

Delivering for our Customers

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Corporate Performance Report

Quarter 3 2019/20

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1. Introduction

- 1.1 South Yorkshire Pensions Authority only exists to provide services to our customers whether they be scheme members or employers.
- 1.2 This Corporate Performance Report provides a summary view of overall performance in achieving the Authority's objectives; bringing together information on progress against the corporate strategy, a range of key performance measures, financial monitoring, and an ongoing assessment of the risks to the delivery of the Corporate Strategy. By providing this single view of how we are doing it will be easier for councillors and other stakeholders to hold us to account for our performance.
- 1.3 This report presents the information on overall performance during the first three quarters of the 2019/20 financial year. More detailed information on the performance of the Authority's investments and the pension administration service during the quarter are contained in other reports which are available on the Authority's website.

2. Headlines

1.1. Key messages for the quarter are highlighted here. The detail and underlying context behind these are set out in the sections of the report that follow.




Corporate Plan remains on target

Pensions Administration restructure implemented

Funding level above 100%

Healthy financial reserves now in place to support corporate plan activities going forward



Administration performance remains below benchmark - linked to high vacancy levels so should see this improve from Q1 of 2020/21

Large variance between budget and forecast outturn

3. Delivering the Corporate Plan & Supporting Strategies

- 3.1 This section provides information on the progress we are making on delivering the various strategies which form part of our corporate planning framework.
- 3.2 A full update on each item was provided in the first quarter report and another one will be provided at the end of the year. The tables below provide updates in respect of developments that have taken place during the third quarter.

Corporate Plan Deliverables	Activity this Quarter	On Target
Implementation of a Revised Investment Strategy	Work continued to progress during Quarter 3 and the revised Strategic Asset Allocation and Investment Strategy Statement will be presented to the Authority for approval at the March 2020 meeting.	✓
An organisation adapted to the requirements of the post-pooling world	Procurement process related to management of the commercial property portfolio commenced. Work on process and system changes for the processing of investment transactions in hand.	✓
Decision on the future of the Agricultural Property Portfolio	An in-depth review of the portfolio by the Investment Advisory Panel scheduled to take place in Q4 – March 2020. Recommendations will be presented to the Authority in the new municipal year.	✓
Secure improvements in the Environmental, Social and Governance impacts of the Fund's investments	Work is in hand to develop reporting of the ESG impacts of investments, some of which will be reflected in the Annual Report and Accounts. Improvements made to the availability of information on the Authority's website. Data in relation to tobacco investment received as part of the Investment Strategy Review will form part of the evidence base for a member discussion in the new municipal year.	✓
Improvements to the reporting of performance in all aspects of the Authority's work	Some additional progress made in Q3 in terms of improvements to the investment performance report. This target has now been achieved and there will now be a process of on-going incremental improvement as part of business as usual.	✓
Increased take up of methods of communication that do not rely on either paper or face to face contact	Campaign to encourage scheme members to register for our online portal continues with increase in total numbers registered from 32k to over 40k in quarter 3. Benchmarking against other large LGPS funds suggests higher than average take-up.	✓
A new way of engaging with employers and scheme members	New support and engagement team in place following completion of administration restructure in Q3. Engagement officers are targeting poorly performing employers identified through new monitoring tool informally in first instance to offer training and support.	✓

Corporate Plan Deliverables	Activity this Quarter	On Target
Delivery of Valuation 2019 and the associated stable and affordable levels of employer contributions	Provisional valuation results issued to all employers in Quarter 3 accompanied by a series of engagement events with opportunities for employers to discuss their own funding position options. Improved options provided to Multi-Academy trusts to reflect their collaborative working arrangements.	✓
Ensure that the Fund operates with accurate data which gives a fair picture of its liabilities.	Data quality scoring now reported to the Local Pension Board each quarter (from Q3) and work commenced on verification of 'lost' members - starting with address discrepancies for approximately 1000 pensioner members.	✓

Information and Communications Technology Strategy	Activity this Quarter	On Target
Developing and maintaining our ICT infrastructure to meet the needs of an increasingly agile organisation	Initial scoping and assessment of a potential Enterprise Office 365 deployment, including the Microsoft Customer Immersion Experience and a Software Baseline Assessment.	✓
Using technology to support a step change in the way customers access our services	Development of a Live Web Chat facility which will be available to Scheme Members/Employers via the Corporate Website. This new communication channel should improve customer service and facilitate a faster response to queries.	✓
Using technology to deliver efficient business processes	Work has commenced in the quarter on developing more streamlined, paperless workflows for the processing of accounting for investment and treasury management transactions; making this more efficient whilst retaining a high level of internal control and appropriate audit trail.	✓
Keeping data safe and secure	All members of staff have completed and passed an online Cyber Security course, provided by the National Cyber Security Centre (NCSC). The Authority has joined the Cyber Security Information Sharing Partnership (CiSP). This is a joint industry and government initiative set up to exchange cyber threat information in real time, in a secure, confidential and dynamic environment, increasing situational awareness and reducing the impact on UK business.	✓

Human Resources Strategy	Activity this Quarter	On Target
Developing the Current Workforce to meet the Needs of the Organisation	The Middle Manager Development training has now completed, and collaborative working continues between Middle Managers and SMT. An organisation-wide team event has been organised to embed the corporate strategy and the work streams contained within it.	✓

Human Resources Strategy	Activity this Quarter	On Target
Recruiting a Workforce for the future	Recruitment activity has been high this quarter following the implementation of the Pensions Administration restructure. Some interim improvements have been made to the recruitment process and the method of advertising vacancies.	✓
Retaining a high quality workforce	Work continues on the health and wellbeing agenda as a means to retaining and investing in our workforce. Dementia Awareness Training has been delivered, Flu vaccinations were offered to all staff and a full workplace assessment has been concluded by a qualified physiotherapist. The Health, Safety & Wellbeing Committee organised a number of charitable events during the quarter, raising money for local charities.	✓




Equality and Diversity Scheme	Activity this Quarter	On Target
Making our services more accessible to disabled customers	Home visits carried out to support individuals who were unable to attend appointments for health reasons.	✓
A diverse workforce that reflects the customers we serve	We have increased and improved our recruitment advertising channels and are ensuring we use social media and digital channels as much as possible. We are also attending job and careers fairs to promote our organisation.	✓
Workforce culture, environment, policies and practices that are safe accessible and inclusive for people from all protected characteristics	The work around Policy Development continues with all legislative procedures up-to-date and a work plan for the remaining policies. To date 17 out of 32 policies have been reviewed and implemented, 7 are in draft and/or consultation stage and 8 are yet to commence.	✓
To reduce any pay gaps where statistically possible	SYPA produces a Gender Pay Gap report each year and this will again be published in March 2020.	✓

4. How are we performing?

- 4.1 This section sets out a range of performance measures which give an overall indication of how the organisation is doing in terms of delivering the services for which it is responsible.

Corporate Measures



- 4.2 These indicators give an idea of the overall health of the organisation. We will be developing further measures in this area for future reports.

Measure	Quarter 3 2019/20	Quarter 2 2019/20	Quarter 1 2019/20	Year to Date 2019/20 Annualised	Previous Year: 2018/19 Annualised	Year on Year
Short Term Sickness Absence – Days Lost per FTE	0.94	0.79	0.57	2.3	1.99	
Long Term Sickness Absence – Days Lost per FTE	1.78	0.75	1.54	4.1	5.52	
Total Days Lost per FTE	2.72	1.54	2.11	6.4	7.51	

- 4.3 Sickness absence is reported as 'Days lost per FTE' rather than as a percentage and the measures are calculated as annualised figures to enable comparison from year to year.
- 4.4 At the end of the third quarter, the total days lost per FTE was running at 2.72, which is higher than the previous quarters and is partly due to the impact of seasonal factors including colds and a sickness bug that resulted in an increase of short term sickness absence.
- 4.5 Additionally, days lost due to long term sickness absence increased this quarter. Of the three cases previously reported, two have now been resolved and one is awaiting an assessment in relation to ill-health benefits. One further case commenced in December.
- 4.6 The year to date annualised total is running at 6.1 days per employee, lower than the previous year but this is still higher than we would want it to be. This is kept under close review. Where possible, early and targeted interventions are made with the offer of early review meetings, occupational health referrals and counselling support.

Investment Measures



- 4.7 The following table presents a high-level summary of the key indicators of investment performance. A more detailed quarterly report on investment performance, including commentary on market conditions and performance, is provided elsewhere on this agenda.



Measure	Performance Quarter 3 2019/20	Quarterly Benchmark	Performance Year to Date 2019/20	Year to Date Benchmark	Year to Date Actuarial Target	RAG Indicator
Investment Return – ex Equity Protection	-0.50%	0.00%	6.40%	6.30%	2.10%	
Investment Return – Whole Fund	-1.40%	0.00%	4.70%	6.30%	2.10%	

- 4.8 At Q3 significant buoyancy in equity markets has a negative effect on the value of the equity protection strategy which acts as a performance drag.
- 4.9 Nevertheless, the year to date performance remains significantly above the actuarial target.
- 4.10 The actuarial target shown above is based on the 2016 Valuation data pending receipt of an updated, blended target from the actuary.
- 4.11 At the end of the third quarter, 52.3% of the Fund’s assets were being managed in pooled structures provided by Border to Coast. This reflects both market buoyancy in equities and the commencement of drawdowns into the alternatives products, the rate of which is increasing.
- 4.12 The estimated funding level at the end of quarter 3 is 102%.

Pension Administration Measures

- 4.13 The key performance indicators for Pension Administration are presented in the table below. A more detailed report on the performance of the Pension Administration service is provided for the Local Pension Board.

Pensions Administration Performance Indicators						
Measure	2019/20 Quarter 3	2019/20 Quarter 2	Year to Date 2019/20	Previous Year: 2018/19	Target 2019/20	Q2 to Q3 Movement
Proportion of priority cases processed on time	90%	88%	90%	91%	100%	
Proportion of non-priority cases processed on time	70%	73%	72%	83%	100%	

Pensions Administration Performance Indicators						
Measure	2019/20 Quarter 3	2019/20 Quarter 2	Year to Date 2019/20	Previous Year: 2018/19	Target 2019/20	Q2 to Q3 Movement
Proportion of all cases processed on time	72%	74%	74%	83%	100%	
Proportion of employer data submissions on time	98%	85%	92%	98%	100%	

- 4.14 As reported previously, the administration service was operating with a number of vacancies across the teams pending the restructure of the service and this has inevitably had an impact on the delivery of the service. The junior vacant roles were advertised in Q3 and once recruitment is completed this should lead to an improvement in case work performance from Quarter One of the new financial year.
- 4.15 The proportion of employer data submitted on time has returned to the previously high levels in Quarter 3.
- 4.16 The previous issues with submission from Rotherham MBC during Q2 have been resolved during this quarter; although some issues regarding the accuracy of the submitted data remain to be addressed.
- 4.17 At the end of the quarter membership of the Fund stood at 160,103 and there were 512 participating employers with active members. Nine new employers were admitted during the quarter.

Financial Measures

Authority Operations

4.18 The main financial measure is performance against budget. The table below shows the forecast outturn position compared to the budget for the year. Details of the significant variances are shown beneath the table.

South Yorkshire Pensions Authority Operational Budget	2019/20 Budget £	2019/20 Q3 Forecast £	2019/20 Q3 Forecast Variance £	2019/20 Q3 Forecast Variance %
Investment Strategy	784,900	710,940	(73,960)	(9.40%)
Pensions Administration	2,992,750	2,528,250	(464,500)	(15.50%)
Finance & Corporate Services	669,500	585,660	(83,840)	(12.50%)
ICT	532,950	465,620	(67,330)	(12.60%)
Management & Corporate	382,650	376,140	(6,510)	(1.70%)
Democratic Representation	82,850	67,990	(14,860)	(17.90%)
Capital Expenditure Charged to Revenue	0	54,940	54,940	100.00%
Subtotal before transfers to reserves	5,445,600	4,789,540	(656,060)	(12.00%)
Appropriations to / (from) Reserves	0	633,500	633,500	100.00%
Total	5,445,600	5,423,040	(22,560)	(0.40%)

4.19 As a result of the restructure in Pensions Administration during the quarter, the payroll team has transferred to Finance and Corporate Services so the related budget and costs are now reported under this heading in the table above.

4.20 The forecast underspend before transfers to reserves is now (£656k) which has increased from the quarter 2 forecast. The following table analyses the movement in the forecast from the previous to the current quarter.

Budget Forecast - Quarterly Movement	2019/20 Q2 Forecast Variance £	2019/20 Q3 Forecast Variance £	Movement from the Previous Quarter £
Investment Strategy	(72,320)	(73,960)	(1,640)
Pensions Administration	(352,040)	(464,500)	(112,460)
Finance & Corporate Services	(51,990)	(83,830)	(31,840)
ICT	(44,010)	(67,330)	(23,320)
Management & Corporate	(8,610)	(6,510)	2,100
Democratic Representation	(10,880)	(14,860)	(3,980)
Capital Expenditure Charged to Revenue	0	54,940	54,940
Subtotal before transfers to reserves	(539,850)	(656,050)	(116,200)

- 4.21 The largest element of the total forecast underspend at Q3 relates to Staffing Costs which is now expected to be (£516k) under budget for the year. This has increased from the forecast (£382k) at Q2; the main reasons for which are explained below.
- 4.22 The following table provides an analysis of all the various elements that comprise the underspend on staffing costs; and includes the movement during the quarter in the forecast amounts.

Staffing Costs Analysis of Forecast Underspend	Q2 Forecast (Underspend) / Overspend £	Q3 Forecast (Underspend) / Overspend £	Movement During Q3 £
Error in calculation of estimated employer on-costs in the original budget	(£127,000)	(£127,000)	£0
Pensions Administration: Net impact of the savings from holding vacancies pending the restructure less the costs estimated for posts in the new structure now being recruited	(£164,000)	(£251,000)	(£87,000)
Pensions Administration: Additional costs relating to voluntary redundancies and early retirements	£48,000	£52,000	£4,000
Pensions Administration: Net impact of extra costs from acting up arrangements and employment of casual staff, and savings from staff turnover and individual changes to working hours	(£85,000)	(£91,000)	(£6,000)
ICT: Net impact of additional costs arising from changes to grades as a result of job evaluations and employment of casual staff partly offset by some savings from staff turnover	£11,000	(£5,000)	(£16,000)
Finance & Corporate Services: Savings from staff turnover; including one post that was disestablished after the budget was set	(£16,000)	(£43,000)	(£27,000)
Savings on employer on-costs resulting from the above variances in each department	(£49,000)	(£51,000)	(£2,000)
Total Forecast Underspend on Staffing Costs	(£382,000)	(£516,000)	(£134,000)

4.23 The Pensions Administration restructure has taken place during the quarter and a substantial amount of recruitment activity has been undertaken in order to fill the vacant posts including two manager posts as well as several pensions officers and customer services officers. It has taken longer to fill the vacancies than was anticipated at quarter 2 and this is the primary reason for the increase in the forecast underspend above compared to the previous quarter. The junior officer vacancies have now been successfully recruited and are due to start employment

- in March 2020. Interviews for the two management posts are taking place in March 2020.
- 4.24 Additionally, staff turnover in the payroll team during the quarter has resulted in a larger forecast underspend in Finance & Corporate Services.
- 4.25 Recruitment to the newly created post of ICT Project Improvement Lead has not yet taken place as planned and this has also increased the forecast underspend in the ICT service area. Recruitment is due to take place early in the new financial year.
- 4.26 The main variances within the other running costs of the organisation are as follows:
- 4.27 Investment Strategy:
- 4.28 There are forecast underspends totalling (£7k) on professional training and transport expenses, (£6k) on various office expenses, and savings of (£9k) on professional fees.
- 4.29 Expenditure on fees relating to internal and external management of investments is anticipated to be under budget by (£20k) and subscriptions by (£30k) reflecting the changes as the transition to pooling continues to progress, resulting in some of these fees now being charged directly to the Fund.
- 4.30 Pensions Administration:
- 4.31 Professional Fees and Consultancy -
- 4.32 £23k additional costs on job evaluation services required to support the work on the restructure.
- 4.33 £25k additional costs for our share, as a founding partner, of expenditure on establishment of new LGPS procurement framework for pensions administration systems. We would expect to recoup the majority of this cost over the life of the framework.
- 4.34 There are also additional costs of £18k arising from the ongoing work on the GMP reconciliation exercise and £15k for the implementation of an address tracing service in order to meet the expectation of the Pensions Regulator that we take actions to trace missing scheme members.
- 4.35 There is a planned over spend of £12k on the budget for benchmarking and corporate subscriptions due to the decision to take part in the CEM Benchmarking for pensions administration this year for the first time. The CEM benchmarking service provides a greater focus on the quality of service we provide rather than just cost and will also provide benchmarking against other pension funds both within and outside of the LGPS.
- 4.36 There is a forecast saving of (£37k) on rent and service charges; partly arising from savings achieved from the office move in December 2018 and partly as a result of relocating the district office staff to the head office in the first quarter of this financial year.
- 4.37 The budget for postage costs is expected to be underspent by (£31k) reflecting the recurrent savings being achieved from the move to the hybrid mail solution. There are also savings of around (£18k) on printing, stationery etc. These budgets have been revised accordingly for 2020/21.
- 4.38 Income is over budget by around (£26k).

4.39 Finance and Corporate Services:

4.40 There are forecast underspends totalling (£8k) on professional training and transport expenses, (£3k) on office expenses, and savings of (£10k) on professional fees. Some of these savings are being used to fund additional expenditure of £6k on subscriptions to CIPFA's Pensions Network and Digital Publications service – including a number of pre-paid places that can be used on future training events and providing access to a wealth of specialist advice and information.

4.41 ICT:

4.42 There are savings of (£8k) on infrastructure costs arising from the closure of the district offices.

4.43 Additional income of (£32k) above the budget is expected to be achieved, mainly due to the sale of the in-house developed software to another authority. This income will be transferred to the ICT reserve to be earmarked for use on future IT development.

4.44 Management & Corporate Costs:

4.45 There are forecast savings of (£31k) on the budget for support services provided under our SLA with Barnsley MBC arising from the fact that the budget had been set on an assumption of inflationary increases that were not applied and further savings have been realised following the review of the SLA for 2019/20 approved by the Authority in September.

4.46 These savings are being used to fund expenditure of £25k on a specialist review of the Authority's governance arrangements.

4.47 Democratic Representation:

4.48 There is a forecast underspend of (£8k) on the Local Pension Board budget. (£3k) of this relates to savings on insurance costs, a further (£2k) is running costs – printing, catering etc. and (£3k) relates to the training budget.

4.49 Capital Expenditure Charged to Revenue:

4.50 The £55k showing as capital expenditure relates to the financing for the cost of a software system licence extension for two years.

4.51 Earmarked Reserves

4.52 The Authority has two earmarked revenue reserves, the Corporate Strategy reserve and the ICT reserve.

4.53 In addition, as Members will recall, approval was granted in Q2 for the creation of a new capital projects reserve that can be drawn upon in future years in order to finance the major projects requiring capital expenditure that are included in the corporate strategy. It was agreed to transfer into this new reserve the operational underspend for 2019/20 as well as an amount of £150k from the Corporate Strategy revenue reserve.

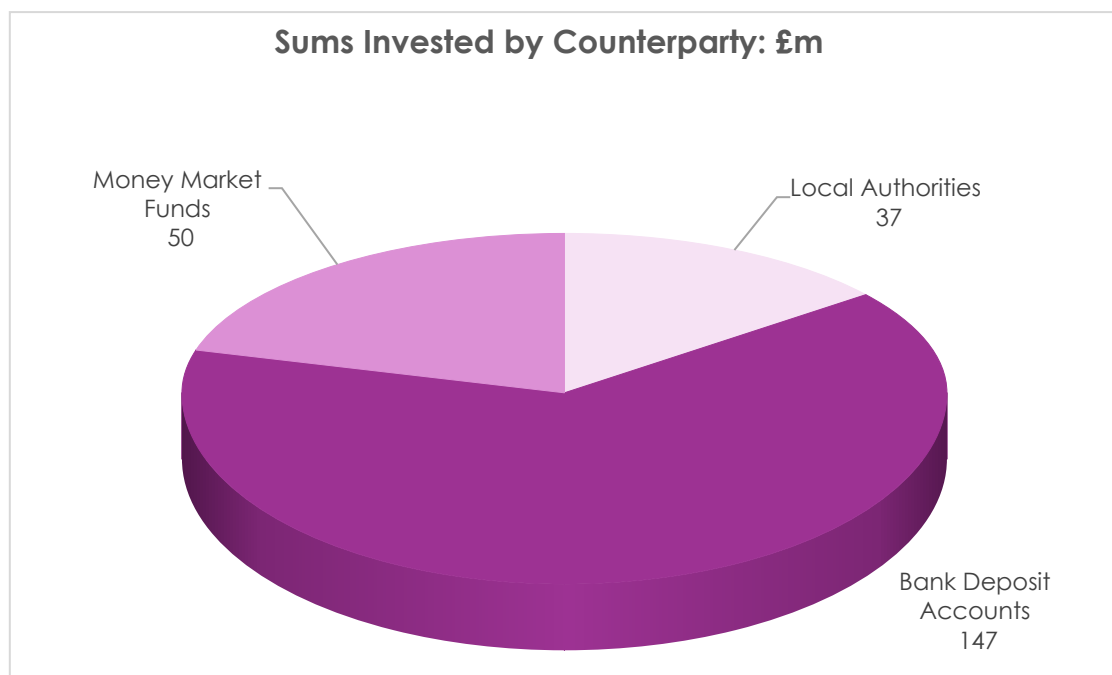
4.54 The Authority generates income from software developed in-house that is sold to other organisations and this income is transferred into the ICT reserve each year. It is estimated that a total of around £33k from this will be transferred into the reserve this year.

4.55 The balances and anticipated movement in the reserves arising from the above are set out in the table below.

Reserves	Balance at 01/04/2019 £	Transfers In £	Transfers Between Reserves £	Forecast Balance at 31/03/2020 £
Corporate Strategy Reserve	382,831	0	(150,000)	232,831
ICT Reserve	84,133	33,500	0	117,633
Subtotal: Revenue Reserves	466,964	33,500	(150,000)	350,464
Capital Projects Reserve	0	600,000	150,000	750,000
Total Reserves	466,964	633,500	0	1,100,464

Treasury Management

- 4.56 The Fund's cash balances at the end of the quarter stood at £234m. The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



- 4.57 The average rate of return on the cash balances was in the region of 0.70%.
- 4.58 During this quarter, more loans have been made to other local authorities for periods of between 6 and 12 months in order to achieve higher rates of return than are available from the bank deposits.

5. What is getting in the way – Risk Management

- 5.1 We regularly review the things which might get in the way of us achieving our objectives – these are the risks that are set out in detail in the corporate risk register.
- 5.2 The risk register, attached as Appendix A to this report, has been fully reviewed by SMT during the quarter but there have been no changes, new risks or removal of risks required in this quarter.

6. Learning from things that happen

- 6.1 Inevitably when dealing with the number of customers that we do things can go wrong and we try to ensure that we learn from these things. Equally we should celebrate where things go particularly well or where customers feel members of our team have gone the extra mile to help them. This section provides information on the various sources of feedback we receive.

	Received in Q3 2019/20	Received in Q2 2019/20	Received in Q1 2019/20	Received YTD 2019/20	Received in Previous Year: 2018/19
Complaints	8	8	5	21	20
Appeals Stage 1	3	2	2	7	4
Appeals Stage 2	3	3	1	7	6

- 6.2 A detailed report of complaints and action taken has been provided to the Local Pensions Board for scrutiny.
- 6.3 Of the 8 complaints received, 4 were due to issues outside of SYPA's control. Of the 4 remaining, 2 were the result of internal training issues which have been resolved and 2 resulted in a change in process internally in order to avoid any impact on other members in future.
- 6.4 During the quarter, one stage 1 appeal was determined and rejected.

Breaches of Law and Regulation

- 6.5 We are required to maintain a register of breaches, the detail of which is reported to the Local Pension Board at each meeting as part of their oversight role. In this quarter there have been 2 breaches included in the register, taking the total for the year to date to 16.
- 6.6 The two breaches in this quarter were due to human error and neither were deemed material by the Local Pensions Board.

Satisfaction Surveys

- 6.7 A survey of retiring members was undertaken and the results showed that of the 158 respondents, 91% were satisfied with the service they received.