

Delivering for our Customers

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Corporate Performance Report

Quarter 4 2020/21

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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 final quarter of the 2020/21 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.

Recommendations

- 1.4 The financial measures set out within Section 4 of the report include details regarding the outturn under-spend for 2020/21 and the proposed use of reserves to finance several key projects in 2021/22. The Authority's approval is required for the planned transfers to and from reserves and Members are recommended to:
 - a) **Confirm the approval previously given at the March meeting for the under-spend for 2020/21 to be transferred into the earmarked Capital Projects Reserve and approve the other transfers to and from earmarked reserves as set out in the table in paragraph 4.62 amounting to a net total transfer to reserves of £600,553; and**
 - b) **Approve the proposed use of reserves in the next financial year to resource the delivery of key corporate priorities as set out in the table in paragraph 4.68.**

2. Headlines

2.1. 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.




Reduction in sickness absence levels.

Funding level over 100%

High levels of customer satisfaction from recent surveys.

Good progress being made on many of the corporate objectives despite Covid.

Under-spend for the year has enabled resources to be set aside to support key projects in 2021/22.



Large under-spend resulting from lockdown slowing the process of filling vacancies and some delays to progress on training & development.

Processing performance improving but still affected by remote working. Customers are satisfied with turnaround times.

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 The Corporate Strategy for 2020-2023 was approved in January 2020 and sets out a range of changes and improvements over the whole range of the Authority's activities that have been planned to take place over this three year period. In order to manage these more easily and provide clear accountability, these have been divided into programmes of work each led by a member of the Senior Management Team. These cover:
- a) Services to Scheme Members and Employers (MS) – which is linked to the corporate objectives around Customer Focus and Listening to our Stakeholders
 - b) Customer Service and Engagement (CS) - which is linked to the corporate objectives around Customer Focus and Listening to our Stakeholders
 - c) Delivering the Investment Strategy (IS) – which is linked to the corporate objectives around Investment Returns and Responsible Investment; and
 - d) Supporting the Corporate Organisation (CO) – which is linked to the corporate objectives around Effective and Transparent Governance and Valuing and engaging our Employees.
- 3.3 The following tables provide updates in respect of developments that have taken place during the quarter in delivering these programmes of work, as well as updates in respect of activity that has taken place to deliver on the ICT, HR and Equality strategies.

Corporate Plan Deliverables	Start	Finish	Progress Update / Activity Quarter 4	On Target
[CS3] Actively promote take up of on line services utilising all available routes, including introducing measurement of effectiveness as well as pure volume.	Apr-20	On-going	Selection of 200 retired members who had not registered online were contacted by phone to obtain feedback on what obstacles were preventing them from doing so. 25% said they were not interested in using the online service.	✓
[CO1] Replace the Authority's Business Systems covering Finance, HR, Staff Payroll and Time and Attendance. Phase 1 – Scoping, specification and procurement.	Feb-20	Mar-21	The implementation of the new Investment Accounting system began in Quarter 4 and will be completed during Quarter 1 of 2021/22. The larger project to implement the new Finance system has commenced during the quarter and will take several months with a Go Live date targeted of 1 November 2021. Work on Phase 1 in relation to HR, Payroll and Time & Attendance is progressing and will continue into 2021/22.	✓
[CO3] Implement the recommendations arising from the Hymans Robertson review of governance that was conducted in light of the Good Governance review.	Apr-20	Mar-22	A revised Learning and Development Strategy covering members of the Authority and Local Pension Board has been developed and will be presented to the June Authority for agreement. Discussion around future arrangements for the statutory officers has taken place with BMBC and proposals are on the agenda for the June Authority for approval.	✓
[CO4] Identify preferred option for the Authority's long term accommodation needs.	Jan-20	Dec-20	Work to finalise the Authority's lease is progressing and various detailed surveys have been undertaken in conjunction with the design of the fit out project. These have identified the detail of expected issues in terms of the need to replace or upgrade M&E equipment which are being factored in to the detailed project plan.	✓
[CO6] Replace website infrastructure and update Modern.gov in order to create a single web presence that better supports the organisation's communication and engagement strategies.	Jan-20	Mar-21	Design templates for the new corporate website have been presented to the Senior Management Team for approval. A proposal for a new 'Governance and Meeting Management' solution has been approved and will be implemented during the summer for Pensions Authority meetings.	✓

Corporate Plan Deliverables	Start	Finish	Progress Update / Activity Quarter 4	On Target
[CO7] Roll out Office 365 to ensure the Authority has access to a regularly updated suite of core application software across the whole estate.	Jan-20	Dec-21	During the quarter, the Authority migrated to a new Microsoft tenancy in preparation for a full deployment of Office 365.	✓

3.4 The remaining corporate plan objectives have either been completed during 2020/21 or are on-going deliverables that have been carried forward to the 2021/22 to 2023/24 Corporate Strategy plan, as outlined below.

Corporate Plan Deliverables	Start	Finish	Status at end of 2020/21
[MS1] Implementation of process automation across pension administration on a prioritised basis. A business case for additional investment from already identified reserves will be made for the later phases in 2021-22.	Apr-20	Mar-22	Carried forward to 2021/22 plan. Key processes such as bulk processing of joiners and leavers are in testing.
[MS2] Roll out additional member self-service facilities as they become available.	Jan-20	Mar-22	Carried forward to 2021/22 plan.
[MS3] Clear residual backlog cases.	Feb-20	Jul-21	Carried forward to 2021/22 plan. Progress on this was impacted by Covid-19 and also by the fact that it was not possible to roll out process automation as quickly as hoped.
[MS4] Conduct a "lessons learnt" review on the 2019 Valuation Process with a view to identifying improvements for the next cycle.	Mar-20	Jun-20	Lessons learned are being reflected in planning for the 2022 valuation although a formal report was not produced. This action can be regarded as completed.

Corporate Plan Deliverables	Start	Finish	Status at end of 2020/21
<p>[MS5]</p> <ul style="list-style-type: none"> > Create a Technical Training Officer Post (through internal secondment) funded from part of the additional investment in learning and development in order to progress staff through the career grade more quickly and give greater access to training support. > Create an easily accessible and updated single knowledge base for pension administrators based on the existing portal which has not been kept up to date > Implement a structured development programme for Pension Officers reaching to top of the career grade 	Mar-20	Ongoing	New career grade system implemented. Existing knowledge base portal has been updated but further enhancements carried forward to the 2021/22 plan. Lack of internal interest in Technical Training Officer post means alternative options will need to be pursued in 2021/22.
	Apr-20	Mar-21	
	Feb-20	Jul-20	
[CS1] Implement a new approach to employer engagement, including (subject to a business case) acquisition and implementation of the UPM Employer Hub in order to create a single point of contact for employers.	Apr-20	Mar-22	Support and Engagement Team now act as single point of contact for employers. Development of employer hub carried forward to 2021/22 plan.
[CS2] Implement UPM Contact Manager module in order to provide effective support for the operation of the Customer Centre.	Jan-20	May-20	Completed. New integrated telephony system due to be introduced in 2021 will provide further improved functionality for Customer Centre.
[CS3] Actively promote take up of on line services utilising all available routes, including introducing measurement of effectiveness as well as pure volume.	Apr-20	Ongoing	Members registered for online portal increased by 15k in 2020/21. Carried forward to 2021/22 plan.
[IS1] Implement the revised Investment Strategy; including the transition of assets to new Border to Coast products and recommendations in relation to the future of the agricultural portfolio.	Mar-20	Mar-23	Transfers of listed assets to reflect the new allocation have been made to the maximum extent possible. However, movement into private market assets takes some time to build up and significant progress has been made with this. This is an ongoing piece of work.
[IS2] Implement the revised FRC UK Stewardship Code governing the Authority's approach to responsible investment.	Apr-20	Mar-21	Carried forward to 2021/22 plan due to the submission timetable for the FRC and its interaction with the timetable for the Authority's annual report. However, considerable preparation has already been undertaken

Corporate Plan Deliverables	Start	Finish	Status at end of 2020/21
[IS3 and IS4] Implement paperless processing of investment transactions and custodian bank statements.	Jan-20	Jun-20	Completed.
[IS5] Make changes to the investment performance reporting process to make the process less labour intensive and to produce sharper, more focussed reporting.	Jan-20	Mar-22	Improvements were made during the year and further development of reporting will be treated as business as usual.
[IS6] Improve the monitoring and forecasting of cash flows, combining data from the finance and investment functions.	Jan-20	Mar-21	This project has been completed but further refinements to processes will continue over time as part of the reporting from the new business systems.
[IS7] Replace the current investment accounting system with alternative arrangements appropriately scaled to the requirements of what will be an externally managed fund.	Jan-20	Mar-21	Completed. Contract for new Shareholder II system awarded in March 2021 with system fully implemented by end of May 2021.
[CO2] Implement learning and development tools to improve the links between appraisal and training delivery maximising the benefit of the additional budget investment in learning and development: > Initial changes to the appraisal system to address Internal Audit recommendations > Fully revised appraisal system ready to be incorporated into the new HR system > Introduce revised induction process and e-Learning approaches to support annual and refresher training programmes.	Jan-20 Apr-20 Feb-20	Mar-20 Mar-21 Mar-21	Initial changes completed in 2020/21. Targets for fully revised appraisal system, induction process and e-learning approaches carried forward to 2021/22 plan.
[CO5] Phase out acceptance of cheque payments and introduce on line and telephone payments.	Apr-20	Apr-22	Carried forward to 2021/22 plan.
[CO8] Introduce Agile Working approach across the whole organisation supported by a funded programme of hardware replacement.	Jan-20	Mar-23	This project has largely been completed in a practical sense as the result of Covid-19. However, further work is required in 2021/22 to formalise the policy framework to make this approach part of business as usual operation.
[CO9] Replace the Authority's telephony infrastructure Phase 1 – Scoping Phase 2 – Procurement and Implementation	Sep-20 Apr-21	Mar-21 Mar-22	Completed. Carried forward to 2021/22 plan.

3.5 Progress and actions taken in regard to the other supporting strategies to the corporate plan are set out below.

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	A new online data backup and business continuity solution has been selected.	✓
Using technology to support a step change in the way customers access our services	Commenced a major project to procure a new cloud based telephone system for the Authority which will include Microsoft Teams integration and a unified Contact Centre solution for voice calls, emails, SMS and web chat.	✓
Using technology to deliver efficient business processes	In-house development of a new validation tool for the Monthly Data Collection process. The validation tool will significantly improve the efficiency of the data processing by removing manual time-consuming tasks and allow employer submission accuracy to be measured.	✓
Keeping data safe and secure	Work commenced on implementing a DMARC (Domain-based Message Authentication, Reporting and Conformance) 'monitor only' policy to determine how email is being sent from our domain. Once implemented fully, this will reduce the risk of email spoofing by cyber criminals.	✓




Equality & Diversity Strategy	Activity this Quarter	On Target
Workforce culture, environment, policies and practices that are safe accessible and inclusive for people from all protected characteristics	Organisation-wide equality, diversity and inclusion training delivered in March and April 2021.	✓

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 The level of sickness absence in the quarter and year to date is as follows.

Measure	Performance Quarter 4 2020/21	Performance Quarter 3 2020/21	Performance Full Year 2020/21	Performance in Previous Year: 2019/20	Movement Year on Year
Short Term Sickness Absence – Days Lost per FTE	0.15	0.38	1.0	2.3	
Long Term Sickness Absence – Days Lost per FTE	0.64	1.26	2.6	4.1	
Total Days Lost per FTE	0.79	1.64	3.6	6.4	

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 For this quarter, days lost is 0.79 days per FTE employee which is a reduction on the rate from the previous quarter and as shown in the table, the absence rate for the 2020/21 year as a whole has fallen substantially from 6.4 days per FTE in 2019/20 to 3.6 days.



4.5 The majority of the sickness absence in this quarter relates to one long-term sickness absence.

4.6 There have been no COVID-19 related absences in this quarter. Overall, we are aware of two employees testing positive since the beginning of the pandemic.

4.7 Staff turnover for the year was 7.5% in 2020/21, compared to 14% in 2019/20. The higher staff turnover in 2019/20 reflected natural turnover as many employees reached retirement age and higher than usual turnover which was perhaps to be expected following a period of organisational change. This year has seen many of these vacant posts filled.

Investment Measures





4.8 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 the agenda.

Measure	Performance Quarter 4 2020/21	Quarterly Benchmark	Performance 2020/21	2020/21 Benchmark	2020/21 Actuarial Target	RAG Indicator
Investment Return – ex EP	1.50%	0.60%	20.80%	18.00%		
Investment Return – Whole Fund	1.50%	0.60%	19.50%	18.00%	2.40%	

- 4.9 The outperformance was mostly down to stock selection, in particular within the alternative sectors.
- 4.10 At the end of the quarter, 63.5% of the Fund’s assets were being managed in pooled structures provided by Border to Coast.
- 4.11 The total Fund value at 31 March was £9.7 billion and the estimated funding level at the end of quarter 4 was 108.7%.

Pension Administration Measures

4.12 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 each meeting of the Local Pension Board.

Measure	Quarter 4 2020/21	Quarter 3 2020/21	Full Year 2020/21	Previous Year: 2019/20	Target 2020/21	Movement Year on Year
Proportion of priority cases processed on time	79%	77%	78%	89%	100%	
Proportion of non-priority cases processed on time	71%	73%	73%	72%	100%	
Proportion of all cases processed on time	71%	73%	73%	73%	100%	
Proportion of employer data submissions on time	99%	99%	99%	94%	100%	

4.13 Overall volumes of case work processed across the quarter continue to increase, and the percentage of priority cases completed within the target dates has risen slightly. Although response times are not yet at pre-lockdown levels, the general trend continues to be an upward one.

4.14 Employers have been able to maintain the timeliness of returns submissions for the whole of 2020/21 and a significant improvement on the previous year. Measures of submission accuracy are expected to be introduced during the latter part of Quarter 1 in 2021/22 to form part of future reporting.

4.15 At the end of the 2020/21 financial year, membership of the Fund stood at 166,869.

4.16 Three new employers were admitted during the quarter and three admission agreement terminations were completed during the quarter.

4.17 There are 31 employers who no longer have active members and for whom the termination process is in train.

4.18 There were 533 participating employers with active members at the end of quarter 4, compared to 564 reported at the end of quarter 3. However, this is not a real drop in numbers but reflects the fact that the reporting on earlier quarters included employers in the process of exiting the scheme. The year-end reported figure of 533 is more accurate as it does not include these.

Financial Measures

Authority Operations

4.19 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 Actual Outturn £	2020/21 Budget £	2020/21 Q4 Outturn £	2020/21 Q4 Outturn Variance £	2020/21 Q4 Outturn Variance %
Pensions Administration	2,582,480	2,806,200	2,376,700	(429,500)	(15.30%)
Investment Strategy	715,750	763,190	631,420	(131,770)	(17.30%)
Finance & Corporate Services	612,990	620,610	685,190	64,580	10.40%
ICT	432,730	640,780	560,960	(79,820)	(12.50%)
Management & Corporate	360,190	432,740	430,000	(2,740)	(0.60%)
Democratic Representation	82,910	135,480	118,180	(17,300)	(12.80%)
Capital Expenditure Charged to Revenue	114,800	0	42,600	42,600	100.00%
Subtotal before transfers to reserves	4,901,850	5,399,000	4,845,050	(553,950)	(10.30%)
Appropriations to / (from) Reserves	543,750	46,600	600,550	553,950	n/a
Total	5,445,600	5,445,600	5,445,600	0	0.00%

4.20 The outturn under-spend for the year before transfers to reserves is (£554k), compared to the forecast under-spend of (£489k) at the end of the previous quarter. As reported previously, the budget for 2020/21 included a significant amount of growth to enable investment in a number of areas to support the corporate objectives and this included budgets for the creation of several new posts within the organisation.

4.21 The impact of the COVID-19 pandemic has affected the progress in relation to these objectives; there has also been a general reduction in costs relating to travel, conferences, stationery / office consumables etc. arising from the move to organisation-wide remote working.

4.22 The largest single element of the total budget and outturn relates to Staffing Costs, which is (£149k) under budget for the year. The main variances within this are explained in the following table.

Staffing Costs Analysis of Forecast Underspend	Q4 Outturn (Underspend) / Overspend £	Previous Quarter 3 Forecast (Underspend) / Overspend £
Pay Award -budget included assumption of 2%, actual award agreed was 2.75%	20,000	20,000
New / Amended Posts - vacancy savings pending recruitment Governance and Risk Officer Business Support Officers x 2 Communications Officer Communications Assistant Apprentice x 1	(168,300)	(168,300)
Other vacancy savings - including following posts now filled: Benefits Team Manager (July 2020) Support & Engagement Team Manager (June 2020) Project & Improvement Lead (September 2020) Customer Services Officer (September 2020) Apprentices x 2 (September 2020)	(133,200)	(133,200)
Net effect of differences to budget arising from changes to grade, hours, honoraria etc.	(500)	(2,000)
Normal Retirements resulting in additional vacancy savings	(41,610)	(43,000)
Net additional cost arising from review of Business Support and Finance & Corporate Services Restructure exercises - comprising vacancy savings pending restructure & additional one-off costs (e.g. pension strain costs)	107,000	101,000
Costs in relation to overtime and employment of casual staff (funded from vacancy savings)	46,100	45,900
Additional cost of working from home disturbance allowance - introduced after the budget was approved.	21,000	21,000
Total	(149,510)	(158,600)

4.23 The table shows that there were large vacancy savings this year due to recruitment not being undertaken as early as was originally planned. Recruitment has since taken place for the new post of Governance & Risk Officer and to fill vacant Pensions Officer roles.

4.24 These savings were partially offset by additional costs in relation to the requirement for overtime and casual staff cover for the vacancies, the cost of providing an allowance for homeworking which was not known about when the budget was

approved, and has also enabled one-off costs in relation to restructure exercises to be fully met this year from the remaining staffing under-spends.

- 4.25 The following table sets out the breakdown of the total under-spends by department between the under-spend on staffing as explained above and the remaining under-spends on running costs which are explained in the commentary beneath the table.

Department	Staffing Costs Q4 Outturn (Underspend) / Overspend £	Running Costs Q4 Outturn (Underspend) / Overspend £	Total Q4 Outturn (Underspend) / Overspend £
Pensions Administration	(228,440)	(201,060)	(429,500)
Investment Strategy	(15,810)	(115,960)	(131,770)
Finance & Corporate Services	85,330	(20,750)	64,580
ICT	(12,730)	(67,090)	(79,820)
Management & Corporate	22,140	(24,880)	(2,740)
Democratic Representation	0	(17,300)	(17,300)
Capital Expenditure Charged to Revenue	0	42,600	42,600
Total	(149,510)	(404,440)	(553,950)

4.26 Pensions Administration

- 4.27 The outturn for the year includes savings of (£65k) across budgets for travel expenses, office-related expenses, catering, training courses, conferences, and subsistence as a result of remote working and the knock-on effects from COVID-19.
- 4.28 The printing and postage budgets for 2020/21 were reduced compared to previous years to take account of savings being achieved from using hybrid mail and the increasing move to paperless processing. Further savings of (£56k) have been achieved this year.
- 4.29 The cost of benchmarking exercises was included in the budget for the year; however a decision was taken not to participate this year resulting in an under-spend of (£17k). It is planned to participate in benchmarking again in 2021/22.
- 4.30 The requirements for various professional services to support work during the year, including address tracing, work on GMP reconciliation etc. were lower than budgeted resulting in an under-spend of (£38k) for the year on professional fees.
- 4.31 Additional income of (£25k) above the budget has been received in relation to management fees charged for the cost of administering various actuarial disclosures, payroll and member fees.

4.32 Investment Strategy:

4.33 Savings of approximately (£19k) across budgets for travel expenses, office-related expenses, catering, conferences, and subsistence as a result of remote working and the knock-on effects from COVID-19.

4.34 Additionally there are savings of (£7k) on the budgets for investment advisory services arising from not having the cost of travel, hotel, catering expenses and so on due to COVID-19.

4.35 Costs of actuarial fees in relation to Investment Strategy are (£16k) lower than budget.

4.36 There are savings of (£74k) across professional fees, consultancy, corporate subscriptions and services compared to the budget that was set reflecting changing requirements that have since been adjusted for in the budget for 2021/22.

4.37 Finance and Corporate Services:

4.38 The outturn includes savings of (£9k) across budgets for travel expenses, office-related expenses, catering, conferences, and subsistence as a result of remote working and the knock-on effects from COVID-19.

4.39 The budget for professional qualification courses was under-spent by (£12k) this year based on the timing of courses being completed but it is likely to be used more fully in future years following the restructure of the service that took place in December 2020.

4.40 ICT:

4.41 As previously reported, the outturn includes a saving of (£21k) on the agile working programme budget due to a proportion of the planned expenditure taking place in the last financial year instead in order to respond and equip staff for working from home as a result of lockdown restrictions in March 2020.

4.42 There are also savings of (£51k) on the budget for various network and infrastructure costs due to re-phasing of work being undertaken on areas including the planned replacement of the telephony system, IT health check and penetration testing which are scheduled for the 2021/22 financial year.

4.43 The budget for the Pensions Administration software system (UPM) was overspent by £5k as a result of enhancements being commissioned in respect of Monthly Data Collection processing.

4.44 Management & Corporate Costs:

4.45 A saving of (£5k) on the insurance costs budget was achieved following the re-procurement of this contract that took effect from 1 April 2020.

4.46 The budget for central corporate services was under-spent by (£11k) as a result of the knock-on effects of remote working.

4.47 Expenditure of £10k was incurred on other professional services for items that were not anticipated when the budget was set. These relate to one-off items including costs that came forward from the previous year in relation to the finalisation of the Governance Review report.

4.48 Expenditure of £24k on consultancy for the accommodation appraisal will be funded by a transfer from the corporate strategy reserve.

- 4.49 The budget for external audit fees was over-spent by £17k as a result of additional fees being agreed with the external auditor to reflect extra auditing requirements arising from both COVID-19 and also from changes to the Code of Audit Practice.
- 4.50 There was a saving of (£67k) on the organisational training and development budget that had been included as a growth item for 2020/21. Due to the impact of COVID-19 and remote working, it has not been possible to make the anticipated progress this year. At quarter 3, it was agreed that £30k of this saving would be set aside in the corporate strategy reserve to be used for providing a placement opportunity in 2021/22 for an HR undergraduate. This will provide the needed additional staff resource to support and take forward some of the plans around training and development including production of an e-learning package for new staff.
- 4.51 There were additional costs in year of £7k relating to the purchase of suitable equipment to support staff working at home following workstation assessments – the equipment purchased included monitors, wireless keyboards and mice, lumbar support cushions, laptop riser stands and footrests.
- 4.52 Democratic Representation:
- 4.53 The budget set for Member Allowances was based on an estimate of the likely costs of the scheme prior to the final scheme being approved by the Authority in March 2020. This budget was over-spent by £6k this year based on the actual costs of the agreed scheme and taking into account the 2.75% pay award applied with effect from 1 April 2020.
- 4.54 The outturn includes savings of (£16k) on Authority running costs and training costs and (£7k) on the costs for the Local Pension Board due to reductions in the expenditure for room hire, catering, travel, subsistence and conferences arising from the knock-on effects of COVID-19.
- 4.55 Capital Expenditure Charged to Revenue
- 4.56 The additional cost of £43k on capital expenditure comprises £13k for the purchase of additional laptops required during the year and £30k for the initial expenditure in February and March 2021 on the design and project management consultancy for the new office accommodation project.
- 4.57 Earmarked Reserves
- 4.58 The Authority has three earmarked revenue reserves, the Corporate Strategy reserve, the ICT reserve, and the Capital Projects reserve.
- 4.59 As outlined above, it was previously agreed to transfer £24k out of the corporate strategy reserve to fund the costs of the accommodation options appraisal review and to transfer £30k into the corporate strategy reserve from the savings on the organisational training and development budget to be used for providing an HR undergraduate placement in 2021/22.
- 4.60 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. The outturn position is for a total of £6k to be transferred into the reserve this year.
- 4.61 Given the scale of costs identified for the office accommodation project, and the costs of the business systems replacements together with the costs involved in the implementation of the new pension administration system contract, it is proposed

that the balance of the total underspend for the year be transferred to the Capital Projects reserve.

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

Reserves	Balance at 01/04/2020 £	Transfers In £	Transfers Out £	Balance at 31/03/2021 £
Corporate Strategy Reserve	232,831	30,000	(24,331)	238,500
ICT Reserve	112,383	5,917	0	118,300
Subtotal: Revenue Reserves	345,214	35,917	(24,331)	356,800
Capital Projects Reserve	665,500	588,967	0	1,254,467
Total Reserves	1,010,714	624,884	(24,331)	1,611,267

Planned Use of Reserves in 2021/22

- 4.63 As outlined briefly above, the balances in the reserves, particularly the capital projects reserve, are planned to meet the costs of significant upcoming projects. At the time of setting out the 2021/22 budget proposals for approval in January 2021, it was not possible to include a detailed breakdown of the costs and funding to come from reserves for all of these projects due to being subject to decisions that had yet to be taken.
- 4.64 Since then, these projects have progressed sufficiently that the estimated total costs and allocation of resources to fund them can now be presented for approval.
- 4.65 The project to design and fit out the Authority's new office accommodation at Oakwell House commenced during the final quarter of 2020/21. The design specification has been developed and detailed surveys undertaken to produce an outline time and cost plan. This resulted in a higher overall cost for the project than had initially been anticipated; primarily arising from the finding that all of the mechanical and electrical plant is at the end of its useful life and will require replacement. A value engineering process was carried out in order to identify a range of savings on the specification where possible. Further details regarding the project and the breakdown of costs are provided in a separate report elsewhere on the agenda.
- 4.66 The total estimated cost for the project based on the above is £1.290 million. Of this total, £0.030 million has been incurred and financed in 2020/21, reflected in the outturn for the year shown above. A further £0.160 million will be funded from other savings within the 2021/22 approved budget. The remaining £1.100 million can be financed from the Authority's reserves as shown in the table below.
- 4.67 The reserves will also be required to fund several other items in 2021/22 and beyond, including the implementation costs associated with the replacement of the Authority's business systems and the implementation of the new contract for the UPM pension administration system.

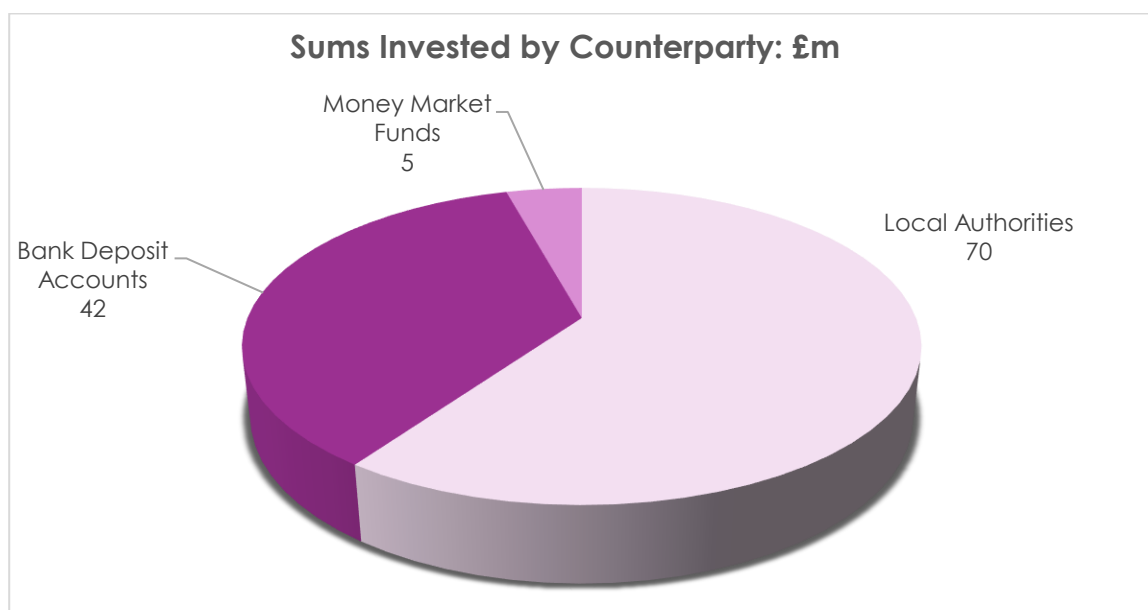
4.68 The proposed allocation of the reserves is as follows.

Planned Use of Reserves 2021/22	Corporate Strategy Reserve £	ICT Reserve £	Capital Projects Reserve £	Total £
Balance at 01/04/2021	238,500	118,300	1,254,467	1,611,267
Allocated to:				
HR Undergraduate Placement	(30,000)	-	-	(30,000)
Business Systems Replacement	-	-	(73,700)	(73,700)
Governance & Meeting Management System	(20,000)	-	-	(20,000)
Implementation Costs - UPM Pension Administration system	-	(50,000)	(175,000)	(225,000)
Oakwell House	(95,000)	-	(1,005,767)	(1,100,767)
Estimated Balance at 31/03/2022	93,500	68,300	0	161,800

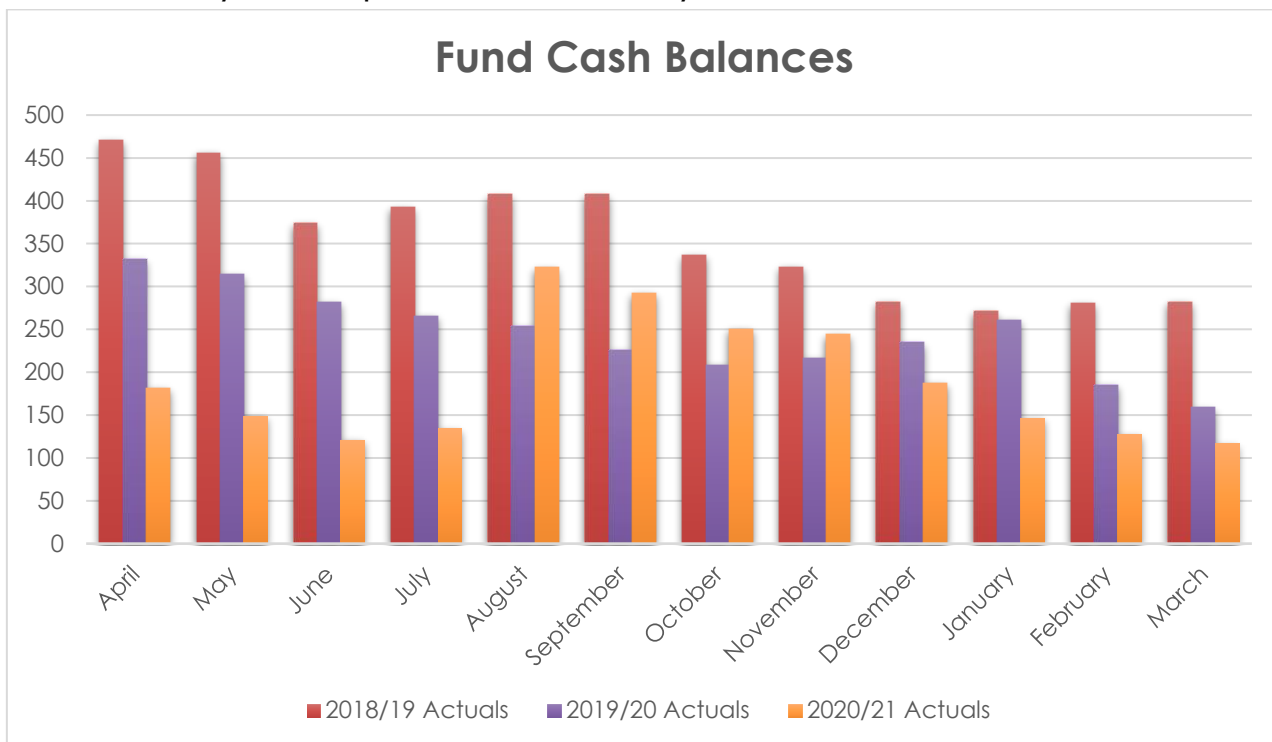
4.69 Following the allocations as shown above, the remaining balance of the earmarked reserves would be £161,800 in total, which equates to 3% of the Authority's total revenue budget. This is before any transfers into reserves during 2021/22.

Treasury Management

4.70 The Fund's cash balances at the 31 March 2021 stood at £117m. The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



4.71 The following chart shows the movement in cash balances held for the last two financial years compared to this financial year.



4.72 Cash is only held pending Fund investment and the balance of cash at 31 March 2021 represents 1.20% of the Fund, compared with 1.95% at 31 December 2020. This reflects the continuing re-investment of the cash received in August due to the reduction in allocation to UK Equities. The cash allocation remains well within the permitted range of 0% to 10% and is now just below the benchmark of 1.5%.

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 Corporate Risk Register is attached at Appendix A. The April review of the register resulted in the following changes to risk scores:
- 5.3 *G2 – Failure to ensure that the Local Pension Board is effective in carrying out its role.* The current score has been reduced following review of the self-assessment carried out by the Board which shows increasing self-awareness. Arrangements for independent advice have had a positive impact on the Board’s confidence in providing challenge.
- 5.4 *G3 – Covid Impact: Disruption and reduction in the effectiveness of the control environment.* The current score has been revised downwards since the previous assessment given results of Internal Audit work during the year, the overall reduction in absence levels and the continuing development of new controls to accommodate remote working and the ongoing training of staff.
- 5.5 *O4 – Covid Impact: Significant reduction in productive capacity due to impact of the virus on sickness levels.* The current score has reduced. Overall sickness is down on previous years and two thirds of the total is long term, although sickness generally is higher in Pension Administration. The evidence on the ground is that while productivity is not as high as we would want it to be, there has not been a negative impact on customer satisfaction. The situation will continue to be reviewed in the light of moves out of lockdown and back towards the office.
- 5.6 A new risk has been added as follows.
- 5.7 *O5 - Disruption to services due to failure to complete the works required to Oakwell House on time and on budget.* This would result in all staff having to work at home for an additional period and there could be disruption and additional cost if the server infrastructure cannot be relocated before the end of the current lease. The control measures in place include: a key contract deliverable for the main contractor to facilitate relocation of the data centre prior to the end of the current lease even if the building works are not completed; and contract documents will be issued with as detailed a price as possible as part of mitigating the budget risk.
- 5.8 Further mitigations will become available when the contract for the main contractor has been agreed at which point the budgetary issues will become clear.
- 5.9 Commentary regarding the review of the other risks, where scores have not changed, is provided in the risk register attached at Appendix A.

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 Q4 2020/21	Received in Q3 2020/21	Total Received 2020/21	Received in Previous Year: 2019/20
Complaints	4	3	17	29
Appeals Stage 1	1	0	8	7
Appeals Stage 2	4	0	8	8

6.2 A detailed report of complaints and action taken is provided to the Local Pensions Board for scrutiny.

6.3 Overall complaints for the year have reduced significantly from 2019/20. For this quarter, two of the four complaints were outside of SYPA control. One related to issues with the slow processing of monthly data which is being resolved as part of an ongoing project with Rotherham MBC payroll services, and the other related to an incorrect payment date on an Annual Benefit Statement which was a legacy data migration issue.

6.4 Numbers of appeals received remains consistent with levels in previous years, the majority of which continue to relate to ill-health retirements and this is consistent with other LGPS funds.

6.5 During the quarter, five appeals at Stage 2 were determined and rejected. Four of these related to ill-health retirements. Though the appeals were rejected, there were in some cases procedural issues identified regarding the communication of decisions by employers, and training has now been offered to employers to assist in the understanding of the ill-health process. The other appeal related to a member who wanted the dependant's pension to be paid to their sister on their death as they had no partner but the legislation does not provide for this.

Breaches of Law and Regulation

6.6 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.

6.7 Quarter 4 has seen two individual data breaches which resulted in correspondence being issued to a wrong member or wrong address. One was caused by an employer providing an incorrect address for a scheme member and the other by human error in updating an incorrect record. No systemic issues were identified from these breaches.

Satisfaction Surveys

- 6.8 A survey of members retiring during November 2020 to January 2021 showed that of the 160 respondents, 94% were satisfied with the service they received.
- 6.9 A survey on customer service received from telephone contact with the customer centre showed that of the 440 respondents, 90% were satisfied with the service they received.