External Auditors.
- 6.2 Fife Council is committed to taking part in the current round of the National Fraud Initiative and this report sets out the programme for the Council's involvement in the exercise.

Report Contact

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Superannuation Fund and Pensions Committee and Fife Pension Board

Forward Work Programme as of 07/12/2020 1/1

Superannuation Fund and Pensions Committee and Fife Pension Board of 9th March, 2021			
Title	Service(s)	Contact(s)	Comments
Minute of Superannuation Fund and Pensions Committee of 15.12.20			
Fife Pension Board Minute - 15.12.20		John Wincott, FPB	

Superannuation Fund and Pensions Committee and Fife Pension Board of 29th June, 2021			
Title	Service(s)	Contact(s)	Comments
Fife Pension Fund Unaudited Accounts			Unaudited Accounts Fife Pension Fund

Unallocated			
Title	Service(s)	Contact(s)	Comments
Statement of Investment Principles	Finance and Corporate Services	Elaine Muir	Annual update. Report expected approx June 2021, to be confirmed
Cost transparency Initiative	Finance and Corporate Services		Timing TBC
Risk Management	Finance and Corporate Services		Reporting structure to be confirmed
Training	Finance and Corporate Services		TBC
Hermes Equity Ownership Services (EOS)	Finance and Corporate Services	Karen Balfour	To be covered in a separate session