

<b>Date:</b>	<b>9 May 2017</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Risk Register Review – Focusing on Risk 25</b>
<b>Report of:</b>	<b>Steven Mair</b> City Treasurer
<b>Wards Involved:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective Control over Council Activities</b>
<b>Financial Summary:</b>	<b>There are financial implications on the Pension Fund if administrative functions are not delivered efficiently as liabilities could be over or under stated</b>

## 1. Executive Summary

- 1.1 At the last Pension Board meeting on the 6<sup>th</sup> March the Board requested a full review of Risk 25.
- 1.2 Risk 25 is an Operational Administration Risk and states “BT unable to provide monthly or end of year interface files in a format suitable for Surrey CC to update service records and undertake day to day operations. Inaccuracies in service records held on the pensions administration system may impact on the triennial funding valuation at March 2016 and notifications to starters and leavers.”
- 1.3 The Risk Register sets out three mitigating factors:
  - 1.3.1 Issue has been escalated by the Chief Executive for high level resolution with BT;
  - 1.3.2 Test files are currently with SSC;
  - 1.3.3 Actuary undertakes data cleansing on the service records and is confident this will mitigate the inaccuracies in service records.
- 1.4 The Risk Register sets this out as a Medium Risk with a rating level of 12.

- 1.5 This report focuses on the work that is in place to rectify the BT to Surrey Interface and set out end to end monitoring arrangements.

## **2. Key Matters for the Board**

- 2.1 The Board note the contents of this paper and are invited to comment on the proposed process being followed to rectify the interface, service record data, and how future end to end monitoring will take place.
- 2.2 The Board Members note that a full analysis of this issue will also be undertaken as part of a wider review of Administration processes, issues, data, and end to end Monitoring at their next meeting on the 22<sup>nd</sup> June.
- 2.3 That the Board review the risk register attached and choose a further area to investigate at the next meeting.

## **3. Background**

- 3.1 As was reported at the Last Pension Board and Joint Pension Board/ Pension Committee meetings in March there are significant questions being raised on the **end to end** Administration processes, it's monitoring and associated performance monitoring. Presently monitoring is done at different stages of the process, but because of "data gaps", it has not been possible to bring it together as a complete end to end process.
- 3.2 A key constituent of the Risk is the fact that there is still no interface working between BT and Surrey. However, this is only part of the overall process as there are also linkages between other HR/Payroll providers and Surrey.
- 3.3 In addition, as described at the Joint Pension Committee Pension Board Meeting on the 23<sup>rd</sup> April, there have been issues being raised with by the Union, the HCA, and other Admitted and Scheduled Bodies that require addressing.
- 3.4 Only when there is a full understanding, documentation, and monitoring of the end to end process for the Council and all Admitted and Scheduled Bodies will the perceived confidence of Stakeholders improve.
- 3.5 This Report sets out what is being undertaken, and the associated timescales, in order to achieve a working interface and more robust end to end process monitoring.

## **4. Focus Area: Risk Register Scoring Process**

- 4.1 Officers were tasked with ensuring that they addressed the issues being encountered by Pension Fund customers, and in particular had a plan to show what needed to be delivered, by whom and by when to give stakeholders

confidence of delivery at the next Pensions Committee on the 22<sup>nd</sup> June and the Pension Fund Annual General Meeting in September.

4.2 A plan has been presented by the Director of People Services and the Tri-Borough Director of Pensions and Treasury to the Chairman of the Pension Fund to ensure that:

4.2.1 The BT to Surrey Interface is fully operational as quickly as possible;

4.2.2 That all known administrative issues have been understood and rectified;

4.2.3 That there is a process in place for end to end monitoring of the process to ensure data quality is of the correct standard and items are processed in a timely manner.

4.3 One of the Key issues has been the transfer of data (Starters/Leavers/Changes) from the Councils payroll provider BT to Surrey. There are two interfaces that relate to:

4.3.1 The year-end interface has been seen before by Surrey and is being updated for comments that have been fed back.

4.3.2 The Joiners interface that has not yet been seen by Surrey

4.4 Even when these interfaces are live there are still known issues that will not be included within them. These will be “fixed” over the longer term. In the meantime the Director of People Services has arranged for his team to submit the necessary paperwork to Surrey for all changes. While this is not a sustainable, long term solution and does put additional pressure on the in house team, it is the most pragmatic approach until BT can deliver this work.

4.5 Both BT Interfaces to Surrey were expected to be operational by the 31<sup>st</sup> March in the initial plan. However, reviews of the underlying data carried out in the final week of March highlighted data issues that required rectification before the interfaces could go live. Council HR staff have travelled to the North East to work with BT to help rectify these issues in April. It is expected that this will have caused a 5 week delay in the initial timetable, and now the data is expected to be ready for use by Friday 5<sup>th</sup> May although there is a risk with this date. There is a meeting on the 2<sup>nd</sup> May to confirm this. After the first Interface is run, interfaces will then run on a monthly basis.

4.6 Once the first interface runs however, the following process will be put in place to ensure all parties are happy as there needs to be confirmation when the initial interface runs that the data contained is correct.

- 4.6.1 The Council will ask Surrey once the interface has been run if they are happy with the data and formats to close off the “transaction”.
- 4.6.2 If Surrey are not happy with the outputs, the Council will endeavour to get Surrey and BT into a room together the following week to run through the issues, and set out a quick timescale for when the interface will be fit for purpose and operational, and monitor progress against the revised plan.
- 4.7 Once live, these interfaces will resolve a number of the problems being experienced at the moment.
- 4.8 To get more meaningful end to end data reported to the Pensions Committee the summary data on the BT interface will be converted into a report. This report will show the “inputs” being transferred from BT to Surrey and can be added to the “outputs listing” that is already being supplied by Surrey:
  - 4.8.1 However, this only covers the BT to Surrey data. There are other Payroll/HR providers where data will also have to be collected. This is a longer term project for which a separate project plan will be required
- 4.9 This way, on a monthly basis the administering authority will have:
  - 4.9.1 Inputs from BT (the largest HR/Payroll Provider);
  - 4.9.2 In the longer term inputs from all other HR/Payroll Providers;
  - 4.9.3 Outputs from Surrey – as we have now. Additionally WCC have requested to receive monthly, rather than quarterly, data reports from Surrey. There is the action to add volumetric data to those Surrey lines that presently do not contain this information
- 4.10 Although there should be monitoring of the inputs from all Payroll/HR suppliers, presently this is not the case. When this is set up, which will be onerous to begin with, it will save time in the long run as it will ensure the data supplied is accurate and timely.
- 4.11 At the Pensions Committee on the 21<sup>st</sup> March, “30 Issues” were highlighted by the Union and required to be resolved before the next Pension Committee Meeting. In addition, a further 15 issues have also been identified in conversations with the HCA. People Services have asked for details of these incidents and they are attached in the log. It is clear the previous estimates were over exaggerated.
- 4.12 At the moment there is a Risk and Issues log presented to the Committee at every meeting. There is the requirement to add a detailed Pensions Administration Issues log (detailed) to the Pension Fund Report. All known

issues require consolidation into a common log for monitoring, resolution and underlying fault identification.

- 4.13 Underlying this is the need for all parties to communicate clearly to each other and look at the delivery of the Service from an end-users point of view. The end-user and the Committee are not interested who resolves the problem, only that the problem is resolved. This requires clear communications up and down the process chain.
- 4.14 There has been an on-going issue with BT in respect of the Under and Overpayments of Pension (and other) deductions. A project has been run through the Managed Service Programme (MSP) team to quantify these and make the appropriate corrections. These corrections would be actioned by running a supplemental payroll. The MSP team are required to communicate the timetable for this supplemental payroll to be run and this needs to be factored into Pensions Administration plans, and is communicated properly to customers

## **5. Expected Outcomes**

- 5.1 From the work set out in Section 4 the Council, as the Administering Authority, will be in the position where:
  - 5.1.1 It is confident of the data it holds;
  - 5.1.2 It has metrics of inputs and outputs to report to the Pensions Committee;
  - 5.1.3 It has a consolidate list of Pensions Admin issues
  - 5.1.4 It will have sorted out the Union Issues and understood the root causes as well as the HCA issues.
  - 5.1.5 It will have tighter end to end control over the process and be able to understand where issues are occurring and where to correct them

**If you have any queries about this report please contact the author:**

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## **BACKGROUND PAPERS:**

HR Monitoring Reports to Pension Board and Pensions Committee

## APPENDICES

The following table sets out the timetable and responsible officers for the delivery of tasks

LW – Lee Witham

JM – Jo Meagher

PC – Pete Carpenter

Week ending	Interface (LW/JM)	Report (LW/JM)	Union 30 Issues (LW /JM/ PC)	Admin Issues Log (LW/JM)	Under/ Overpayments (PC)
31/3	BT Interface Should Be Run by 31/3 – <b>rescheduled</b>		LW to get list of 30 Issues from Chris Smith		Correction payroll is presently expected to run the end of April. This still needs confirming.
7/4				Have Councils listing – waiting for Union listing	
14/4	Ask Surrey if All Data is Correct – and list (if any) Issues to resolve – <b>rescheduled</b>	Construct Inputs data file from BT Interface data to add to Surrey Data. – <b>rescheduled</b>	<b>List will be received from Union on the 19/4</b>	Draft Complete listing live Pensions Admin Issues (At individual level)	
21/4	Have Face to Face Meeting - Surrey and BT to sort out any further Issues with timescales – <b>rescheduled</b>		Set up meetings with BT and Surrey to resolve Issues (Face to Face Meetings)		
28/4		Ensure Volumes data for all items is added to Surrey Data – <b>rescheduled</b>			
5/5		Ensure Surrey run Monthly Report of Inputs Outputs – <b>rescheduled</b>		List available for Review and add to Finance Issues log	Confirm corrections have worked and there are no further Under and Over payment issues
12/5	Assume Interface runs at the 16 <sup>th</sup> May				

19/5	Ask Surrey if All Data is Correct – and list (if any) Issues to resolve	Construct Inputs data file from BT Interface data to add to Surrey Data.	Issues Resolved		
26/5	Have Face to Face Meeting - Surrey and BT to sort out any further Issues with timescales				
2/6	Next Interface Run	Ensure Volumes data for all items is added to Surrey Data		List available for Review and add to Finance Issues log	
9/6					
16/6		Pursue data availability from other providers as well as BT – Come to view on process			
23/6	Next Ctte	Next Ctte	Next Ctte	Next Ctte	Next Ctte
30/6					
7/7	Next Interface Run	Ensure Surrey run Monthly Report of Inputs Outputs		Review existing list and add to Finance Issues log	
14/7					
21/7					
28/7					
4/8	Next Interface Run	Ensure Surrey run Monthly Report of Inputs Outputs		Review existing list and add to Finance Issues log	
11/8					
18/8					
25/8					
1/9					
8/9	Next Interface Run	Ensure Surrey run Monthly Report of Inputs Outputs		Review existing list and add to Finance Issues log	
15/9	Possible AGM Date	Possible AGM Date	Possible AGM Date	Possible AGM Date	Possible AGM Date