

NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, S70 1HG on Thursday, 10 February 2022 at 10.30 am for the purpose of transacting the business set out in the agenda.



**Sarah Norman
Clerk**

This matter is being dealt with by: Gill Richards Tel: 01226 772806
Email: gillrichards@barnsley.gov.uk

WEBCASTING NOTICE

This meeting may be filmed for live or subsequent broadcast via the Authority's website. At the start of the meeting the Chair will confirm if all or part of the meeting is being filmed.

You should be aware that the Authority is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Authority's published policy.

Therefore by entering the meeting room, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

Distribution

Councillors: J Mounsey (Chair), F Belbin, S Cox, D Nevett, M Stowe, N Wright, S Clement-Jones, D Fisher, M Havard, C Rosling-Josephs, A Sangar and G Weatherall

Contact Details

For further information please contact:

Gill Richards Joint Authorities Governance Unit Town Hall, Barnsley, South Yorkshire S70 2TA Tel: 01226 772806 gillrichards@barnsley.gov.uk	Andrew Shirt Joint Authorities Governance Unit Town Hall, Barnsley, South Yorkshire S70 2TA Tel: 01226 772207 andrewshirt@barnsley.gov.uk
--	---

SOUTH YORKSHIRE PENSIONS AUTHORITY

THURSDAY, 10 FEBRUARY 2022 AT 10.30 AM - OAKWELL HOUSE, 2 BEEVOR COURT, PONTEFRACT ROAD, BARNSELY, S70 1HG

Agenda: Reports attached unless stated otherwise

	Item	Pages
1.	Apologies	
2.	Announcements	
3.	Urgent Items To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.	
4.	Items to be considered in the absence of the public and press To identify where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting.)	
5.	Declarations of Interest	
6.	Section 41 Feedback from District Councils	
7.	Minutes of the meeting held on 9 December 2021	5 - 14
	Corporate Matters	
8.	Corporate Planning Framework	15 - 104
9.	Pensions Authority Budget 2022/23	105 - 116
	Governance Matters	
10.	Appointment of Monitoring Officer	117 - 118
11.	Investment Advisors	119 - 122
	Exclusion of the Public and Press	
12.	Border to Coast Strategic Plan and Budget 2022-25 (Exemption Paragraph 3)	123 - 166
13.	Project Chip Update (Exemption Paragraph 3)	167 - 170

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

9 DECEMBER 2021

PRESENT: Councillor J Mounsey (Chair)
Councillor G Weatherall (Vice-Chair)
Councillors: F Belbin, D Nevett, M Stowe, N Wright, S Clement-Jones, D Fisher, M Havard, C Rosling-Josephs and A Sangar

Trade Unions: N Doolan-Hamer (Unison) and D Patterson (Unite)

Investment Advisors: A Devitt and L Robb

Officers: J Bailey (Head of Pensions Administration), G Graham (Director), G Kirk, M McCarthy, S Smith (Head of Investments Strategy), G Richards and G Taberner (Head of Finance and Corporate Services)

R Elwell and S Al-Nagar (Border to Coast Pensions Partnership Ltd)

Apologies for absence were received from Councillor S Cox and G Warwick

1 APOLOGIES

The Chair welcomed Cllr F Belbin to her first Authority meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

G Graham informed members that the Authority had won the Pensions for Purpose Impact Investing Adopter Award 2021. The award recognised the Authority's ambitions to achieve positive benefits with its investments as well as the leadership it had shown on key issues in this area.

Members were informed that, following the latest government announcement, a very small number of staff would be working in the office on essential tasks whilst the others would be working at home until further notice.

The next meeting of the Authority would be an in-person meeting in January unless the regulations changed.

3 URGENT ITEMS

The Director informed members that there was one urgent item which would be taken in the private part of the meeting.

4 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS

RESOLVED – That the urgent item, 'Waiver of Contract Procedure Rules – Data Centre Connectivity' would be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

7 MINUTES OF THE MEETING HELD ON 9 SEPTEMBER 2021

RESOLVED – That the minutes of the meeting held on 9th September 2021 be agreed as a true record.

8 MEMBERSHIP OF THE AUTHORITY AND APPOINTMENT OF THE VICE-CHAIR

A report was considered which gave details of a change to the membership of the Authority and the appointment of the Vice-Chair following the resignation of Cllr Alan Law.

RESOLVED – That members:

- i) Note the change to the membership of the Authority.
- ii) Approve the appointment of Cllr Garry Weatherall as Vice-Chair of the Authority for the remainder on the Municipal Year.

9 PROGRAMME OF AUTHORITY MEETINGS 2022/23

A report was submitted that proposed a schedule of Authority meetings, including seminars, for 2022/23. It was noted that conferences and further training opportunities would be offered as they became available.

RESOLVED – That the proposed schedule of meetings at Appendix A is approved.

10 Q2 CORPORATE PERFORMANCE REPORT

G Taberner presented the Corporate Performance Report for Quarter 2 2021/22.

It was noted that key headlines were:

- Good progress on a range of corporate objectives.
- Fund value at a record high of £10.4bn and a funding level almost 115%.
- Operational budget forecast showed sufficient resources available for key projects in 2021/22.
- Underspends forecast against the budget – particularly staffing budgets due to 14% vacancy rate.
- Further increase in sickness absence levels compared to previous quarter.

Section 3 of the report provided information on the progress being made on delivering the various strategies which formed the corporate planning framework. A table provided updates in respect of developments during the quarter in delivering the

programmes of work as well as updates in respect of activity that had taken place to deliver the ICT, HR and Equality strategies.

The report gave details of an increase in sickness absence for the quarter. The increase in long-term sickness absence was due to one continuing absence and three further absences during the quarter. Three of the four employees returned to work in quarter 2 on phased return and the fourth was due to return in quarter 3 therefore it was hoped that sickness absence would show a reduction at the end of quarter 3.

Members noted the quarter 2 financial performance and forecast outturn. The forecast underspend for the year was £195k at quarter 2; the majority of this related to employee costs. Detailed variances against budget for each of the service areas were contained within the report.

The Risk Register, was attached at Appendix A and had been reviewed in October resulting in the following changes:

- Removal of risk I3 – *Failure to implement effective arrangements for the oversight of investment management functions being undertaken by Border to Coast Pensions Partnership.*
- Reduction to risk I6 – *Contribution rates for employers are unaffordable due to business interruption.*
- Increase to risk P1 – *Failure to maintain a suitably qualified and experienced workforce which reflects the community which the Authority serves.*

Further details and commentary regarding the risks where scores had not changed was included in the risk register.

In answer to a question from Cllr Sangar regarding the creation of a dedicated project team to clear residual backlog cases, J Bailey explained that the previous project had some success but the subsequent attempt to deal with the backlog as business as usual had not worked.

The new project team would consist of four recently recruited Pensions Officers, with management oversight, and would not impact on business as usual. It was hoped the majority of the backlog would be cleared within 6 months.

With regard to sickness absence, members discussed the importance of support in the areas of mental health and wellbeing, especially during the extended period of at-home working. G Taberner gave details of the various means of support available.

RESOLVED – That the report be noted.

11 APPROVAL OF THE LEVY 2022/23

A report was submitted to gain approval for the Levy for 2022/23 under the Levying Bodies (General) Regulations 1992.

It was noted that the 2022/23 Levy had been calculated as £350,000, a reduction of £11,000 compared to the 2021/22 Levy.

The estimated apportionment of the 2022/21 Levy, based on the 2021/22 Council Tax Base shares was detailed within the report. It was noted that the actual apportionment would be re-calculated to reflect the approved 2022/23 Council Tax Base figures for each district as soon as the information was available.

RESOLVED – That Members approve a total Levy of £350,000 for 2022/23 in accordance with The Levying Bodies (General) Regulations 1992, to be allocated to the District Councils in proportion to their approved Council Tax base amounts for 2022/23.

12 ADVISORS COMMENTARY

A Devitt provided a market commentary on recent events.

Highlights included:

- Low interest rates and high inflation had combined to create expectations that the Bank of England would increase interest rates at their November meeting. Sterling fell as UK interest rates were maintained at 0.1%
- Supply chain issues and labour shortages continued to plague manufacturing and high energy prices remained a strain on input costs.
- As Covid's impact continued to muddy the post-Brexit economy, an ongoing fishing row and labour shortages were reminders of the complex implications of Brexit which was still "work in progress".
- The regulatory influence in China had continued to affect Chinese stocks.
- COP26 had attracted a huge amount of media attention as had the countries who had not attended (China, India and Russia) which served as a reminder of the inherent conflict in many of the conference's goals – especially with developing economies still committed to coal-fired production.

A Devitt commented that last quarter a climate of VULCA (volatility, uncertainty, complexity and ambiguity) was forecast. The conflict at the centre of COP26 illustrated why this complexity and nuance was important to understand. Inequality and the disparity of progress between developed and developing countries was at the heart of the conflict and had been seen to arrest the recovery from Covid as well as the race to address climate change. Bridging that gap would be essential in the year ahead. Other things to watch in the coming months were the supply chain, corporate earnings and next steps and the road from Glasgow.

The Chair thanked A Devitt for an informative and comprehensive update.

13 INVESTMENT PERFORMANCE - QUARTERLY REPORT TO 30 SEPTEMBER 2021

S Smith presented the quarterly Investment Performance report to 30th September 2021.

It was noted that the value of the Fund at the end of September 2021 was £10.4bn. At the end of November this had risen to £10.65bn compared to £9.84bn at the end of March 2021.

With regard to asset allocation, changes had been minimal compared to previous quarters.

As equity markets continued to improve the opportunity was taken to take profit. £15.5m was raised from legacy holdings and these proceeds were used to fund the drawdowns into the alternative funds.

£25m of legacy index-linked gilts was sold to maintain a neutral weighting to the category and £89m was invested into the alternative funds with £79m of this invested to infrastructure funds.

The current Fund allocation was detailed in the report and was shown against the strategic target.

It was noted that two categories were outside their tactical ranges, private equity and infrastructure.

There had been significant uplift in valuations from private equity holdings which led to being over the higher allocation. It was expected that some realisations would be completed over the next two quarters which would bring the allocation down.

As reported last quarter, the change in benchmark weighting for infrastructure funds had meant that the Fund was below the lower limit for this asset class. There had been significant drawdowns during the last quarter and further anticipated drawdowns should rectify the position during the financial year.

Members noted that for the quarter to the end of September, the Fund returned 2.3% against the expected benchmark return of 1.1% and for the year to date the Fund had now returned 6.4% against an expected return of 5.5%.

S Smith gave an update on the performance of Border to Coast funds. Charts within the report showed quarterly returns and also the longer-term position of each of the funds. It was noted that four of the five funds had outperformed their benchmark and matched the target return.

RESOLVED – That the report be noted.

14 RESPONSIBLE INVESTMENT UPDATE

Members considered the Responsible Investment update for Quarter 2.

Highlights over the quarter included:

- The casting of more than 1,000 votes at 89 different company meetings.
- A continued high level of engagement activity with more emphasis on climate issues and a continuing focus on social issues.
- The closing out of some of Robeco's engagement themes in line with their plan with some successes noted.
- Equity portfolios continued to demonstrate strong ESG performance relative to benchmark.
- The availability of new metrics for the commercial property portfolio.
- Some improvement in the forecast progress towards Net Zero of the equity portfolios following Border to Coast's commitment to Net Zero. It was noted that this was not sufficient to hit 2030.

- A continuing high level of collaborative and policy development activity.

With regard to the progress towards Net Zero, Cllr Sangar asked about the availability of data to support this.

There was a detailed discussion about the availability and accuracy of data and the progress of both SYPA and Border to Coast to obtaining the necessary data to make informed decisions.

R Elwell commented that this was a challenge for the entire industry and significant strides would need to be made in the next two years to ensure a consistent approach for the provision of data.

G Graham commented that SYPA may need to reconsider its Strategic Asset Allocation in the context of achieving Net Zero whilst ensuring returns were sufficient to pay pensions that were due.

Members also discussed the government's intention to legislate in relation to the taking of "foreign policy stances" in the context of LGPS investment. It was felt that this would be a difficult area and further advice and clarification would be needed from the Scheme Advisory Board and LAPFF.

RESOLVED – That Members note the activity undertaken during the quarter.

15 ANNUAL REVIEW OF BORDER TO COAST'S RESPONSIBLE INVESTMENT POLICY

A report was submitted to secure the Authority's endorsement for the various Border to Coast Responsible Investment policies following their annual review.

Members were reminded that Border to Coast conducts a review of its Responsible Investment Policy and Voting Guidelines so that they can be updated before the following voting season. In addition the Company had also developed, for the first time, a stand-alone Climate Change Policy. The three documents were attached as appendices to the report.

It was noted that the Responsible Investment Policy had been updated to reflect the creation of the separate Climate Change Policy and included two specific exclusions from the investment universe. These exclusions were pure coal and tar sands companies and were very common exclusions across the industry and would not result in any specific sales of stocks in the current equity portfolios. In all other aspects the substance of the policy remained the same but the policy did make clearer the process to be followed where a process of engagement had not achieved its aims. The policy also identified, following discussions with Partner Funds, the focus areas for engagement over the next three years which were detailed within the report.

The main changes to the Voting Guidelines were set out in the report and would all support the Authority's general position and reflect an ongoing raising of expectations with clear consequences in terms of the way in which votes were cast.

The Climate Change Policy was an entirely new document and had been developed through a process which had examined wider international best practice and was

utilising similar tools to those adopted by SYPA such as the IIGCC framework in order to create an action plan as measure progress. The key statement within the policy was a commitment to Net Zero by 2050 or sooner.

With regard to responsible investment training, including climate change and maintaining and increasing knowledge and understanding of climate changes risks, Members requested that this was added to their training programme for the following year.

RESOLVED – That Members:

- i) Endorse the Border to Coast Responsible Investment Policy, the Corporate Governance and Voting Guidelines Policy and the Climate Change Policy, attached at Appendices A-C.
- ii) Welcome Border to Coast’s adoption of a Climate Change policy and its adoption of a Net Zero commitment.
- iii) Request that climate change training be added to the training programme.

16 GUARANTEED MINIMUM PENSION RECONCILIATION AND RECTIFICATION

J Bailey presented a report which sought to secure approval for policies to be followed in implementing the rectification of Guaranteed Minimum Pensions (GMPs) in payment following completion of the reconciliation exercise.

Members were reminded of the background to the requirement for individuals to receive a GMP and the necessity to reconcile records held by HMRC with those held by pension funds to ensure that individuals were receiving the correct GMP benefit and then address anomalies.

SYPA had commissioned ITM to undertake this work and they had now reached a stage where they were in a position to make amendments to both benefits in payment and the benefit entitlements of members who had yet to retire.

The proposed policies were set out within the report and reflected practice adopted by other administering authorities and supported by the LGA.

To ensure appropriate transparency, once ITM had completed the work of implementing the rectification exercise, the Authority would be asked to approve the write-off of the amounts not to be recovered from scheme members who had previously been overpaid as a single block amount.

The intention was to complete the rectification exercise by July 2022.

RESOLVED – That Members:

- i) Note the position that had been reached in the GMP reconciliation exercise as set out in the report.
- ii) Approve the implementation of the policies outlined in paragraph 5.5 in relation to the rectification of GMPS already in payment.

17 PROCUREMENT OF ACTUARIAL SERVICES

A report was submitted which formally reported on the conclusion of the procurement process for actuarial services.

Members were reminded that at its meeting on 30th September 2020 the Authority agreed to undertake a procurement process for actuarial services using the new national framework agreement covering those services. The procurement was driven by a desire to seek opportunities to improve the service provided to employers through making greater use of technology and a need to better control costs both to the Fund and, for some pieces of work, the employers.

An invitation to further competition was issued to the four qualifying actuarial firms in September 2021 with three bids being received by 11th October. The bids were evaluated and interviews held with the three bidding firms before a decision was made.

The successful provider was Hymans Robertson LLP who had been appointed for an initial period of five years (with an option to extend this period).

The procurement process had now concluded and the process of transition from the incumbent to the new provider had begun. The process had reinforced the understanding that the market had moved on in terms of the nature of service provision and the cost of the service. The delivery of benefits would be based on the improvements in technology and in increased levels of self-servicing.

RESOLVED –Members note the outcome of the procurement process for actuarial services.

18 RECOMMENDATIONS FROM THE AUDIT COMMITTEE

ExclusionA report was submitted to enable the Authority to consider recommendations made by the Audit Committee.

Members were informed that at its last meeting in October the Audit Committee considered two items on which it made recommendations to the Authority.

The first item was the process for procuring future external audit services, details which were set out at Appendix A to the report. The Audit Committee recommended that the Authority agree to participate in the national arrangements provided through Public Sector Appointments Ltd.

The second item was the annual report of Deloitte LLP, the Authority's external auditor (at Appendix B to the report). While there was no requirements for this to be considered by the Authority, it was considered good practice in terms of transparency and the wider governance responsibilities of all members.

RESOLVED – That members:

- i) Accept the recommendation of the Audit Committee that the Authority participate in the national audit procurement arrangements for the next procurement cycle as set out in Appendix A.
- ii) Receive the Annual Report of the External Auditor as set out in Appendix B and consider the comments of the Audit Committee set out in the body of the report.

Exclusion of the Public and Press

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

19 WAIVER OF CONTRACT PROCEDURE RULES - DATA CENTRE CONNECTIVITY

A report was submitted to seek approval for a waiver of Contract Procedure Rules in order to address the urgent need to provide internet connectivity to Oakwell House as a result of the failure of the previous contractor to deliver.

RESOLVED – That members:

- i) Authorise the Director to take action to extricate the Authority's current contractual arrangements due to failure to deliver.
- ii) Approve waiver of Contract Procedure Rules to allow the direct award of the Authority's contract for data centre connectivity to the company named within the report, should the ending of the arrangement with the current provider be possible and cost effective.

CHAIR

This page is intentionally left blank



Subject	Corporate Planning Framework	Status	For Publication
Report to	Authority	Date	10 th February 2022
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Director	Phone	01226 666439
E Mail	ggraham@sypa.org.uk		

1 **Purpose of the Report**

- 1.1 To provide the opportunity to approve the 3 yearly detailed update of the various elements of the corporate planning framework.
-

2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Approve the updated Corporate Strategy covering 2022-25 at Appendix A**
 - b. **Approved the updated supporting strategies at Appendices B to E**
-

3 **Link to Corporate Objectives**

- 3.1 This report links to the delivery of all seven corporate objectives set out below:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers).

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision making processes.

Investment Returns

To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

Responsible Investment

To develop our investment options within the context of a sustainable and responsible investment strategy.

Scheme Funding

To maintain a position of full funding (for the fund as a whole) combined with stable and affordable employer contributions on an ongoing basis.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

Valuing and engaging our Employees

To ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

4 Implications for the Corporate Risk Register

- 4.1 The actions set out in the corporate planning framework are designed to mitigate the major risks set out in the updated corporate risk register. The work to update the risk register indicates that the level of risk facing the Authority has increased.

5 Background and Options

- 5.1 The Authority's Corporate Planning Framework has a number of components, as shown below:



- 5.2 While elements of the framework are updated annually the whole framework is subject to an in depth review every three years, immediately prior to the triennial valuation of the Fund, meaning that the time for the next in-depth review has now come round.
- 5.3 Attached as appendices to this report are updated versions of the key strategic documents. The key focus for the next three years set out in the proposed corporate strategy is:
- Data – focussing on a range of data related projects including the valuation and a number of statutory exercises such as GMP rectification and the implementation of the McCloud remedy.
 - Process Improvement – which particularly focuses on getting the most out of our investment in technology including automating processes and improving reporting.
 - Investment – which focuses on activity to develop and refine the investment strategy to support the overall funding of the pension scheme, including the delivery of the Net Zero Goal.
 - Organisational Infrastructure – which focuses on all those things that make the business work.
- 5.4 A key element of the projects identified is to finish what we have already started in order to deliver the greatest possible benefits to the quality of service to scheme members and employers, while reducing pressure on capacity within the organisation.
- 5.5 The Medium-Term Financial Strategy shows that the Authority is forecast to be able to continue to adhere to the financial limits which it has set for itself. However, the movement of more assets into alternative asset classes which are more expensive to manage is manifesting itself in an upward pressure on investment management costs. This is an area that has to be focussed on through cost benchmarking exercises and the results of these will be reported when available. The other key issue which will have a significant impact on the review of the Investment Strategy is the increasing need to harvest income to support the payment of benefits to scheme members, which is forecast to increase significantly over the planning period.
- 5.6 The HR and ICT strategies which are the key enablers for delivery of the overall strategy concentrate on continuing to progress the current direction of travel which focuses on improving organisational resilience and broader organisational health as the foundation for future organisational success. This involves the completion of a number system replacement and upgrade projects as well as other major policy and process review projects. The scale of activity here is likely to have resource implications some of which are already identified within budget plans, and reserves are available to deal with one off issues, but further resources may be required in future budgets as the outcomes of particular pieces of work become clear.
- 5.7 It is fair to say that over the last three years work to progress the Equality and Diversity Scheme has not been as great as would have been desired, although some progress has been made. The updated Scheme concentrates on a smaller range of more achievable actions and maintaining ongoing activities which tend to be demand responsive (such as providing large print publications on request). This is in line with the broader approach of setting our ambition in line with our capacity to deliver.

- 5.8 To support this more detailed review of the Corporate Strategy a more fundamental review of the Corporate Risk Register has been carried out, and the full register is attached as an appendix. This fundamentally “rebases” the register. While there has not been a significant change in the nature of the risks faced the current level of risk has increased with a greater number of “red” risks facing the Authority. This is reflective of the more fragile economic and market environment and a ratcheting up of the regulatory environment. In general, the projects outlined in the Corporate Strategy seek to address the “red” risks and successful delivery will mitigate these to a significant degree.
- 5.9 In summary the Strategy for the next three years is intended to maintain momentum while seeking not to overload the organisation, allowing us to embed some of the changes that have taken place over the last few years. The intention of this is to provide the space to deal with the major externally imposed workloads such as McCloud.

6 **Implications**

- 6.1 The proposals outlined in this report have the following implications:

Financial	The projects and other proposals outlined in the Corporate Planning Framework are reflected in both the budget and medium-term financial strategy.
Human Resources	There are no direct HR implications, however, the HR strategy is designed to ensure that the workforce is able to deliver the overall Corporate Strategy.
ICT	The overall strategy requires the delivery of a significant number of ICT related projects, as well as the ongoing maintenance and upgrading of systems and infrastructure. This will continue to place a high level of demand on the resources of the ICT Team which may well require the allocation of additional resources in this area through the budget process.
Legal	None apparent
Procurement	The delivery of the Corporate Strategy will require a number of procurements which will be undertaken in line with the Authority’s Contract Standing Orders.

George Graham

Director

Background Papers	
Document	Place of Inspection

Corporate Strategy 2022 to 2025

Commitment to Excellence

Contents

Foreword	3
Background	4
What we are here for and what we need to do to achieve it	6
How are we going to go about fulfilling our objectives?	7
What we are going to do over the next three years	9
How we will know if what we have done has had an impact	14
What are the things which might stop us from achieving our objectives?	17
What's it all going to cost?	18
What about our people?	20

Foreword

South Yorkshire Pensions Authority exists solely to meet the needs of its customers, whether they are scheme members or scheme employers. The purpose of this corporate strategy is to set out how we are going to approach that task over the next three years.

This update to our strategy reflects the continuing journey to build a stronger more resilient organisation focussed on delivering for our customers and reflects what we have learnt from having to adapt the way in which we operate to the Covid-19 pandemic, and also the fact that we have not been able to make as much progress as we might like on some projects because of the prolonged period during which all of our staff have been working at home.

While change and review are and must remain a constant, our core purpose remains the same as it has always been to act as stewards of the pension savings of our scheme members. But, in doing this we do not exist in a bubble. We are and must remain a part of the local government family in South Yorkshire and it is important that we do not lose sight of this connection. We are not immune as an organisation to financial constraints, they are just different to the constraints placed on a council or FE College, and it is right that we should face the same challenges around improving productivity and reducing costs that have faced and continue to face our largest employers.

As a consequence of this, our strategy over the next three years focuses on delivering improvements to the way in which we do things in order to ultimately improve the service received by our customers and our overall efficiency.

This is an ambitious agenda, but one that will move us to the next level in meeting the needs of our customers which after all is what we are here for.

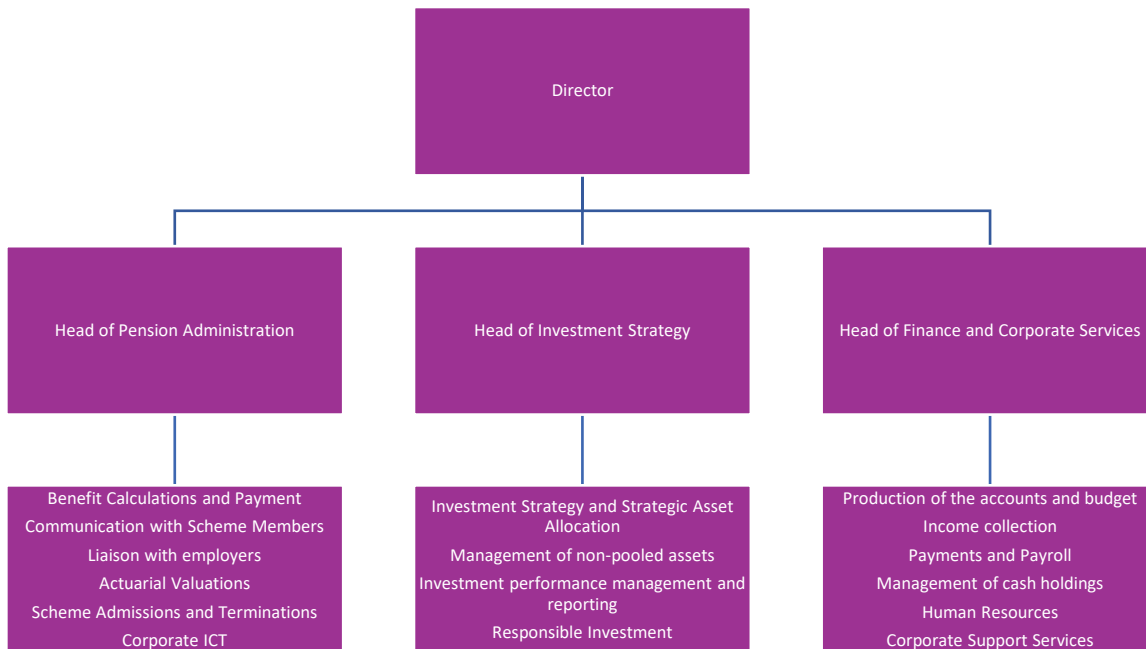
Cllr John Mounsey
Chair
South Yorkshire Pensions Authority

Background

South Yorkshire Pensions Authority came into being on 1st April 1988, following the abolition of South Yorkshire County Council and the winding up of the South Yorkshire Residuary Body. It is unique amongst the administering authorities in the local government pension scheme in that it is the only democratically accountable free standing pension’s organisation in the UK. While a small number of other LGPS administering authorities are not councils their “boards” include appointed experts rather than being entirely made up of councillors.

The Authority has 12 members drawn from the four South Yorkshire districts (Barnsley, Doncaster, Rotherham, and the City of Sheffield) roughly in proportion to their population.

The Authority is organised fairly conventionally for a pension fund as set out in the diagram below:



In total the Authority directly employs around 118 people (101.0 FTE) based at the Authority’s recently acquired and refurbished offices at Oakwell House in Barnsley.

The core dimensions of the Authority’s operations are set out below:

Number of Scheme Members (at 31/03/2021)	166,869
Number of Pensioners Paid (at 31/03/2021)	57,308
Number of Scheme Employers with active members (at 31/03/2021)	533
Proportion of employers that are local authorities	1.3%
Value of Assets under Management (at 31/03/2021)	£9.862bn
Annual Value of Investment Income (2020/21)	£169m
Annual Value of Contributions to the Fund (2020/21)	£283m
Annual Value of Benefits Paid from the Fund (2020/21)	£314m

South Yorkshire is a big pension fund by any dimensions (within the top 10 LGPS funds by both assets under management and membership) and historically this has meant that it has been able to realise significant economies of scale, being one of the lowest cost funds within the local government pension scheme.

The Fund has also delivered successful investment performance over a long period and is now estimated to be more than fully funded.

What we are here for and what we need to do to achieve it

Our mission, or what SYPA as an organisation is here for, is

“To deliver a sustainable and cost-effective pension scheme for members and employers in South Yorkshire delivering high levels of customer service and strong investment returns which facilitate stable contributions.”

We only exist because of our customers and given that we only do one thing, run the pension scheme, we owe it to them to provide the best possible performance while maintaining costs within reasonable levels.

In order to achieve this mission, there are a number of things we need to do or, our objectives, which are:



How are we going to go about fulfilling our objectives?

How we go about doing our job is also important. The way we go about doing our job reflects a series of values which are outwardly reflected as behaviours, as shown below:

Values	Behaviours
Honest and Accountable	Telling it like it is, and taking responsibility for our actions even when we have made a mistake
Progressive	Welcoming of change, while taking sensible risks and learning from our mistakes and from others
Professional	Being highly skilled and competent and managerially applying rationality to decision making processes
Empowering	Providing the freedom for individuals to identify and implement solutions to problems

These values and behaviours reflect how we wish others, whether customers or professional peers to see us and the degree to which each member of staff reflects these values in carrying out their role forms part of the appraisal process. These values also significantly influence the culture of the organisation, which in essence is how it feels to work for SYPA.

In addition to these values and behaviours which apply to all staff we have developed a range of management behaviours which support the values and which set out how we want to manage the organisation in order to deliver its objectives. These form part of the appraisal process for managers and are shown below:

Management Behaviours	Demonstrated by:
We model positive behaviours to each other and to all staff	<ul style="list-style-type: none"> • We regularly offer encouragement and praise for positive behaviours • We challenge inappropriate and unacceptable behaviour • We give and receive authentic feedback • We hold staff to account for their performance
We take responsibility for improvement - within a clear framework	<ul style="list-style-type: none"> • We get on with making improvements and changes rather than wait for permission (within a clear advice frame that sets out what we can get on with and what we can't). • We trust people to do their job, we don't micromanage. • We give a heads up when we plan something new, we speak up early when there is a problem or when things aren't going well. • When something doesn't go well, we look for what we can learn and what we can do differently next time.

<p>We all get behind a common goal</p>	<ul style="list-style-type: none">• We have a clear vision that sets out what our goals are and clear priorities which set out what our most important changes are.• We make the time to understand what we need to do to contribute to that vision.• We work together across the organisation and contribute to the organisation as a whole.• We challenge and question rumours and use discretion in sharing what gets discussed amongst managers.
<p>We involve and engage people in decisions that will affect them</p>	<ul style="list-style-type: none">• We keep people in the loop about things that will affect them.• We seek and value the opinion of the people we manage and of other teams.• We take the time to set out plans, then listen to the concerns and recommendations of those involved as to how we can strengthen those plans.• We communicate regularly and clearly to all staff.

What we are going to do over the next three years

Our planning process looks over three years because that is the period between valuations of the Pension Fund and the valuation is the event that initiates many of our major processes, such as reviews of the investment strategy.

The content of our plan is influenced by a number of things including:

- Changes in the nature of the scheme caused by regulatory changes which will require the recalculation of benefits in payment and entitlements for a large number of members.
- The need to address the long-standing issue of outstanding data processing tasks which do not immediately impact member benefits
- The need to complete a number of “in flight” projects which will deliver longer term productivity improvements including process automation and “retire online” as well as the process of pooling investments.
- The need when reviewing the investment strategy to properly address systemic risks to the value of the Fund’s assets.
- The need to comply with changes in regulation around the Fund’s investments in particular the introduction of mandatory climate reporting.
- The need to comply with developing requirements around governance.
- Developments within the Local Government Pension Scheme and the wider pensions industry such as the Pensions Dashboard.
- Wider economic developments which can impact the investment strategy and the affordability of contributions for employers.
- Technological developments.
- Feedback from stakeholder groups, including scheme members, employers and our staff.

A number of these will put us in a place where we are more able to develop new and deeper forms of collaboration with other LGPS funds should the opportunity arise.

Over the next three years we will be making a range of changes and improvements over the whole range of the Authority’s activities. In order to manage these more easily and provide clear accountability we have divided these up into programmes of work covering:

- Data – which focuses on a range of data related projects including the valuation and a number of statutory exercises such as GMP rectification and the implementation of the McCloud remedy.
- Process Improvement – which particularly focuses on getting the most out of our investment in technology including automating processes and improving reporting.
- Investment – which focuses on activity to develop and refine the investment strategy to support the overall funding of the pension scheme.
- Organisational Infrastructure – which focuses on all those things that make the business work.

For some areas of work (such as HR and ICT) the work included here summarises the more detailed plans contained in the relevant enabling strategies, rather than replicating the full detail.

This programme of work incorporates the need to address a number of things over which we have no choice such as the need to implement the changes in the pension regulations arising from various legal challenges related to discrimination on the basis of either age or gender. In themselves these represent a very significant volume of work which will run over a number of years.

The pages that follow set out for each of these:

- The specific things we want to do;
- The timescale for delivering each task.
- Who the lead officer is for each task.

We will also be introducing new arrangements for managing and reporting on progress with delivering projects which will ensure that the scope and objectives of projects are clearly defined at the start and that a monthly update on the progress of each project is provided to the Senior Management Team so that necessary actions can be taken to ensure that projects are completed to the intended timescale.

Ref	Project / Action	Timescale		Responsible Manager
		Start	Finish	
Data				
D01	Complete Valuation 2022 – <i>Data Submission</i>	11/21 04/22	03/23 05/22	Dir TA
	<i>Employer Engagement</i>	02/22	03/23	S&E
	<i>Funding Strategy</i>	11/21	03/23	Dir / HPA
D02	Guaranteed Minimum Pension – Completion of Rectification process	11/21	05/22	HPA
D03	McCloud Remedy-	03/22	04/24	HPA
	<i>System Upgrades</i>	09/22	03/23	Sys
	<i>Processing and Case Reviews</i>	04/23	03/24	Ben
	<i>Member Communications</i>	04/22	03/24	Cus
	<i>Employer Communications</i>	10/21	03/24	S&E
D04	Complaints – Undertake root cause analysis of complaints which occur on multiple occasions	04/22	09/22	Ben
D05	Pensions Dashboard – Provision of data in line with regulatory requirements	04/23	03/25	Sys
D06	Deliver annual data improvement plan	04/22	03/25	TA
Process Improvement				
P01	Implement contractual improvements to the Core UPM Pension Administration System –	02/22	03/25	HPA
	<i>Review of compliance with the new contract and effectiveness of delivery</i>	12/22	03/23	HPA
	<i>Review and updating of processes</i>	04/22	03/24	Ben / Sys
	<i>Retire Online</i>	01/21	04/22	Sys
	<i>Automation of Joiners</i>	09/21	04/22	Sys
	<i>Automation of leavers / deferred members</i>	06/21	06/22	Sys
	<i>Implement dynamic homepage and improve the log in / sign up process for mypension</i>	04/22	03/23	ICT
	<i>mypension App</i>	04/24	03/25	ICT
	<i>Feasibility/Pilot of Chatbots</i>	04/24	03/25	Sys / Cus
	<i>Online ID Verification for pension claims</i>	04/24	03/25	Sys / Ben
	<i>Improve functionality of employer hub</i>	04/23	03/24	Sys

Ref	Project / Action	Timescale		Responsible Manager
		Start	Finish	
P02	Monthly Data Collection-	03/22	03/25	ICT
	<i>Validator App enhancements</i>	03/22	03/25	ICT
	<i>Automate the processing of direct debit instructions from data submissions</i>	11/21	06/22	ICT / Fin
P03	Reporting – Implement improvements to the completeness and degree of automating of reporting across the organisation –	04/22	03/25	Dir
	<i>Statutory Disclosures</i>	04/22	03/23	Ben
	<i>Pension Administration Regular Management Information</i>	04/22	03/24	Ben/Sys/ICT
	<i>UPM Finance Reports</i>	04/22	03/24	Fin / Sys
	<i>Customer Centre Management Information</i>	04/22	03/23	Cus
	<i>Employer Performance</i>	04/22	03/24	S&E
	<i>Financial Reporting</i>	04/22	03/25	HFCS / Fin
	<i>HR Reporting</i>	10/22	09/23	HFCS / HR
P04	Financial Processes	04/22	03/24	HFCS
	<i>Review debt recovery processes</i>	04/23	03/24	Fin
	<i>Review of processes following implementation of new financial systems to capture benefits</i>	04/22	03/23	HFCS / Fin
	<i>Complete the review of the VAT Special Method</i>	06/22	12/22	Fin
	<i>Review custodian arrangements and procure as necessary</i>	02/22	09/22	HFCS
	<i>Review banking arrangements and procure as necessary</i>	04/22	09/22	Fin
	<i>Review arrangements for Treasury Management advice and procure as necessary</i>	09/22	03/23	HFCS
<i>Reprocure commercial property insurance if required</i>	07/24	03/25	Fin	

Ref	Project / Action	Timescale		Responsible Manager
		Start	Finish	
P05	Certifications aimed at embedding process improvements across the organisation – <i>Maintain Customer Services Excellence</i>	04/22	03/24	Cus
	<i>Achieve initial Investors in People accreditation</i>	04/23	03/25	HR
	<i>Achieve initial Pensions Administration Standards Association (PASA) accreditation</i>	04/22	03/25	Ben
Investment				
I01	Strategic Issues – <i>Conduct an Investment Strategy review following the 2022 Valuation and update the Investment Strategy Statement</i>	04/22	03/23	HIS
	<i>Address systemic risks to the fund's investments resulting from climate change through progressing annual updates to the Net Zero action plan</i>	03/22	03/25	Dir
	<i>Implement new requirements related to TCFD Reporting</i>	04/22	Ongoing	Dir / HIS
I02	Tactical and Transactional Issues – <i>Implement revisions to the Strategic Asset allocation</i>	04/22	Ongoing	HIS
	<i>Determine the approach to the Border to Coast property proposition and transition assets as necessary</i>	03/22	12/24	Dir / HIS
	<i>Conclude Project Chip</i>	09/21	09/22	Director
	<i>Review legacy portfolios and determine the ultimate exit routes in each case</i>	04/22	12/22	HIS
	<i>Continue to develop stewardship reporting in response to regulatory feedback</i>	04/22	Ongoing	HIS

Ref	Project / Action	Timescale		Responsible Manager
		Start	Finish	
Organisation				
001	Governance –			
	<i>Review and update information governance arrangements</i>	06/22	03/23	Gov
	<i>Complete roll out of workflows etc within Modern.gov and implement paperless meetings</i>	04/22	06/22	G&R
	<i>Implement new statutory officer arrangements and internalise committee and member support activity</i>	04/22	03/23	Dir / HFCS
	<i>Update procurement arrangements processes and systems including the implementation of the Yortender replacement</i>	12/21	06/23	G&R
	<i>Update process and procedure documentation across all aspects of Pension Administration to allow regulatory compliance to be demonstrated through the Portal</i>	04/22	03/25	S&E
	<i>Demonstrate compliance with the relevant TPR codes</i>	09/22	08/23	Gov
002	People –			
	<i>Procure and implement a new HR and Payroll System</i>	01/22	03/23	HFCS / HR / Fin
	<i>Consolidate the new finance team structure and capture benefits</i>	04/22	Ongoing	HFCS / Fin
	<i>Address currently identified recruitment and retention risks</i>	01/22	12/22	Dir / HR
	<i>Develop a staff Health and Wellbeing Strategy</i>	01/23	04/24	HFCS / HR
	<i>Develop an Apprenticeship framework to support existing and future apprentices</i>	01/22	04/23	HR
	<i>Create structured learning paths for different job roles using the different learning support technologies available</i>	01/22	04/23	HR
	<i>Implement actions from the 2022 staff survey</i>	Ongoing	Ongoing	SMT / HR
	<i>Undertake 2022 staff survey and identify appropriate responses to the results</i>			
	<i>Enhance collaborative working across the organisation</i>	01/22	Ongoing	All Managers

Ref	Project / Action	Timescale		Responsible Manager
		Start	Finish	
O03	ICT – <i>Complete the roll out of Microsoft 365 tools and the migration to 365 infrastructure</i>	06/21 06/21	03/25 09/22	ICT ICT
	<i>Agree and implement a revised hardware replacement programme</i>	04/22	04/23	INF
	<i>Implement the updated corporate website</i>	11/21	Ongoing	ICT
	<i>Review and update ICT policies, including specifically a review of password management arrangements</i>	04/22	Ongoing	ICT
	<i>Undertake annual ICT security health checks</i>	04/22	Ongoing	ICT
O04	Project and Programme Management –			
	<i>Determine a stripped down and appropriately scale project management process</i>	06/22	03/23	PM
	<i>Initiate a clearly defined process for prioritising and agreeing development and other system change requests</i>	06/22	03/23	HPA
O05	Business Continuity –			
	<i>Produce revised corporate business continuity plan</i>	04/22	09/22	INF
	<i>Reinstate annual testing of ICT Disaster Recovery arrangements.</i>	09/22	Ongoing	INF

Key to Responsible Managers:

Dir	Director
HFCS	Head of Finance and Corporate Services
HIS	Head of Investment Strategy
HPA	Head of Pensions Administration
Gov	Corporate Manager – Governance
ICT	Corporate Manager – ICT and Digital
Ben	Team Manager – Benefits
Cus	Team Manager – Customer Services
Fin	Team Manager – Financial Services
INF	Team Manager – ICT Infrastructure
S&E	Team Manager – Support and Engagement
PM	Programme Manager
TA	Technical Adviser
G&R	Governance and Risk Officer

How will we know if what we have done has had an impact?

All of the tasks that we need to undertake over the next three years are intended to make SYPA a better organisation and make us better at delivering our mission, but we need to know that doing these things has had an impact on how good we are at what we do.

Changes in the following indicators will be used to help us understand whether the changes we have made have had an impact. Each indicator has been linked to one of the corporate objectives.

Customer Focus

to design our services around the needs of our customers (whether scheme members or employers).

- Deliver an upward trend in customer satisfaction with the administration service.
Customer satisfaction is measured through surveys looking at a range of interactions (e.g. retirement, telephone contact etc.). While there are periodic up's and downs all these measures give a combined satisfied and very satisfied score over 90%.
- Meeting targets for the processing of transactions within specified timescales.
Current processing performance is below target at around 80% of the Authority's own standards which are generally more stretching than industry norms. While efforts are being made to improve this there is no evidence from increasing complaints or satisfaction surveys that the current position is causing an issue for customers.
- Retention of Customer Service Excellence accreditation
This has been achieved for the next review cycle and the report is available on the Authority's website.
- Numbers of complaints and compliments
The number of complaints remains very low in the context of both the number of scheme members and the number of customer interactions. Details are reported to each meeting of the Local Pension Board. There is no discernible trend in the numbers of complaints.
- Numbers of appeals against Authority decisions and the proportion upheld.
Again the numbers of appeals against the Authority's decisions (as opposed to those of employers) is very low with none upheld.

Listening to our stakeholders

to ensure that stakeholders' views are heard within our decision-making processes.

- Achieve a rising trend in the actuarial funding level.
This was achieved at the 2019 valuation with a funding level of close to 100%. Subsequent estimates indicate that full funding has been achieved and is being maintained.
- Achievement of stability in employer future service contribution rates.
This will be measurable at the 2022 valuation. However, measurement will be complicated by the impact of scheme changes on the valuation process and setting of contribution rates.

Investment Returns

to maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long-term liabilities.

- Fund level investment returns v benchmark and actuarial assumption.
The Fund saw a significant increase in value during 2020/21 and has delivered positive returns in excess of the benchmark and CPI over 3, 5 and 10 years.
- Investment returns by asset class v the asset class specific benchmark
This detail is included in the Authority's annual report and as would be expected there is variation across asset classes, although in general there is a positive picture.
- An increasing trend in the level of investment income achieved relative to assets under management (Note this indicator will require adjustment to reflect changes resulting from the move to holding assets within pooled vehicles).
After adjusting for the fact that equity dividends are now reinvested directly within pooled funds the overall level of income is increasing.

Responsible Investment

to develop our investment options within the context of a sustainable and responsible investment strategy.

- Achieve a downward trend in the level of carbon emissions from the equity portfolios, and a position better than reflected in the benchmark indices
This data is included in the Annual Report and there is a downward trend, albeit one that fairly closely mirrors the trend of the broader index.
- Achieve a rising ESG score from the equity portfolios and a position better than reflected in the benchmark indices.
This is being achieved and data is now included in quarterly reports.
- Rate of progress towards achieving Net Zero Carbon emissions from the portfolio.
This is reflected in the Annual Report and in quarterly reporting. There is positive progress but not yet at a rate that will achieve the agreed Net Zero goal.

Scheme Funding

to maintain a position of full funding (for the fund as a whole) combined with stable and affordable employer contributions on an ongoing basis.

- Achievement and maintenance of full funding
This is formally measured at the actuarial valuation every three years. The estimated position is currently that there is a surplus at fund level.

Effective and Transparent Governance

to uphold effective governance showing prudence and propriety at all times.

- Aim to maintain costs below the CEM peer group median and below the CEM benchmark median.
The latest final CEM report is not yet available, but this has been achieved in previous years.
- Aim to maintain administration costs per member at a level less than the England Average (as measured in SF3)
This is being achieved.
- Aim to maintain the total cost of running the Fund as a proportion of assets below the England and UK averages.
This is not being achieved based on the comparison using SF3 data, however this is likely to be due to the significant inconsistencies in accounting practices relating to non-invoiced investment costs. The CEM benchmarking information which makes estimates in relation to under-reporting has previously indicated a relatively low-cost position when adjusting for this under-reporting and should be regarded as more reliable.

Valuing and engaging our Employees

to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

- Levels of sickness absence
The overall level of sickness absence has declined during 2020/2, although there has been some increase subsequently in line with wider trends.
- Aim to show an improving trend in staff engagement from staff survey data.
The results of the Staff Survey carried out during 2020 show an improved level of engagement over 2018 but point to the need to address issues around career paths and role stimulation particularly for more experienced pension administration staff.
- Volume of training per member of staff (days).
It is currently not possible to comprehensively measure this indicator. Comprehensive measurement will be available when the new HR system is implemented.
- Aim for 100% of staff to receive an appraisal.
Due to the absence of an effective HR system, it is currently not possible to provide comprehensive information on this indicator. Sample data from Internal Audit work indicates some inconsistencies in approach.

In addition to these indicators which we will use to understand the impact the work we are doing is having we continue to monitor a range of process indicators for the administration service which are used to facilitate national comparisons and ensure compliance with regulatory requirements.

What are the things which might stop us from achieving our objectives?

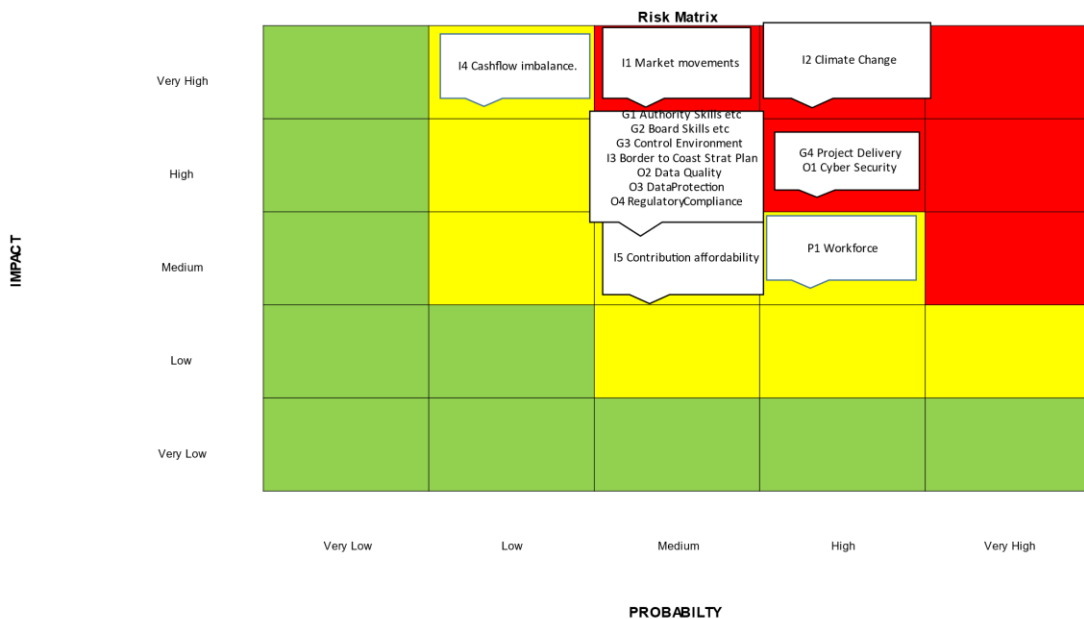
These are the risks that something might go wrong. The chart below shows each of the risks included on our Corporate Risk Register as at December 2020 mapped on to the risk matrix which we use to understand how significant each risk is. The further towards the top right of the matrix a risk is the greater its significance for us.

We use four categories to classify risks:

- Governance – These are risks that impact the soundness of our overall control and decision making framework.
- Investment and Funding – These are risks that impact the balance between the fund’s assets and liabilities and the ability to pay pensions when they become due.
- Operational – These are risks to the effective running of the business and to efficient and effective service delivery.
- People – These are risks to our ability to maintain a suitably qualified, experienced and engaged workforce.

The risk register is reviewed on a monthly basis by the Senior Management Team and is also reviewed by the Authority as part of the quarterly performance reporting process. Additional oversight of the Authority’s risk management arrangements is provided by the Audit Committee and Local Pension Board.

The Risk Register has been comprehensively rebased as part of the work to prepare the Corporate Strategy. A summary of the register is shown below. The full risk register is available with the quarterly performance reports on the Authority’s website.



Given changes in the external environment, there has been a noticeable increase in some risk scores despite previous mitigation. In addition, the delivery of many of the projects identified within this Corporate Strategy will address the identified risks.

What's it all going to cost?

SYPA's budget is not like that of a local authority in that it is not funded from council tax and business rates, and any costs that are incurred can be charged to the pension fund. However, that does not mean that we can operate free of financial constraints, we have a responsibility to spend as little as we can to ensure that stakeholders benefit to the maximum degree possible from the performance of the pension fund.

Our medium-term financial strategy (available on our website), which has been produced alongside this corporate strategy sets out our overall financial forecasts and a series of self-imposed rules which we will use to minimise the impact of our costs on the Fund. Equally, though we need to accept that in order to deliver some of the improvements we want to see we will need to invest up front in some projects.

Operating Budget

The Operating Budget represents the cost of running the Authority's activities including Pension Administration, oversight of the investment strategy and the costs of governance. These costs, like a council budget, are controllable and the Director is accountable to the members of the Authority for spending within the budget. The table below provides a summary of the budget for 2022/23 and forecasts for future years.

South Yorkshire Pensions Authority Operating Budget	2021/22 Forecast Outturn	2022/23 Budget	2023/24 Estimate	2024/25 Estimate
	£	£	£	£
Pensions Administration	2,562,540	2,717,850	2,710,340	2,763,860
Investment Strategy	541,510	572,750	507,180	521,850
Finance & Corporate Services	738,330	818,800	818,590	834,780
ICT	655,930	738,710	686,490	698,770
Management & Corporate	364,580	911,160	846,410	857,860
Democratic Representation	124,470	137,090	182,230	185,810
Unfunded Liabilities	342,000	350,000	351,750	353,510
Subtotal Revenue Expenditure:	5,329,360	6,246,360	6,102,990	6,216,440
Capital Expenditure	1,671,000	0	0	0
Contribution to Reserves	(1,212,760)	(66,360)	50,000	50,000
Levy on District Councils	(342,000)	(350,000)	(351,750)	(353,510)
Total Charge to Pension Fund	5,445,600	5,830,000	5,801,240	5,912,930
Membership	168,000	169,680	172,230	174,810
Cost Per Member	£32.41	£34.36	£33.68	£33.82

The budget requirement in 2022/23 has increased by 7% having been frozen in cash terms for the previous three years, thus there is a degree of catch up driven in part by increased levels of inflation and new pressures such as the increase in National Insurance contributions. We have, however, continued to invest in improving our services and infrastructure, in part through the redirection of resources and in part through growth in the overall budget. More detail is available in the Medium-Term Financial Strategy and the Budget report presented to the January Authority meeting each year.

The Pension Fund

The table below sets out a financial forecast for the Pension Fund including the Operating Budget and all other costs incurred in the running of the Fund, such as investment management fees which are charged directly to the Fund.

South Yorkshire Pension Fund Financial Forecast	Actual 2020/21 £m	Forecast 2021/22 £m	Forecast 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m
<i>Dealings with members, employers and others directly involved in the scheme:</i>					
Contributions receivable & transfers in from other pension funds	(304)	(200)	(300)	(315)	(216)
Benefits payable and payments to or on account of leavers	331	343	354	362	371
Net (additions) / withdrawals from dealings with members	27	143	54	47	155
Management expenses	65	70	77	84	92
Net returns on investments	(1,784)	(943)	(544)	(561)	(693)
Net (increase)/decrease in the Fund during the year	(1,692)	(730)	(413)	(430)	(446)
Net Assets of the Fund at 1 April	(8,170)	(9,862)	(10,592)	(11,005)	(11,435)
Net Assets of the Fund at 31 March	(9,862)	(10,592)	(11,005)	(11,435)	(11,881)
Management Expenses as Percentage of Average Net Assets	0.72%	0.68%	0.71%	0.75%	0.79%

This forecast reflects the on-going strong performance so far in 2021/22, while still reflecting the increasing imbalance between contributions and benefits payable (although this is somewhat distorted by the impact of prepayments following each actuarial valuation). Currently management expenses are forecast to change reflecting a change in the balance of the fund's investments towards alternatives which attract higher levels of fees. Based on current estimates of the funding level, this forecast indicates that based on the underlying assumptions it should be possible to maintain full funding at whole fund level.

What about our people?

While they do not appear on our balance sheet our people are SYPA's most valuable asset, we will deliver none of the projects outlined in this corporate strategy without their engagement and commitment. At the same time while rewarding staff fairly and treating them with respect and compassion we do need to continually review our employment policies to ensure that they support us in being the sort of organisation we want to be.

We employ 101.0 full time equivalents (equating to around 118 people).

A number of the actions set out in the Action Plan within this corporate strategy reflect our continuing focus on the development of our workforce and more detail is set out in the Human Resources Strategy which sets out much more detail both on the challenges we face and the specific actions we propose to take, across three themes:

- Developing the current workforce to meet the needs of the organisation
- Recruiting a workforce for the future
- Retaining a high quality workforce

How staff feel about working for SYPA is also an important driver of the likelihood that we will be successful in delivering the various projects that are set out in this plan. During 2020 we carried out our bi-annual staff survey. For the first time this was carried out by an external organisation in order to create a robust baseline so that we can better measure progress in this area.

Overall, the results of the survey were positive with comparisons to the last survey in 2018, where possible, generally showing improvement and a range of positive comments about some of the more recent developments in terms of, for example, our approach to health and wellbeing. There are, though areas for improvement including the need to develop clearer career paths for more experienced staff within pension administration coupled with the need to involve this group in a more varied and interesting range of work, while not losing track of our core function of ensuring pensions are paid correctly and on time. There is also a clear need to continue to work on improving communication within the organisation.

The degree of change which we face over the planning period means that ensuring that this work is an extremely high priority if we are to successfully achieve the broader objectives set out in this Corporate Strategy as an engaged and motivated workforce will assist us in delivering better services for our customers.

This page is intentionally left blank

Medium Term Financial Strategy

2022/23 to 2024/25

Contents

1. Foreword	3
2. Setting the Context for the Medium Term Financial Strategy	4
3. Financial Objectives	6
4. Financial Forecasts	11
5. Policy on Reserves	15

1. Foreword

1.1 Foreword to the Medium-Term Financial Strategy 2022/23 to 2024/25

- 1.1.1 This Medium-Term Financial Strategy (MTFS) has been produced by the South Yorkshire Pensions Authority to cover the period from April 2022 to March 2025. This period will see the continued emphasis on supporting the overall Corporate Strategy in building on the continuing improvement journey for the organisation, as well as continuing the transition of the Authority's remaining investment assets into the pooling structures provided by the Border to Coast Pensions Partnership.
- 1.1.2 The strategy covers both the costs of running the Authority's operations and the income and expenditure of the pension fund, although this is significantly more difficult to forecast than routine running costs such as staff salaries.
- 1.1.3 Any financial strategy is based on a series of key assumptions and throughout this document these assumptions are identified and are subject to ongoing review as part of the process of regular budget monitoring and producing updates to this strategy.
- 1.1.4 The financial strategy (and the budget which is the annual expression of the strategy) is, put simply, the financial expression of the policy position set out in the corporate strategy. Hence this strategy is updated each year as the Corporate Strategy is updated to reflect changed circumstances.
- 1.1.5 While SYPA is less exposed to the wider constraints on the public sector financial environment than our colleagues in the major employing organisations within the Pension Fund, we still have a responsibility to manage the resources for which we are responsible in such a way that our expenditure does not negatively impact on the overall performance of the Pension Fund. This strategy sets out how we aim to achieve this in as transparent a way as possible.

2. Setting the context for the medium term financial strategy

2.1 Public Sector Finance

- 2.1.1 The public sector financial environment is probably the most significant factor defining the context in which this strategy is developed. Key issues, like the level of pay awards, have an impact both on some aspects of the Fund's liabilities as well as upon elements of the Authority's cost base.
- 2.1.2 The main factors which normally affect the Authority and the Fund are concerned with local government finance. In general terms, growth in local government spending tends to lag growth in the generality of government spending, although pay tends to mirror the headline change in public sector pay.
- 2.1.3 The effects of the global COVID-19 pandemic and other demand pressures remain hugely significant issues for Local Government. The financial settlement includes funding for Councils for costs arising from this, as well as additional funding for social care. However, a substantial proportion of this additional funding is dependent on increases to council tax, and it remains the case that the overall context is that local government finances are under increasing pressure.
- 2.1.4 The national pay award for 2021/22 has yet to be agreed at time of writing in February 2022. The final offer from the employer side was 1.75%. This was rejected and the trade unions balloted their members for strike action, the results of which are currently awaited.
- 2.1.5 For the time being, our assessment of what this means for the Authority and the Fund is that it is likely that headline pay increases in the medium term will be at around, or quite possibly below, the level of 2%, and that major employers (and probably schools and colleges as well) will continue to need to identify significant year on year savings. This has wider effects on a number of areas, including the affordability of contribution rates, the balance of membership between active, deferred and pensioner members, and the number of early retirements on grounds of redundancy. These factors will influence the value of benefits in payment, the average lifetime in retirement and the value of lump sum "strain" payments into the Fund. All of these factors will need to be reflected in forecasts of income and expenditure and in the debate over contribution rates at each valuation.

2.2 The Pensions Sector

- 2.2.1 What is happening in the wider pensions sector impacts the Authority and the Fund in a less direct way, although no less significantly. For example, a significant change in the funding level of the remaining private sector defined benefit schemes could change the value of certain assets classes used to address the results of the change (e.g., a search for index linked gilts if funding levels increased). This could impact on the potential rate of growth in the value of the Fund or could make it harder to deploy capital into specific types of asset if other funds take up the supply of assets.
- 2.2.2 In addition, trends in the wider pensions sector tend, over time, to influence developments within LGPS and in the public sector pensions' space. These trends may arise from regulatory emphasis, such as the continuing focus on data quality, or from changes in technology such as the growing emphasis on various forms of e-communication, and methods of engaging with scheme members.

2.3 The Economic Environment

- 2.3.1 The wider economic environment impacts the Fund in terms of both its assets and its liabilities. Clearly the underlying economic environment impacts the performance of investments in the financial markets while key metrics such as inflation and interest rates feed into the actuarial calculations which determine the Fund's liabilities.

2.3.2 It remains incredibly difficult to forecast the movements in key economic indicators therefore it makes sense for this strategy to use assumptions based on key factors already reflected in the financial framework such as the assumed level of investment return included in the actuarial valuation. This is not a protection against any forecast being wrong – it almost certainly will be – but it means that the strategy is based on an underlying set of assumptions that have been subject to a more rigorous set of testing than it would be possible to achieve internally.

2.4 The Starting Point

2.4.1 The starting point has a significant impact on any strategy. In this case, the starting point is reflected in the current cost base for the Authority's operations and its fund management arrangements and the level of funding within the scheme which, based on the 2019 valuation results, reflects a significant improvement on the previous 2016 position.

2.4.2 In some senses the starting point is possibly more influential than other aspects of the context, for example achieving full funding, or close to full funding leads to an alteration to the strategic asset allocation moving funds out of equities into less volatile, preferably income generating assets. Unfortunately, these tend to be more expensive assets to manage thus a change in the cost base is almost inevitable. Whether the focus is on net of fees return or gross fees is irrelevant because both will ultimately have the same impact on the value of and performance of the Fund.

2.4.3 For the South Yorkshire Pension Fund, the starting point is, based on the 2019 valuation results, very close to full funding. This impacted employers' deficit recovery contributions, which in many cases were no longer required. This informed the review of the strategy and the production of the current Investment Strategy Statement from March 2020, which reduced the level of exposure to UK equities and index linked gilts and moved funds into private credit and infrastructure with the aim of reducing volatility and achieving additional stable income.

3. Financial objectives

3.1 Financial Objectives

3.1.1 For any strategy it is important to understand what you are aiming to achieve. This is no less true of this MTFs, and this section sets out objectives in relation to the control of costs in the overall context of the Fund. In order to set these objectives, we need to understand how SYPA's costs compare to the rest of the LGPS funds.

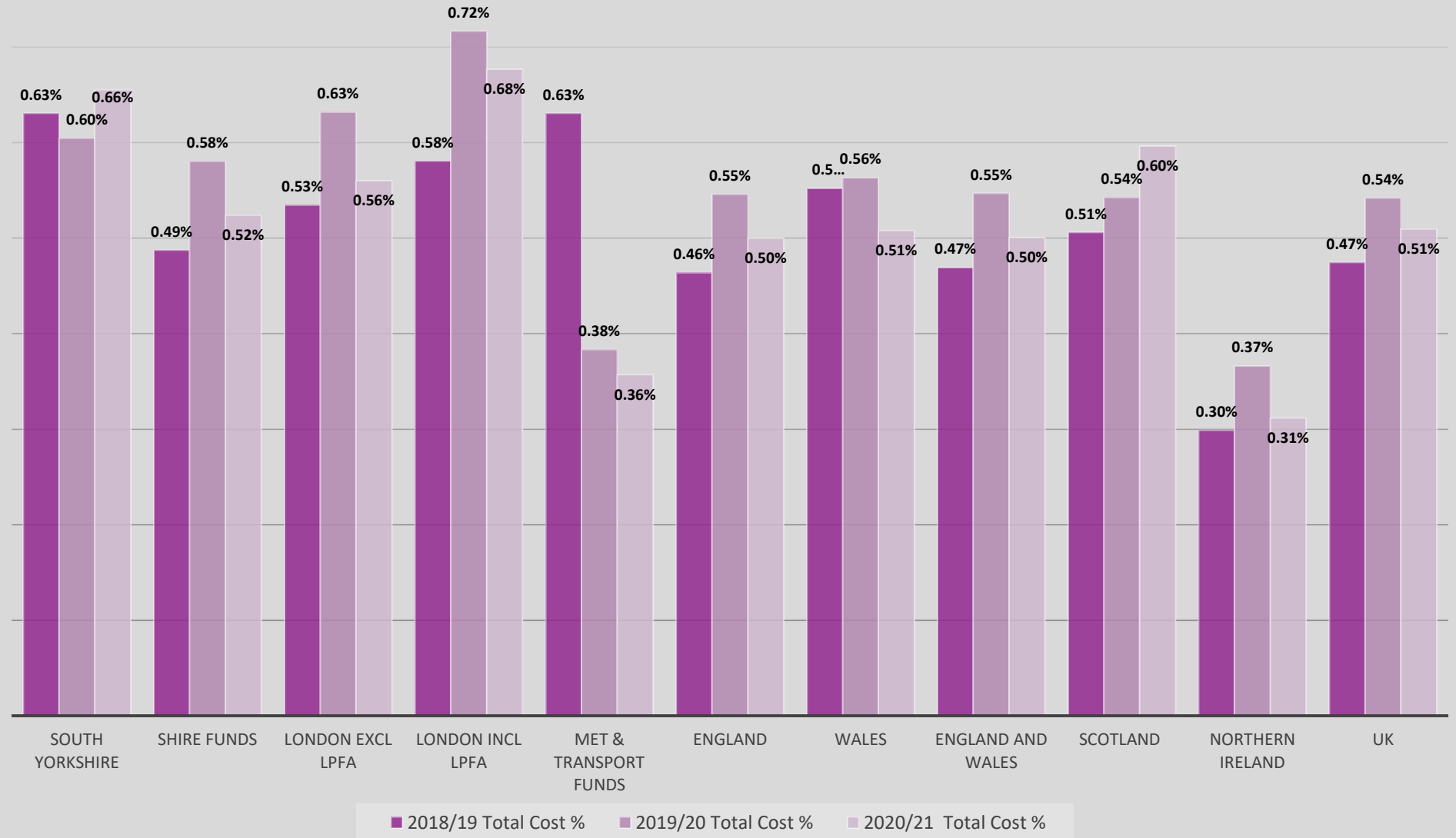
3.2 Comparative Costs

3.2.1 The only real source of data to compare SYPA with other LGPS funds is the annual SF3 return completed by all English and Welsh funds and submitted to MHCLG. Similar data for the Scottish and Northern Irish funds can be added to this from fund annual reports to give a UK wide comparison. There are flaws with this data, particularly regarding the disclosure of non-invoiced investment costs, which are gradually, but very slowly, being worked out of the system. However, it is the only comprehensive data set available and does give a broad indication of how SYPA compares with other LGPS funds.

3.2.2 Chart 1 below shows how SYPA's total costs compare with those of both the totality of other LGPS funds and of particular types of fund, for the last three financial years from 2018/19 to 2020/21.

Chart 1 - Total Costs as a Proportion of Fund Value 2018/19 to 2020/21

Source: SF3 Returns for England and Wales and Fund Annual Reports for Scotland and Northern Ireland



3.2.3 This appears to show that South Yorkshire's costs as a proportion of Fund value now represent one of the highest cost Funds in this comparison. However, it is important to note that the primary driver for this is investment costs and this should be considered in the context of the drive to greater cost transparency and improved reporting of investment management expenses that are not invoiced but deducted at source from Net Asset Value (NAV). Since 2018/19 SYPA, with the aid of Border to Coast, has made significant progress in this regard, that so far is outpacing the progress of other Funds. It should also be noted that unlike other LGPS funds, SYPA is not able to fully recover VAT resulting in a tax drag, which in 2020/21 amounted to £0.2m, and was c.£0.5m in the two years before that.

3.2.4 Whilst our progress on cost transparency appears to have started earlier and moved more quickly, it is evident that a similar impact is now starting to be seen within some of the other Funds' costs for 2019/20 to 2020/21; and it is anticipated this will continue, making these comparisons more useful going forward as they will be on a more 'like-for-like' basis.

3.2.5 The following table presents more detail of the investment costs and this demonstrates the impact since 2018/19 of the enhanced reporting of these external management costs that are deducted at source.

Investment Management Expenses - Breakdown	2018/19	2019/20	2020/21	Movement 2019/20 to 2020/21
	£000	£000	£000	£000
Pooling Costs - Invoiced	1,935	2,066	3,891	1,825
Internal Management Costs	672	596	539	(57)
External Management Costs - Invoiced	5,335	3,529	2,528	(1,001)
External Management Costs - Deducted at Source	40,254	37,790	52,431	14,641
Irrecoverable VAT Liability	516	497	211	(286)
Total Investment Management Expenses	48,712	44,478	59,600	(4,234)
Fund Value at 31 March: £000	8,439,965	8,170,401	9,862,073	1,691,672
Investment Costs as Percentage of Fund Value %	0.58%	0.54%	0.60%	

3.2.6 The Authority is confident that our performance in controlling actual costs overall remains strong; but there is no room for complacency, and we continue to closely monitor this area in light of the following factors that are driving cost increases:

- The Fund's strategic asset allocation is moving more of the portfolio into unlisted assets such as private equity and infrastructure which in general tend to be more expensive to manage.

- The Government's pooling initiative results in SYPA's listed assets in future being managed within pooled structures provided by Border to Coast which, while cheap in comparison to external managers, are more expensive than the previous, admittedly unsustainable, in-house arrangements.
- 3.2.7 There are specific factors which might be expected to give rise to SYPA having a higher-than-average cost base, in particular the fact that it is a stand-alone pension organisation bearing its own corporate overheads, rather than sharing them with a council. This has not been borne out by the data in recent years but will be kept under review as part of the budget process going forward, particularly as the Authority continues to invest in the development of the organisation and governance.
- 3.2.8 The total cost shown in Chart 1 can be analysed in more detail by looking at the following two charts which separate out SYPA's Investment and Administration costs and how these compare with the rest of the Local Government Pension Scheme across the UK.

Chart 2 Investment Costs as a Proportion of Fund Value 2018/19 to 2020/21

Source: SF3 Returns for England and Wales and Fund Annual Reports for Scotland and Northern Ireland

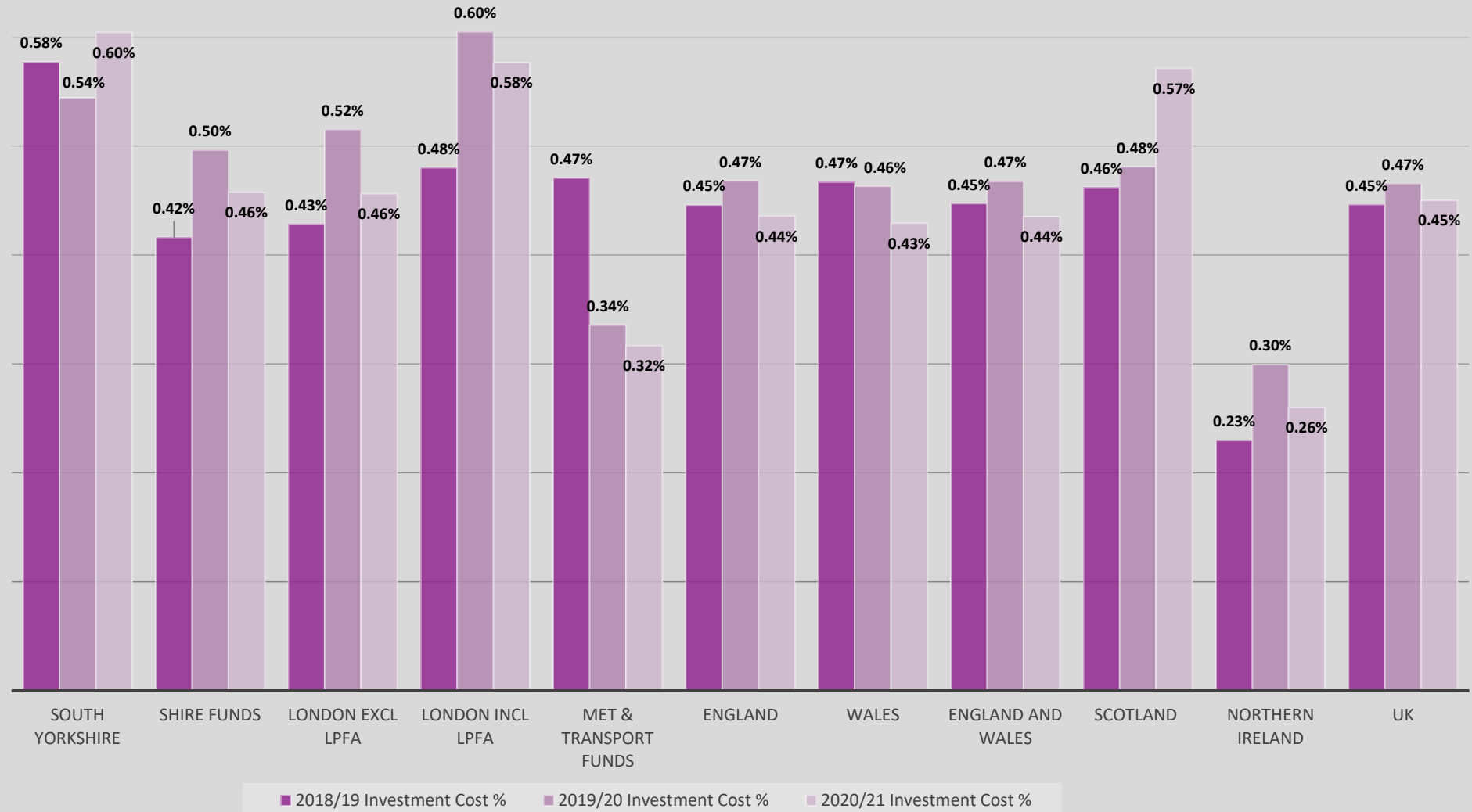
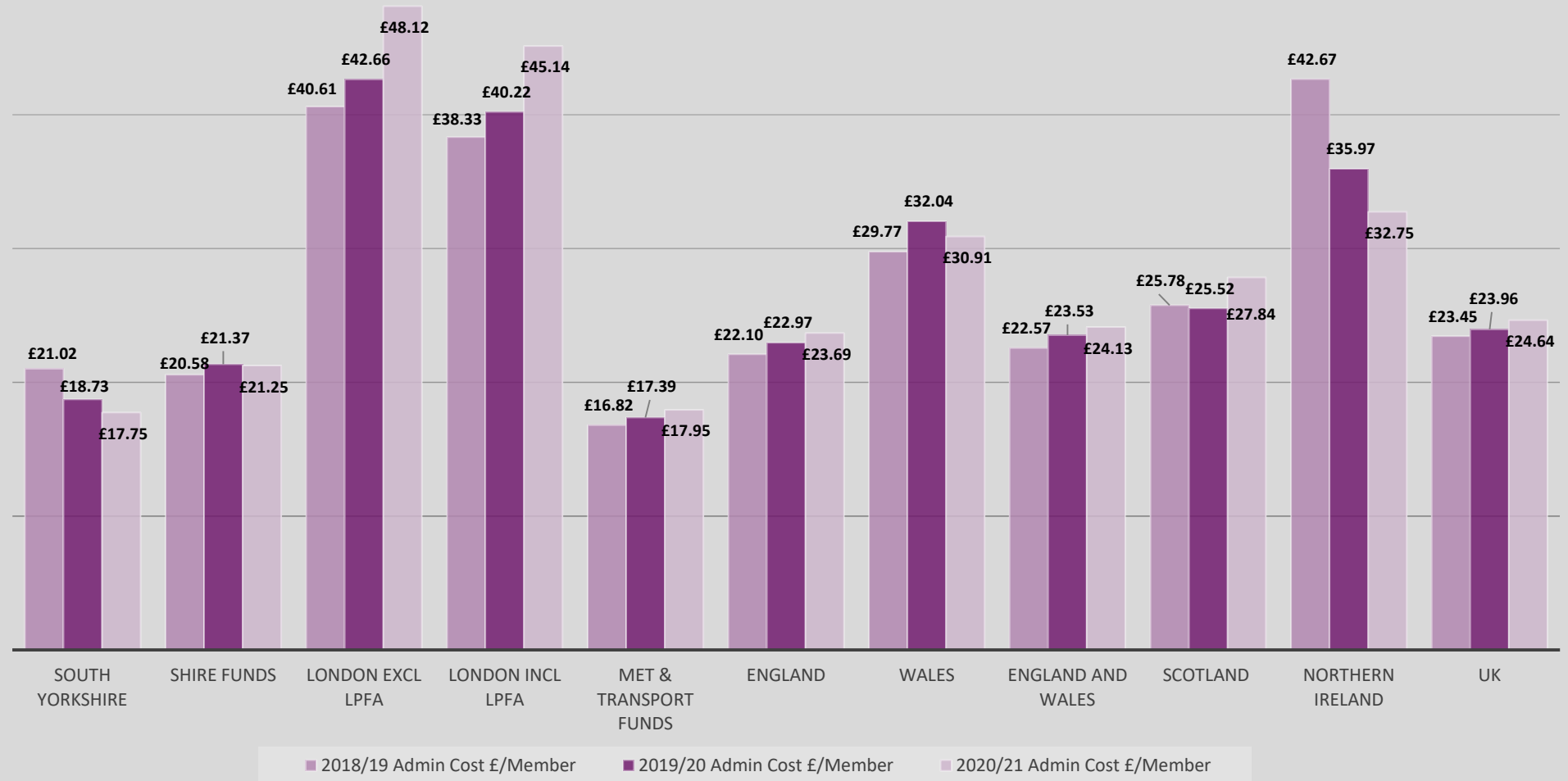


Chart 3 Administration Cost Per Member 2018/19 to 2020/21

Source: SF3 Returns for England and Wales and Fund Annual Reports for Scotland and Northern Ireland



- 3.2.10 It is evident from Chart 3 that Administration costs for the Authority remain at the lower end of the spectrum of costs.
- 3.2.11 In regard to Administration, SYPA is benefitting from the economy of scale that comes from serving a large fund, while the much smaller London funds clearly see the diseconomies which arise from servicing much smaller funds.
- 3.2.12 It is important that we continue to monitor the cost base and comparing our costs with other pension funds is a useful tool to inform this. However, it is important to assess this in a holistic way by benchmarking not only the cost but also the quality-of-service provision. In order to support this, we are now participating in an additional benchmarking exercise for Pensions Administration provided by CEM, an independent provider with wider involvement in supporting the pensions sector outside of the LGPS. This form of benchmarking differs from the comparisons above, and the CIPFA benchmarking that we continue to use, in that it examines our performance from a scheme member perspective rather than focusing purely on cost. The results of these benchmarking exercises are reported to the Local Pensions Board and the Authority each year.
- 3.2.13 The Authority will continue to make use of benchmarking in order to inform an on-going assessment of how we are performing in relation to the achievement of value for money. The challenge is how to use this information to set some clear objectives which will assist the Authority in managing its cost base while continuing to facilitate investment in the continued development and improvement of services to scheme members.

3.3 Financial Objectives

3.3.1 The Authority needs to set financial objectives which focus on the key streams of activity within its operations, administration and investment while bringing these together to focus on total cost. These objectives will mirror the financial constraint imposed on the district councils by the grant system, thus ensuring that SYPA is taking no more from the pension fund for its running costs than is necessary.

3.3.2 At the same time the Authority must be careful, as a small organisation, not to “shoot itself in the foot” by setting unachievable financial objectives which generate relatively large-scale savings targets, which could not be delivered without impacting the customer experience.

3.3.3 For Pensions Administration, the financial objective may be framed as follows:

“The annual increase in the budgeted cost per member for administration functions will be limited to an index made up of 70% local government pay and 30% August CPI.”

3.3.4 This limits the rate of increase in costs while allowing the benefits of any increase in productivity to be re-invested in the quality of the service provided to members, which is broadly in line with the Authority’s overall objectives. Such an approach also provides some buoyancy in the level of resources available in order to address the rising number of members and employers within the Fund. A similarly expressed objective could be placed on the Authority’s overall operating budget, which would place a helpful constraint on corporate costs. These two objectives are illustrated in the table below.

Cash Limits for Operating Budget	2022/23 Baseline £ / Member	2023/24 Cash Limit ² £ / Member	2024/25 Cash Limit ² £ / Member
Administration Service ¹	£23.35	£23.89	£24.44
Authority Operational Budget ¹	£34.36	£35.15	£35.96

Notes

1. The cost per member is based on the relevant totals included within the Authority’s operational budget as presented for approval at the Authority’s February 2022 meeting. The equivalent figures for SF3 reporting purposes will be slightly higher because they additionally include non-recoverable VAT which is not part of the Authority’s total operating budget.

2. The future years’ cash limits are calculated by applying an inflationary increase of 2.3% which comprises 2.0% Local Government Pay Inflation and 3.1% CPI Inflation, weighted in accordance with the financial objective set out above.

3. Membership is assumed to increase at 1.5% per year in line with recent trends.

3.3.5 Given that, broadly, investment costs have a relationship to the value of invested assets, it would be sensible to have an objective which recognises this, but also recognises the fact that the Authority’s investment strategy is to move out of listed into unlisted and more expensive assets, and also that the Authority’s overall objective is to achieve the best possible net of fees risk-adjusted returns meeting the actuarial return objective (currently c. 3.9%pa). This means that any financial objective around investment costs should not place an artificial constraint which prevents the Authority from making the right investment decisions.

3.3.6 Given the information set out above, framing an objective in relation to investment costs is quite difficult. However, something along the following lines could be appropriate:

“In any financial year, the Authority will seek to limit investment management expenses to a level less than the median in the CEM benchmarking comparator group.”

- 3.3.7 Given the limitations to an LGPS comparator set out above this metric provides a more realistic target which is based on a much wider international peer group and reflects full cost transparency for all participants, thus there will be a like for like comparison. Using the CEM measure also means that the Authority will have access to data which will allow it to understand how and why its costs differ from others within the peer group.
- 3.3.8 The targets set out in these financial objectives will be reviewed each year in the context of their impact on the Authority’s overall financial position and their impact on the ability of the Authority to deliver its corporate objectives, while still driving improvements in efficiency. In addition to these objectives which can easily be measured in budget setting and which in effect place cash limits on the Authority’s budget, a number of financial performance measures related to comparative costs will be part of the suite of Corporate Strategy measures.

4. Financial forecasts

4.1 Forecast Assumptions

4.1.1 Any financial forecast is based on a series of assumptions. The key assumptions are set out below:

- **Pay** – Pay awards have been assumed to average 2% over the period, which is in line with the average of headline increases from the most recent local government pay awards.
- **Prices** - CPI inflation will be 3.1% for 2022/23 per the September 2021 CPI rate; and will be 2.4% over the remaining period in line with Actuary's assumptions for the 2019 valuation. This impacts a small portion of the operational budget but is a key driver for the cost of benefits in payment.
- **Contribution Income** – The forecast is based on the actuarial results of the 2019 Valuation for Future Service Rates and Deficit recovery payments that apply from April 2020 to March 2023 and takes account of the pattern of prepayments made by some of the larger employers in the scheme (in order to benefit from a reduction in the total to be paid over the 3-year period). The forecast for April 2023 to March 2025 is less certain pending the results of the 2022 triennial valuation becoming available but, in the absence of any better information at this time, is based on assuming a similar overall funding level and similar pattern of prepayments as resulted from the 2019 valuation.
- **Volume Driven Benefits and Transfers Costs/Income** - These are based on three year moving averages, adjusted where relevant for known large one-off items such as bulk transfers out.
- The assumptions in the operational budget forecast have been varied from the above for 2022/23 in relation to pay; where rather than including an assumed pay award on individual salaries, a separate corporate contingency has instead been introduced as explained in paragraph 4.2.5 below and in further detail in the annual budget report elsewhere on this agenda.
- Investment returns are assumed to be in line with actuarial assumptions.
- External investment management costs have been separately analysed in order to produce the forecast based on experience to date plus known changes and estimated changes as a result of continued transition to Pooling.

4.1.2 Based on current knowledge, these assumptions are reasonable. We will continue to develop and refine our forecasting techniques over the period to provide a robust basis for resource planning.

4.2 Operational Budget Forecast

4.2.1 The forecast for the operational budget is summarised in the table below:

Operating Budget	2021/22 Forecast Outturn	2022/23 Budget	2023/24 Estimate	2024/25 Estimate
	£	£	£	£
Employees	3,371,680	3,862,320	3,922,720	4,000,700
Running Costs	1,748,470	2,155,530	1,950,010	1,983,720
Subtotal: Gross Expenditure	5,120,150	6,017,850	5,872,730	5,984,420
Income	(132,790)	(121,490)	(121,490)	(121,490)
Subtotal: Net Expenditure	4,987,360	5,896,360	5,751,240	5,862,930
Capital Expenditure	1,671,000	0	0	0
Contribution to / from Reserves	(1,212,760)	(66,360)	50,000	50,000
Total Charge to Pension Fund	5,445,600	5,830,000	5,801,240	5,912,930
Membership	168,000	169,680	172,230	174,810
Cost Per Member	£32.41	£34.36	£33.68	£33.82

4.2.2 The budget setting and medium-term financial strategy (MTFS) preparation for 2022/23 to 2024/25 has taken place in the context of a number of drivers for growth in cost that are explained in further detail in the Budget report presented alongside this Strategy. Having retained the budget at the same cash level throughout the period from 2019/20 to 2021/22 has allowed us to take the time necessary to examine all the resourcing requirements and clarify the base position before allowing for any budget growth. This aligns with the wider objectives of how the organisation is to be run and now that this work has been undertaken, we have a sound and clear basis to justify the increased budget requirement.

4.2.3 The budget for the 2022/23 year ahead reflects continued emphasis on equipping the organisation for meeting the challenges expected in the next three years as detailed in the Corporate Strategy elsewhere on the agenda. Additional resources are included for four new posts to be established to support various specific areas of the planned work. The budget also includes the impact of some significant savings that have been achieved following completion of previous corporate objectives in respect of business systems and procurement of a new contract for actuarial services.

4.2.4 The estimates for the remainder of the Medium Term set out above are based on projecting the 2022/23 budget forward, removing the one-off items from that year, and adding inflationary increases as necessary.

4.2.5 The key risks and uncertainties in relation to this forecast are as follows:

- Pay settlements and inflation running at a higher level than assumed in the forecast. This is clearly a risk, although the current wider local government and public sector finance context has been heavily impacted by the global pandemic and a range of pressures including social care demand, and the UK's exit from the EU. The forecasts used are prudent and reflect a broad consensus view. In the budget for 2022/23, we

have also introduced a corporate contingency budget at c.5% of the pay budget with the aim of mitigating such risk. This is in addition to the usual process of budgetary control whereby in the event of higher costs than forecast, managers will seek to absorb the in-year impact through the management of vacancies and seeking to either defer one off expenditure or avoid aspects of running cost expenditure. It is considered that these measures will be adequate to address the risk of cost increases.

- Deterioration in budgetary control. Budgetary controls and processes were strengthened during the 2019/20 - 2020/21 period and are now well embedded. The implementation of the new finance system that has taken place in the final quarter of 2021/22 will enable officers to further refine and enhance the budgetary control, monitoring and reporting over the next financial year. There is therefore no indication of any likelihood of deterioration. The controls in this regard are also subject to internal audit review on a regular basis, which provides assurance on both their adequacy and their application.
- Loss of external income. This is mitigated through prudent budgeting, for example not including any assumptions around additional software sales which tend to be sporadic, and through securing longer term agreements with customers with staggered end dates so that not all agreements come to an end at the same time.

4.2.6 The operational budget is relatively low risk and is relatively simple in comparison to the Fund Forecast, being many times smaller and much less volatile. Consequently, while it understandably receives specific scrutiny as a cost that, in effect, has to be borne by participants in the Fund, variations are unlikely to have a material impact on the overall standing of the Fund.

4.3 Pension Fund Forecast

4.3.1 The table below presents a summary of the forecast for the Pension Fund for the current and coming three years.

South Yorkshire Pension Fund Financial Forecast	Actual 2020/21 £m	Forecast 2021/22 £m	Forecast 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m
<i>Dealings with members, employers and others directly involved in the scheme:</i>					
Contributions receivable & transfers in from other pension funds	(304)	(200)	(300)	(315)	(216)
Benefits payable and payments to or on account of leavers	331	343	354	362	371
Net (additions) / withdrawals from dealings with members	27	143	54	47	155
Management expenses	65	70	77	84	92
Net returns on investments	(1,784)	(943)	(544)	(561)	(693)
Net (increase)/decrease in the Fund during the year	(1,692)	(730)	(413)	(430)	(446)
Net Assets of the Fund at 1 April	(8,170)	(9,862)	(10,592)	(11,005)	(11,435)
Net Assets of the Fund at 31 March	(9,862)	(10,592)	(11,005)	(11,435)	(11,881)
Management Expenses as Percentage of Average Net Assets	0.72%	0.68%	0.71%	0.75%	0.79%

4.3.2 In the first year of the forecast, investment costs (including those within the operational budget) are at 68 bps and are expected to rise up to 79 bps by 2024/25. However, this forecast does not fully reflect change in costs which will arise from the pooling process, which will to some extent mitigate these increases. It should also be borne in mind that this forecast is produced on a fully transparent basis and therefore comparisons with other funds will not necessarily be valid. These forecasts will be reviewed against benchmark data when available.

4.3.3 The forecast for the Pension Fund is much more susceptible to forecast error than that for the operational budget. In particular, while there is some consistency in terms of data from previous years the Authority cannot control the numbers of members retiring in any year or the decisions which they make in relation to commutation of pension to lump sum. Similarly, the numbers of deaths amongst the membership of the Fund and the numbers of members transferring either into or out of the Fund are changeable and outside the control of the Authority. While the forecasts are based on the best information available using both actuarial results and historic information as adjusted for known one off events and inflation where appropriate, there is a significant amount of variability from year to year which it is extremely difficult to forecast.

4.3.4 The forecast Fund value at the end of the current year reflects the strong investment performance seen so far this year.

4.3.5 The important message in the above forecast is the anticipated net withdrawal from the Fund in each year for dealings with members, this results in a significant increase in the requirement for the harvesting of investment income.

4.3.6 The key risks and uncertainties in the Fund Forecast include the following:

- Financial market volatility, which will impact on both the asset value of the Fund and on the level of investment income and large swings in asset value will result in significant variation from the forecast. This is a constant risk for pension funds. Steps have been taken, both through the broad asset allocation and through the equity protection that was in place up until April 2020, to reduce the potential volatility in the Fund but the risk of events which might cause significant market dislocation remains and, if anything, is at the current time heightened as a result of continuing tensions around international trade and the economic impact of the COVID-19 pandemic.
- A further significant wave of service reductions across major employers resulting in workforce reductions which have the effect of reducing the number of active members contributing and further increase the imbalance between contributions received and benefits paid. Other than changes in the Strategic Asset Allocation to focus on income generation and delivering investment returns above actuarial assumptions to build resilience into the Fund, there are limited options available to the Fund in this area, although structuring contribution cash flows may provide some further assistance in dealing with the issue.
- Failure of pooling to contain investment costs. While SYPA is not expecting to make any significant savings as a result of pooling, in the short to medium term the expectation is that the process of pooling will contain costs. However, should the Pool fail to achieve its objectives in this area there will be an impact on net of fees returns. To date, the evidence is that in this respect Border to Coast are delivering in line with their plan and, should the initial moves of partner funds into the range of internally managed funds continue or increase, there may well be the opportunity for costs in relation to listed assets to reduce towards the pre-pooling levels, although they are very unlikely to reach those artificially low levels. If the Pool were to fail to deliver cost savings as anticipated, then further mitigation will come through the collective action of the 11 partner funds to address any underperformance.

4.3.7 This forward forecast indicates a challenging position when viewed in the context of market conditions and uncertainty as at the time of writing. All economic forecasts indicate that we are moving into a significantly lower return and potentially higher inflation environment for a protracted period which is reflected in the actuarial assumptions used in producing the forecast. This results in the need for the Fund and the Pool to focus on securing good assets and sustained income streams within its revised strategic asset allocation.

5. Policy on reserves

5.1 Reserves

5.1.1 Reserves are funds that are set aside for two main reasons:

- A 'just in case' risk materialises that requires additional resources; or
- To save up for a particular project.

5.1.2 All of SYPA's costs are met by the Pension Fund therefore, unlike a local authority, the first contingency argument for holding reserves does not hold as costs incurred, for example, as a result of a building fire, would simply fall to the Pension Fund which is about 1,800 times the size of the Authority's budget and such costs are therefore unlikely to be material.

5.1.3 The argument for holding reserves to save up for things does, though hold. In order to save up in this way, managers will have had to underspend their budgets and thus the ability to use money thus saved acts as an incentive to manage within the available resources.

5.1.4 However, there is a balance to be struck as reserves could be allowed to accumulate to a level where they became significant in the context of the Authority's budget at which point, they would in effect be depriving the Fund of cash to invest. Consequently, some limitation on the level of reserves is necessary to maintain this balance. The Authority therefore have the following policy in relation to reserves:

"The Authority will maintain its operational revenue reserves at a level equivalent to no more than 7.5% of its operational budget, the establishment of new reserves will be approved by the Authority on the recommendation of the Treasurer, and the level of reserves will be reviewed by the Treasurer each year as part of his report on the final accounts of the Authority."

5.1.5 During the 2019/20 and 2020/21 financial years, there were some large underspends against the budget (for various reasons that were explained more fully in the quarterly corporate performance reports) and a decision was taken, with the Authority's approval, to set aside these unused funds specifically for use towards financing major capital projects that needed to be resourced, primarily in the current 2021/22 year. These projects included the Oakwell House long-term office accommodation project, replacement of business systems and the implementation of a new contract for pensions administration software.

5.1.6 In order to achieve this, a new 'Capital Projects Reserve' was created following Authority approval in 2019/20. This reserve is not subject to the limit as set out above as this would not be appropriate given the nature of this reserve and the requirements to be funded. Nevertheless, the funding level contained in this reserve will be kept under review moving forward.

5.1.7 At the current time it is forecast that from 2022/23, this reserve will be used for setting aside funds each year as a way of saving towards the required amount that will be needed for the ICT hardware renewal and replacements programme, following the significant investment in laptops and associated equipment in 2020.

5.1.8 The forecast level of reserves for the medium term are as shown in the following table.

South Yorkshire Pensions Authority Earmarked Reserves	Forecast Balance 31 March 2022 £	Forecast Balance 31 March 2023 £	Forecast Balance 31 March 2024 £	Forecast Balance 31 March 2025 £
<i>Operational Revenue Reserves:</i>				
Corporate Strategy Reserve	220,210	187,190	199,190	211,190
ICT Development Reserve	178,300	109,960	112,960	115,960
Subtotal - Revenue Reserves	398,510	297,150	312,150	327,150
<i>Revenue Reserves as % of Budget</i>	<i>7.30%</i>	<i>5.10%</i>	<i>5.40%</i>	<i>5.50%</i>
Capital Projects Reserve	44,000	79,000	114,000	149,000
Total Reserves	442,510	376,150	426,150	476,150

5.1.9 The above table illustrates that the current plans and forecasts involve drawing down from the revenue reserves in 2022/23, followed by a net contribution into the reserves in the remaining period. The earmarked reserves will continue to be kept under review and transfers to and from each reserve will be reported to the Authority for approval based on a recommendation from the Treasurer as required, through the quarterly reporting of management accounts and financial forecasts.

This page is intentionally left blank

Human Resources Strategy 2022 to 2025

Commitment to Excellence

1. Introduction

SYPA's workforce is central to our success as an organisation. This strategy focuses on how we will:

- Develop,
- Recruit, and
- Retain

a workforce that meets the needs of the organisation as it embarks on the next stage of its development.

To do this we need to pay attention, not just to how we attract the best candidates for roles with SYPA from outside, although this is important, but also focus on how we can develop the skills of the current workforce. More importantly than any of this, though, we need to focus on the culture of the organisation, how it feels to work here, and the way things are done. These are key factors that will determine whether people want to work for us and whether they want to stay with us and make a career with SYPA.

SYPA is a relatively small organisation, a fact which in itself has many benefits, for example in terms of the ability of management to be visible to staff, however it also has the disadvantages of small scale such as a more limited range of opportunities for promotion and relatively limited resources to actually deliver some of the changes that we need to make. A great positive of the organisation's culture is that this latter point is simply seen as a challenge to be overcome rather than a barrier to achieving our objectives.

2. The current reality - Understanding our workforce

To achieve any objective, it is necessary to understand the starting point. To facilitate this, an analysis of the composition of the current workforce has been undertaken (at 31st March 2021). This is summarised in the table below.

Characteristic	SYPA %	Barnsley %	South Yorkshire %
Gender			
Female	60%	51%	51%
Male	40%	49%	49%
Ethnicity			
Non-white	2.1%	2%	9%
White	97.9%	98%	91%
Disability			
Disability	6.4%	24%	21%
No Disability	93.6%	76%	79%
Age			
0-19	2.13%	23.5%	24.3%
20-29	11.70%	12.1%	14.4%
30-39	30.85%	11.9%	12.3%
40-49	30.85%	15.6%	14.6%
50-59	22.34%	13.2%	12.1%
60-69	2.13%	11.7%	10.7%
70+	0.0%	11.9%	11.7%

Broadly, the current workforce at SYPA is older, whiter and more female than the community which the organisation serves. This is an issue which the Equality and Diversity Scheme highlights as requiring attention and achieving greater diversity in the workforce needs to be an objective of the recruitment element of this strategy.

The level of staff turnover has increased from a very low level in recent years and for the latest full year was 7.5%. Some turnover is always necessary to keep an organisation “fresh” and the age profile of the workforce meant that some increase was inevitable. However, it would be wrong not to recognise that the pace and scale of change being undertaken within the organisation must have had some impact in this area.

In the absence of a comprehensive HR system, it remains difficult to understand how well qualified our workforce is; both in terms of specific pensions issues and more generally, because this data is not held in a structured form. Historically, however, there has been considerable emphasis on internal and external qualification processes in order to support the career grade scheme for Pensions Officers. Far less emphasis was previously placed on other groups of staff and little or no emphasis on the development of management skills and competencies (whether through qualifications or other routes). Changes have been made in this area, including moving the career grade to a competency-based model and instituting a management development programme.

This work has sat alongside a comprehensive review and modernisation of the organisation’s HR policy framework which will have been completed by the end of 2021-22

3. What we need our workforce to deliver - The future possibility

The Corporate Strategy sets out an ambitious agenda for SYPA over the coming years. This strategy is about providing the organisation with a workforce that can deliver this agenda. Consequently, the key characteristics that we are looking for in our workforce are to be:

- Customer Focussed
- Highly skilled and technically knowledgeable
- Adaptable
- Engaged

These qualities have equal weight for staff in all areas of the organisation be that Pension Administration, Investment Strategy, ICT, or Finance and Corporate Services.

Over the coming years we will need to ensure that our current workforce possess these qualities and will also need to design recruitment processes to ensure that the staff we have to bring in to replace those who will be lost, either through retirement or for other reasons, have them at the beginning of their career with us.

A well-motivated workforce exhibiting these qualities will ultimately drive change and improvement across the organisation in a self-sustaining way, making SYPA a more sustainable and resilient organisation.

The overall objective of this strategy is therefore to provide SYPA with a workforce capable of ensuring the delivery of the objectives set out in the corporate strategy.

Specifically, this strategy supports the following corporate strategy objectives, although clearly there is a potential impact on all the objectives:

Customer Focus

to design our services around the needs of our customers (whether scheme members or employers).

Listening to our stakeholders

to ensure that stakeholders' views are heard within our decision making processes.

Valuing and engaging our Employees

to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

4. Developing the current workforce to meet the needs of the organisation

Our current workforce are a significant asset to the organisation, and it is a fundamental responsibility of management to maintain and enhance the value of that asset. We can do this in several ways.

Providing the appropriate tools for management of learning and development and for understanding our workforce by:

- Procuring and implementing a new HR management system. *(by March 2023)*
- Exploiting LinkedIn Learning to provide structured development paths for both technical and non-technical learning and development. *(by December 2023)*
- Recognising staff for the improvements which they have delivered as part of a more structured approach to reward and recognition. *(by December 2023)*

Actively managing the pool of talent within the organisation by:

- Provide coaching and mentoring support for staff where this is identified as an appropriate support within their appraisal *(arrangements to be in place from June 2022)*
- Create a framework which provides all staff with access to personal development activities *(April 2023)*

Addressing identified skills deficits by:

- Providing training and resources to support the development of first line supervisors and managers across the organisation, including a 'Management and Leadership' programme for current supervisors and team managers *(by April 2022)*
- To introduce a development programme for the Senior Practitioner level roles within the organisation to prepare them for team leader and management roles in the future where opportunities present *(by March 2024)*

Measuring success

The success of these steps will be measured through the overall level of morale and motivation within the organisation which will be assessed through the results of the staff survey undertaken every 2 years, together with information on absence rates, staff turnover, grievance and complaint data and information from exit interviews.

5. Recruiting a workforce for the future

Any organisation will always need to devote time and effort to bringing the right people into the organisation to replace those who leave, either as a result of retirement or for other reasons. The costs of getting this wrong in terms of repeated recruitment exercises can be substantial and we can enhance our chances of success by:

Widening our recruitment net and turning more interest into applications by:

- Identifying and utilising different methods of advertising, such as social media, to reach a wider audience, including groups underrepresented in the current workforce (*Ongoing throughout the strategy period*).
- Reviewing the recruitment process to ensure that it provides as smooth and as short a “journey” as possible for the applicant (*by March 2023*).

Planting the seeds to grow the workforce of the future by:

- Putting in place a clear apprenticeship framework across the organisation which provides clear routes into specific career paths such as Pension Officers (*by April 2023*)

Making sure that where we need to recruit at a senior or managerial level, we get the right people by:

- Focussing not just on candidates’ technical abilities but on their managerial skills and ensuring that these fit with SYPA’s approach, through the use of values-based recruitment (*to be developed throughout the strategy period*).
- Developing a specification for the “SYPA Manager” skill set which reflects the organisation’s values and culture (*December 2022*)

Measuring success

We will know if these actions have made the desired impact if we see an increase in the diversity of the workforce, and an improvement in the assessment of the quality of management within the staff survey.

6. Retaining a high-quality workforce

While the composition of our current workforce means that some level of recruitment activity is inevitable over the coming years, we do want to retain staff and enable them to build a career with SYPA. There is a delicate balance here as we need to maintain sufficient staff turnover to avoid the organisation becoming stale and the level of turnover becoming destabilising. We can ensure that we retain a high-quality workforce by:

Adopting modern HR policies and practices which strike a balance between flexibility for the employee and the business needs of the organisation, through:

- Maintaining an ongoing review of the HR Policy Framework in the light of new legislation, best practice, and the local labour market (*ongoing*).
- Adopting agile and hybrid working to ensure employees can have a healthy and stable work-life balance (*ongoing and continually developing*).

Ensuring that our staff are healthy and safe in the workplace by:

- Formalising the arrangements for managing workplace health and safety and reviewing and refreshing the Health and Safety policy (*by December 2022*).
- Implementing a Health and Wellbeing Strategy building on the work of the Health, Safety and Wellbeing Committee (*April 2024*).

Maintaining a fair pay and reward structure by:

- Ensuring the transparent evaluation of all new or revised job roles (including senior managers) resulting from the process of change within the organisation (*ongoing*).
- Reviewing the broader pay and benefits package in the light of recruitment and retention pressures and changes in the broader labour market (*December 2022*).

Engaging and communicating with staff openly to allow them to influence the future direction of the organisation by:

- A review of internal communications to address identified weaknesses (*April 2023*).
- Documenting and communicating the actions taken in response to the 2020 Staff Survey (*June 2022*).
- Maintaining a regular dialogue with the trade unions, and ensuring all staff are aware of the issues discussed (*ongoing*).
- Undertaking a staff survey once every two years and ensuring that the results are acted upon (*next survey due November 2022*).

Measuring success

We will know if these measures have been successful if we maintain a relatively low level of staff turnover and if the measures of staff satisfaction and engagement derived from the staff survey reflect positive progress. We would also expect to measure the degree of compliance with corporate policies such as conducting appraisals, one-to-ones, and team meetings.

7. Resourcing the strategy

The resources available to deliver this strategy are as follows:

	2022/23 £	2023/24 £	2024/25 £
HR Team including SLA with Barnsley MBC	59,450	60,650	61,870
Training Budget	90,000	90,000	90,000
Wellbeing Initiatives	7,000	7,210	7,420
Health and Safety	5,000	5,150	5,300
Occupational Health	3,000	3,090	3,180
Total	164,450	166,100	167,770

There are a number of areas where additional investment may well be needed over the coming years in order to deliver the wider objectives of this strategy, in particular the need to be able to generate and report management information which will necessitate investment in information systems over the period. This form of investment will be considered through a business case process when required.

This page is intentionally left blank

ICT Strategy 2022 to 2025

Commitment to Excellence

DRAFT FOR CONSULTATION

1. Introduction

Access to effective ICT systems and infrastructure is crucial to SYPA's ability to deliver its services successfully and to achieve improvements in the efficiency of our operations, whether that is in the administration of pension benefits, the investment of the funds money or the back-office processes required to run the organisation.

This strategy sets out what we will do over the next three years to maintain and continue to improve our technological base in a way that will support the delivery of the objectives set out in the Corporate Strategy. This builds on the significant investment in new systems and infrastructure made over the last three years, which in some areas has been accelerated by the pandemic.

Delivering for our customers is the focus of SYPA's mission statement and the focus of this strategy is about how we use technology to do that, whether that be:

- The networks and hardware we use;
- The applications and software we use and develop;

This strategy is constructed around 4 themes:

- Infrastructure and Agility
- Customer Access
- Business Processes
- Information Governance and Security

Achieving the objectives set in each area will contribute to achieving the improvements in service to our customers which we wish to see.

2. The current reality - understanding what we have now

The Authority's current ICT infrastructure is based on a resilient, secure and efficient 'on premise' datacentre comprising:

- A 1Gbps client / server hard wired network infrastructure
- Server virtualisation technology enabling server consolidation and providing improved resilience and efficiency savings.
- A Storage Area Network (SAN) infrastructure to store all virtual servers and data, thereby improving resilience and data integrity in addition to enabling more effective disaster recovery processes.
- The Mimecast Cloud Service is used for Unified Email Management and Egress Switch provides email encryption and data loss prevention.
- Security of the Infrastructure and data is paramount and performed in accordance with ISO 27002 best practices, with assurance provided by annual IT Health Checks.
- An online backup and integrated disaster recovery solution

End user computing is provided through

- All staff being provided with a laptop enabled for agile working with a minimum of a two screen set up when in the office.
- The roll out of Microsoft 365 tools which is partially complete
- Agile working provided through Wi-Fi connectivity at Oakwell House, remote VPN access using multi-factor authentication together with Microsoft 365 applications for mobile devices
- A cloud based telephone system which incorporates MS Teams integration and a unified contact centre solution

ICT services are largely provided in house with specialist services bought in as required.

The Authority's key information system is the Civica UPM Pensions Administration system which is complimented by a range of in house developed software such as DART which assists in data cleansing and EPIC which provides a comprehensive employer portal.

Back-office systems for finance and investment accounting have recently transferred to an external cloud-based solution while those for payroll and the management of attendance are externally supplied and hosted locally. There is no comprehensive HR system in place.

The Authority's web presence has recently been consolidated on one website (www.sypensions.org.uk/), with a significant modernisation of the look and feel of the site and an improvement in the quality and accessibility of the content.

An intranet is supported through SharePoint and while some parts of the organisation have made significant progress in developing use of this facility take up has not been universal. The need to work from home during the pandemic has, though accelerated the utilisation of the workflow facilities within SharePoint to support a range of new processes, accelerating the move to paperless operation.

3. What we need our technology to deliver - The future possibility

This strategy is about providing the organisation with the technological tools that will allow us to deliver the agenda set out in the Corporate Strategy. Consequently, our technology must enable the organisation to be:

- Customer Focussed
- Agile
- An effective custodian of data
- Efficient and highly productive

These qualities have equal weight in all areas of the organisation be that Pension Administration, Investment, or support areas such as finance and HR.

Over the coming years we will need to ensure that all parts of the organisation fully embrace and exploit the opportunities presented by the technologies available and that we support staff to develop their skills in the use of technology to ensure that we get the best possible return on the investment that the Authority will be making.

The overall objective of this strategy is therefore to provide SYPA with technology solutions capable of ensuring the delivery of the objectives set out in the corporate strategy.

Specifically, the ICT strategy addresses the following corporate objectives:

Customer Focus

to design our services around the needs of our customers (whether scheme members or employers).

Effective and Transparent Governance

to uphold effective governance showing prudence and propriety at all times.

Valuing and engaging our Employees

to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

The following pages set out the specific activities that will be carried out over the planning period, and these are each supported by more detailed operational plans.

4. Developing and maintaining our ICT infrastructure to meet the needs of an increasingly agile organisation

A sound ICT infrastructure is the key foundation for anything else that we as an organisation might want to do using technology. It would, for example, be pointless investing significantly in a piece of software if the network was unable to support it. Getting this supposedly “boring” stuff right will mean that we are able to deliver all the other parts of this strategy more easily. Over the coming years we need to:

- *Review and implement the hardware replacement strategy to reflect the fundamental changes in the hardware estate brought about by the move to agile working. (By April 2023)*
- *Complete the roll out of Microsoft 365 to support the Authority’s core desktop requirements including integration with telephony (By Sept 2022)*
- *Maintain fully compliant Microsoft licensing (ongoing)*
- *Conduct a rolling review of ICT policies in the light of the changing needs of the organisation, initially prioritising password management (Ongoing throughout the strategy period)*

Measuring success

Success in this area will be measured through network reliability and the “total cost of ownership” for a desktop device. Each project will also have their own individual success criteria.

5. Using technology to support a step change in the way customers access our services

Fundamental to the Corporate Strategy continues to be a new approach to customer access. While in part this is about reorganising how we provide some of our services this will only happen if we deliver a number of new technological solutions and develop some existing ones so that customers can access services in the most convenient way possible. This involves

- *Deployment of integration between the new VOIP telephone system and the customer relationship management facilities within UPM (Ongoing throughout the strategy period)*
- *Deployment of the mypension dynamic homepage (by March 2022) and improvements to the user registration and log on experience (Ongoing throughout the strategy period)*
- *Deliver improvements to the employer experience (by March 2023)*
- *Increasing the number of transactions that scheme members and employers can complete online and working to eliminate the need for paper (Ongoing throughout the strategy period)*

Measuring success

Each project will have their own success criteria but overall success will be measured through customer satisfaction levels and the increased take up of on line services.

6. Using technology to deliver efficient business processes

The Authority has in recent years invested significantly in its core pension administration systems and will continue to do so. However, the introduction of investment pooling fundamentally changes the requirements for some elements of the core business systems and others are now overdue for review, or, as in the case of HR there are gaps which should be filled. This requires a programme of work over the coming years comprising

- *The identification and implementation of an integrated HR, Payroll and Time and Attendance, system to complete the renewal of the core business systems (By March 2023)*
- *Ongoing review of supplier delivery of the undertakings within the Pension Administration Systems contract and escalation where delivery does not occur (Ongoing throughout the strategy period)*
- *Transfer existing SharePoint site to the 365 platform and further development and exploitation of capabilities (Ongoing throughout the strategy period).*
- *Implementation of Power BI and other reporting tools to provide more accessible management reporting across all aspects of the organisation. (Ongoing throughout the strategy period)*
- *Continuing to develop for our own use and sell to other LGPS funds our in house developed software suite. (Ongoing throughout the strategy period).*

Measuring success

Each project will have its own success criteria and the business case for each investment will need to show an appropriate return on investment.

7. Keeping data safe and secure

Data is fundamental to every aspect of the Authority's work, and the vast majority of the data which we handle is personal data of one sort or another. Consequently it is vital that we both maintain the integrity and security of this data and have systems in processes in place that prevent breaches of data protection rules. Over the next few years our focus in this area will be on:

- *Continuing to build and strengthen our cyber/information security capabilities, for example through annual IT Health Checks, training for IT staff, and the promotion of user awareness through mandatory training. (Annual exercises throughout the strategy period)*
- *Obtaining formal certification for our management arrangements in this area (e.g. ITIL and Cyber Essentials Plus). (Annual exercises throughout the strategy period).*
- *Demonstrating compliance with the new TPR Single Code of Practice in relation to Maintenance of IT Systems and Cyber Controls (Ongoing from Sept 2022)*

Measuring success

The measure of success in this area will be through the number of data breaches identified and the achievement and maintenance of the relevant accreditations.

8. Resourcing the Strategy

The resources available to deliver this strategy, including licensing costs, are as shown in the table below:

	2022/23 £	2022/23 £	2022/23 £
ICT Team	312,210	318,460	324,800
Corporate ICT Costs	146,990	151,400	155,940
Hardware Replacement Programme	35,000	35,000	35,000
Pensions Administration System	278,300	207,235	207,235
Finance System	44,630	37,400	38,500
Investment System	8,700	9,000	9,300
HR and Payroll Systems	4,880	20,000	20,000
Income from provision of services to other organisations	(62,000)	(62,000)	(62,000)
Total	768,710	716,495	728,775

The ICT Team has an establishment of 8.3 FTE, which includes additional resource to support the delivery of greater integration between systems and improve reporting from systems.

The actual expenditure on hardware replacement is uneven between years and this is managed through the ICT Strategy Reserve which also holds income from the sale of software to other organisations, which is reinvested in further improvements to infrastructure and systems.

There are a number of areas where additional investment may well be needed over the coming years in order to deliver the wider objectives of this strategy, in particular the ongoing upgrading of network infrastructure and the replacement of core business systems. These investments will be considered on a business case basis and approved as part of the annual budget process, and will undoubtedly lead to changes in the level of licence fees payable identified within the above figures.

This page is intentionally left blank

Equality and Diversity Scheme

2022 to 2025

1. Foreword

South Yorkshire Pensions Authority is a small specialist public authority responsible for administering and safeguarding the £10bn+ of pension savings of around 167,000 current and former employees of local public services across the County. Like any organisation involved in the provision of services to the public, we are required to abide by the provisions of equality legislation in the way in which we both run our organisation and deliver services to scheme members and employers.

This scheme sets out a series of objectives which will make us a more equal and diverse organisation. These objectives do not, though, stand outside the mainstream of our work as something separate and “other”, they are central to ensuring we deliver better more customer focussed services to the people we serve. Consequently the activity which meets these equality and diversity objectives will also appear within our new corporate strategy.

We will report back annually on what we have achieved against our objectives both to the Authority and to stakeholders in our Annual Report.

Councillor John Mounsey
Chair
South Yorkshire Pensions Authority

George Graham
Fund Director

2. Policy

The Authority's policy position in relation to Equality and Diversity is set out in a number of documents:

- The Single Equality Scheme 2010 – 2013 (2010), which this scheme replaces
- The Equal Opportunities Policy (2012), which relates to employment matters specifically.
- The Diversity Statement (2013)

The Authority is not identified as within the scope of the Public Sector Equality Duty within the Equality Act 2010. However, as a public body it is expected to act in line with the duty and to act reasonably in everything it does. Clearly to not follow the framework provided in the Equality Act would be to act unreasonably. Therefore the Authority acts as though the Equality Duty fully applies to it.

The last document listed above sets out a helpful statement of principles and states the Authority's commitment to:

- Promoting equality of opportunity
- Eliminating discrimination
- Integrating equal opportunities into all aspects of the Pensions Authority's activities
- Ensuring that equality operates in the Authority's employment practices
- Ensuring that equality operates in the provision of services

All of these commitments remain relevant today and are reflected in the objectives and actions set out in this scheme.

Fundamentally the Authority believes that no one who comes into contact with it, for whatever reason, should have cause to feel that they have received less than an appropriate and professional service. Consequently we will look to address both our systems and processes, and attitudes and behaviours to ensure that we do not discriminate against any individual or group of individuals.

3. Organisational background

South Yorkshire Pensions Authority began operations on 1st April 1988 as part of the arrangements put in place to handle the functions previously carried out by the South Yorkshire Metropolitan County Council following its abolition.

The Authority is made up of 12 members drawn from the 4 District Councils (Barnsley, Doncaster, Rotherham and the City of Sheffield) roughly in proportion to population. The Authority is responsible for investing the c. £8.2bn assets of the South Yorkshire Pension Fund in order to pay the pension benefits accrued by the c.160,000 members of the Local Government Pension Scheme in the County. The members of the scheme work for nearly 500 different employers including the District Councils, universities and colleges, the Fire and Police services and an increasing number of academy schools as well as organisations which provide services to local authorities under contracts.

The bulk of the Authority's staff are based at the Headquarters office in Barnsley with small teams based in offices in each of the District Council areas.

The over-riding aim of the Pension Fund is to ensure that money is available to pay pensions when they become due. This means that the Authority seeks to obtain the best possible financial return in order to meet its liabilities which could fall due as much as 50 years into the future.

The payment and calculation of pensions due under the Local Government Pension Scheme is a very complicated process requiring the Authority to maintain a significant staff and invest in a range of information systems for the purposes of record keeping and the making of payments. In addition the responsibility for the investment of a very large pension fund places a significant number of regulatory requirements on the Authority.

As a result the Authority has developed a governance structure which allows it to devote appropriate attention to the whole range of risks and issues with which it is faced. Many of the more operational responsibilities of the Authority are discharged through other bodies, or by officers under a scheme of delegation in particular:

- The Authority's Audit Committee oversees the control environment and risk management framework.
- The Staffing, Appointments and Appeals Committee, which deals with the appointment of senior staff, major staffing and HR policy matters and various appeals either related to employment issues or in relation to the operation of discretions within the Pension Scheme.

In addition the Authority is required to maintain a Local Pension Board to scrutinise its performance of its role. The Board is made up of equal numbers of representatives of scheme members and employers.

All of these bodies meet in public and the papers for the meetings are publically available through the internet.

The Authority is also required to publish and maintain a range of strategy and policy documents and to publish an Annual Report. In addition newsletters are produced on a regular basis for scheme members.

All of this information is publically available through the internet.

4. Development of the scheme

This scheme has been developed by the Authority's Senior Management Team to support the process of refreshing the Corporate Strategy. This process has involved limited consultation but has involved external advice from colleagues at Barnsley MBC.

The process has involved the development of a number of objectives which align with the Authority's corporate strategy, the refresh of which has taken into account both information around changes in the membership of the Pension Fund and key data on the composition of the Authority's workforce, and has involved engagement with a wider range of stakeholders.

As a result of aligning the two processes it has been possible to reflect the views of stakeholders in both this scheme and the corporate strategy.

It is accepted that there are limitations to this approach and consequently one of the actions identified in this scheme is the need to develop means of actively engaging with both scheme members and groups in the wider community to ensure that the services we deliver and the way in which we operate do not discriminate in any way.

5. Governance of the scheme

As this scheme is a major policy document responsibility for approving it lies with the Full Authority. Having aligned the scheme with the Corporate Strategy in terms of timescale (both will cover a 3 year actuarial valuation period) future iterations of this scheme will be approved alongside the corporate strategy as a key part of the Authority's corporate planning framework.

Given that the scheme commits the Authority to a range of actions it is important that progress on these actions is reported back to elected members on a regular basis so that they can initiate any action that might be necessary. Regular reports will be provided to the Authority on the implementation of the Corporate Strategy and these will include progress on the issues identified in this Scheme. Progress will also be included in the Annual Report which is addressed to a much wider group of stakeholders.

6. The public sector equality duty

As stated above the Authority intends to act as though the full scope of the duties set out in the Equality Act 2010 applies to it. Thus when exercising its functions the Authority will have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

These are sometimes referred to as the three aims or arms of the general equality duty. The Act explains that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

The Act states that meeting different needs involves taking steps to take account of disabled people's disabilities. It describes fostering good relations as tackling prejudice and promoting understanding between people from different groups. It states that compliance with the duty may involve treating some people more favourably than others.

These equality duty aims and activities have informed the development of our equality objectives and associated action plans.

7. The authority’s vision in relation to equality and diversity

The Authority has developed the following statement which summarises where it wants to be in relation to equality and diversity by the end of the period covered by this scheme.

“South Yorkshire Pensions Authority aims to reflect the diverse communities we serve in all areas of our work and will strive to achieve a workforce that reflects the community we serve. In delivering our services and managing our organisation we aim to treat every person we come into contact with fairly irrespective of any protected characteristic they might possess.”

The objectives we have set out later in this scheme are intended to enable the achievement of this vision.

Specifically this scheme supports the objectives set out in the Corporate Strategy, which are:



8. Having your say and raising issues

Improving the way in which we as an organisation engage with and seek to understand people with protected characteristics is a key objective of this scheme. In the meantime we are happy to receive any feedback about this Equality and Diversity Scheme whether from pension scheme members or members of the wider community.

Any feedback can be sent to:

George Graham
Fund Director
South Yorkshire Pensions Authority
Floor 8
Gateway Plaza
Sackville Street
BARNSELEY
South Yorkshire
S70 2RD
E mail FundDirector@sypa.org.uk

Anyone who feels we have not lived up to the aspirations within this Scheme in terms of treating them fairly has a right to make a complaint. This can be formally addressed by:

Informing the Chair of the Pensions Authority

The Chair
South Yorkshire Pensions Authority
c/o Joint Authorities Governance Unit
Barnsley Metropolitan Borough Council
Town Hall
BARNSELEY
South Yorkshire
S70 2TS
E mail memberservices@sypa.org.uk
Through our website www.sypensions.org.uk

**Informing the Equality and Human Rights Commission,
through the Equality Advice and Support Service**

Phone: 0808 800 0082
Textphone: 0808 800 0084

You can email using the contact form on the EASS website, www.equalityadvisoryservice.com

Also available through the website are BSL interpretation, web chat services and a contact form. Alternatively EASS can be contacted by post;

FREEPOST
EASS HELPLINE
FPN6521

Informing your local Race Equality Council.

Scheme members who feel they have not been treated fairly in the way in which we have interpreted the pension regulations may also have a right of appeal to the Pensions Ombudsman or can raise issues with the Pensions Regulator. Details are available through the Authority's website.

9. What we Intend to do to address equality and diversity issues

We have identified a number of things we want to achieve in relation to equality and diversity issues and the following pages set out what these are, why they are important, how we are going to achieve them and how we will know we have achieved them.

Objective 1

What we want to achieve

To make our services more accessible to disabled customers.

Why this is important

Some disabled people cannot access services on-line or use the telephone. For others face to face meetings can be difficult to get to.

What we are going to do and when

- Continue to develop communications channels where necessary to enable customers to contact us in ways that are accessible to them. *(Rolling programme of activity)*
- Publicise the opportunity to receive information in accessible formats for customers. *(Ongoing process).*
- To ensure public areas of our new office at Oakwell House are accessible to disabled customers. *(Assessment of further requirements (if any) to be undertaken during 2022)*
- To ensure when we use other building and venues that these are fully accessible. *(Ongoing process)*
- Ensure disabled customers are fully aware of our disability access initiatives and how to request or participate in these if needed. *(Ongoing process).*

How we will know if we have been successful

- The number of contact channels available to disabled customers.
- The level of accessibility of our office building.
- The number of disabled customers who have opted to use each contact channel or have received / downloaded information in accessible formats.

Equality Objective 2

What we want to achieve

Through our engagement activity with scheme members and employers to promote equality and inclusion, and to help bring people from different backgrounds together.

Why this is important

The public sector equality duty requires public authorities to consider how they can help to promote good relations between those from different backgrounds. The Authority provides benefits to and regularly communicates with a large and diverse number of customers which may provide opportunities to promote greater knowledge and understanding.

What we are going to do and when

- Identify whether any group with protected characteristics is underrepresented in the membership of the Pension Fund when compared to their representation within the employer's workforce. *(Data gathering process with larger employers during 2022 and 2023).*
- Identify potential causes of any underrepresentation and design and implement a communications strategy to address it. *(From 2023 onwards on an ongoing basis).*

How we will know if we have been successful

- Balance of scheme membership will reflect the balance of the employer's workforce.

Equality Objective 3

What we want to achieve

To ensure decision-making in the Authority is informed by a robust and clear impact assessment of how people with protected characteristics will be affected, taking action to reduce any inequalities where appropriate.

Why this is important

When making decisions about customer service, policies and other activities that affect customers or employees there is need to have "due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not."

What we are going to do

- Develop an Equality Impact Assessment process for all new or revised policies or services. This should enable robust, timely and proportionate EIAs to be developed and reported to decision-makers. *(To be produced during the first half of 2022/23)*
- Provide appropriate employees with the necessary training and support to undertake the EIA process. *(To be completed by the end of Quarter 1 2023/24)*

How we will know if we have been successful

- EIA process reviewed and revised as necessary.
- EIA process peer reviewed.

Equality Objective 4

What we are going to do

To ensure the workforce's diversity reflects that of the customers we serve.

Why this is important

A workforce that reflects the diversity of the customers they serve will be better able to meet their diverse needs, to engage with those communities and to draw on the greatest range of skills, knowledge and abilities that the community has to offer.

Currently the Authority's workforce does not reflect the characteristics of the wider community in which it exists. The table below makes the comparisons possible with the data currently available using data from the 2011 Census for both the Barnsley district, where our headquarters are located and South Yorkshire as a whole, which is the area we serve as compared to data for the Authority at the end of March 2021.

Characteristic	SYPA %	Barnsley %	South Yorkshire %
Gender			
Female	60%	51%	51%
Male	40%	49%	49%
Ethnicity			
Non-white	2.1%	2.0%	9.0%
White	97.9%	98.0%	91.0%
Disability			
Disability	6.4%	24.0%	21.0%
No Disability	93.6%	76.0%	79.0%
Age			
0-19	2.13%	23.5%	24.3%
20-29	11.70%	12.1%	14.4%
30-39	30.85%	11.9%	12.3%
40-49	30.85%	15.6%	14.6%
50-59	22.34%	13.2%	12.1%
60-69	2.13%	11.7%	10.7%
70+	0.0%	11.9%	11.7%

Information related to the other protected characteristics are not available, and staff are not required to report any disability therefore it is likely that numbers of staff with some form of disability is under-recorded.

What we are going to do

- Monitor and report on workforce diversity, including reinstating annual update processes for information on areas such as disability. *(Annual process)*
- Identify areas of under-representation and develop plans to address these. *(Part of the Human Resources Strategy)*

How we will know if we have been successful

- Percentage of employees who have protected characteristics.

Equality Objective 5

What we want to achieve

To ensure the workforce culture, environment, policies and practices are safe, accessible, and inclusive for people with protected characteristics.

Why this is important

The authority has a duty to treat its employees with fairness, dignity and respect at all times, to encourage people to report any problems and show leadership to develop a respectful working culture.

What we are going to do

- Consult with employees to better understand their experience of working for the Authority. *(Biennial Staff Survey next due in 2022).*
- Ensure all employees are fully aware of expectations with regards equality and diversity and how to report any concerns, through induction and training programmes and that these issues are reflected in the appraisal process. *(Part of the mandatory training identified in the Human Resources Strategy).*
- Develop plans to address any concerns raised accordingly. *(Actions arising from the Staff Survey will form part of the work plan of the Senior Management Team on an annual basis.)*

How we will know if we have been successful

- Percentage of employees who have been inducted and trained in E+D.
- Number of reports / complaints concerning equality and diversity issues.

Equality Objective 6

What we want to achieve

Where statistically possible, to identify and reduce any pay gaps that exist associated with gender, disability or ethnicity.

Why this is important

The authority has a duty to pay its workforce equally and has committed to reporting on any gender pay gaps, although not required to do so. We will report our findings and publish them on our website.

What we are going to do

- Monitor pay for all employees for equal pay for work of equal value and for any pay gaps, *(Information published annually)*
- Take action where inequalities are identified. *(Reflected in the Human Resources Strategy).*

How we will know if we have been successful

- Pay gaps within the organisation for gender, ethnicity and disability.

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY RISK REGISTER AS AT 20/01/2022

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
G1	Governance	Failure of members of the Authority to maintain adequate levels of knowledge and understanding	Poor decision making not supported by appropriate advice. Regulatory criticism / action Insufficient challenge being provided to officers	Corp Mgr - Governance	Member Learning and Development Strategy and associated mandatory requirements Provision of on line learning resources and knowledge assessment tools Provision of internal seminars programme Support for attendance at appropriate external events	12	P = M I = H	6	P = L I = M	Additional support to complete knowledge assessments for all members Examination of additional bite size learning options Provider further internal seminars and examine options for more individualised "tuition"	Corp Mgr - Governance		
G2	Governance	Failure of members of the Local Pension Board to maintain adequate levels of knowledge and understanding	Poor decision making not supported by appropriate advice. Regulatory criticism / action Insufficient challenge being provided to officers	Corp Mgr - Governance	Member Learning and Development Strategy and associated mandatory requirements Provision of on line learning resources and knowledge assessment tools Provision of internal seminars programme Support for attendance at appropriate external events Additional support from the Board's Independent Adviser	12	P = M I = H	6	P = L I = M	Additional support to complete knowledge assessments for all members Examination of additional bite size learning options Provider further internal seminars and examine options for more individualised "tuition"	Corp Mgr - Governance		

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
G3	Governance	Breakdown of the control environment	Exposure to the risk of loss due to fraud or error Critical external audit reports leading to regulatory action	Senior Management Team	Documented internal controls Senior Management review of controls to provide assurance as part of the process for developing the Annual Governance Statement Effective Internal Audit service to provide assurance to management in relation to the control framework Ongoing replacement of aging systems which require manual controls with more modern systems which allow controls to be automated	12	P = M I = H	4	P = L I = L	Completion of system replacement and upgrade programmes Extension of management assurance process to Team Managers Adoption of Governance Assurance Framework suggested by Internal Audit	Senior Management Team		
G4	Governance	Weak or ineffective project management arrangements	Failure to deliver key projects included within the Corporate Strategy	Director	Some project management training delivered for Key staff. Limited project management support	16	P = H I = H	6	P = L I = M	Appoint to redefined role of Project / Programme Manager Provide all managers responsible for leading and delivering projects with a standard toolkit to follow to ensure consistent planning and delivery. Institute a more formal and documented process of reporting on the progress of projects	Director		
I1	Investment and Funding	Material changes to the value of investment assets and/or liabilities due to major market movements	Sharp and sudden movements in the overall funding level	Head of Investment Strateg	Investment Strategy focussed on relatively lower risk and less volatile investments. Element of inflation protection built into the asset allocation both through specific assets (such as index linked gilts) and proxies such as property and infrastructure	15	P = M I = VH	9	P = M I = M	Ability to implement protection strategies if market circumstances indicate they are appropriate	Head of Investment Strategy		
I2	Investment and Funding	Failure to mitigate the impact of climate change on the value of the Fund's investment assets and liabilities	Significant deterioration in the funding level	Director	Climate Change Policies and Net Zero Goals adopted by both the Authority and Border to Coast Asset allocation tilted to favour more climate positive investments Reporting in line with the requirements of TCFD and regular monitoring of the level of emissions from portfolios, with outline targets for reductions Work commenced to provide more comprehensive data on private market investments	20	P = H I = VH	12	P = H I = M	Review of Investment Strategy following the 2022 Valuation to integrate the achievement of Net Zero within the Strategic Asset Allocation. Clear targets for emission reduction to be set for all portfolios Additional engagement with Border to Coast to identify potentially climate positive investments	Director		

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
13	Investment and Funding	Failure to manage the key risks identified in the Border to Coast Strategic Plan	Decline in investment performance Increased costs as a result of the need to move to more expensive products Potential changes in the risk and volatility levels within the portfolio	Director	Process of engagement between the Company and stakeholders to agree the Company's Strategic Plan and Budget containing appropriate mitigations Succession and contingency planning arrangements in place within the Company	12	P = M I = H	8	P = L I = M	Agreement of a programme of specific risk mitigations as part of the 2022 - 2025 Strategic Plan and Budget	Director		
14	Investment and Funding	Imbalance in cashflows	Inability to pay pensions without resorting to borrowing or "fire sale" liquidation of investments Potential negative impacts on individual pensioners	Head of Investment Strategy	Maintenance of "cash buffer" of liquidity sufficient to cover more than one monthly payroll Process for monitoring and forecasting cashflows	10	P = L I = VH	5	P = VL I = VH	Furhter improvements in cashflow forecasting Implementation of strategies to more regularly harvest income from investments	Head of Investment Strategy		
15	Investment and Funding	Affordability of contributions	Negative impact on employer financial viability Default on the making of contributions by employers	Director	Investment strategy focussed on less volatile investments Focus in the valuation process on delivering longer term stability in contribution rates Retention of elements of any surplus to manage the risks to contribution stability	9	P = M I = M	6	P = M I = L	Adjustments to balance of the investment strategy between growth and protection according to market circumstances	Director		

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
01	Operational	Failure to maintain effective cyber defences	Significant disruption to the provision of services Loss / unauthorised release of key data	Corporate Mgr - ICT & Digital	Regularly updated firewalls and other protections Regular refresher training on cyber security for all staff with a requirement to achieve a minimum level of pass Regular penetration testing	16	P = H I = H	12	P = M I = H	Additional testing of disaster recovery arrangements	Corporate Mgr - ICT & Digital		
02	Operational	Impact of poor data quality on operational project delivery	Failure to deliver key projects such as McCloud rectification on time Provision of inaccurate information to members such as Annual Benefit Statements Inaccurate data impacting the valuation of liabilities during the triennial valuation	Head of Pensions Administration	Ongoing data improvement plan Projects Team put in place to resource specific exercises to address data improvement Implementation of front end validation of employer data submissions	12	P = M I = H	6	P = M I = L	Additional actuarial validation checks undertaken on an ongoing basis	Head of Pensions Administration		
03	Operational	Data Protection and GDPR	Unauthorised release of personal data Action by the Information Commissioner	Head of Pensions Administration	Review process built into processes involving the release of information Secure e mail facility used where personal information involved Mandatory staff training in relation to data protection issues repeated on a regular basis Regular internal audit work to review and test controls	12	P = M I = H	6	P = M I = L	Increase in the volume of member correspondence managed through the member portal	Head of Pensions Administration		

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
O4	Operational	Regulatory Compliance	Enforcement action by relevant regulatory authorities	Senior Management Team	Reporting of compliance with relevant standards Ongoing process of awareness raising and training for staff in relation to operational matters such as TPR Scams requirements Basic assessment of compliance with TPR CoP 14 in place	12	P = M I = H	8	P = L I = H	More detailed assessment of compliance with emerging TPR Single Code and other regulatory requirements with associated action plan and enhanced regular reporting. Additional training for Authority and Pension Board Members to enable improved oversight.	Corp Mgr - Governance		
P1	People	Ability to recruit and retain an appropriately skilled and qualified workforce	High level of vacancies	Director	Pay and benefits package with emphasis on employee well being Career grade scheme in place for Pensions Officers	12	P = H I = M	6	P = M I = L	Review of pay and benefits package Introduction of additional personal development opportunities Introduction of a structured approach to succession planning	Director		

This page is intentionally left blank



Subject	Pensions Authority Budget 2022/23	Status	For Publication
Report to	Authority	Date	10 February 2022
Report of	Treasurer		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Gillian Taberner Head of Finance & Corporate Services	Phone	01226 666420
E Mail	gtaberner@sypa.org.uk		

1 **Purpose of the Report**

- 1.1 To present the Authority budget proposals for 2022/23 for approval.

2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Approve the 2022/23 budget for the Authority, a total of £5,830,000.**

3 **Link to Corporate Objectives**

- 3.1 This report sets out the budget for 2022/23 and the proposals are prepared on the basis of providing sufficient resources to support the delivery of all the corporate objectives set out below.
- 3.2 The budget preparation and approval process itself links to the 'Effective and Transparent Governance' objective by ensuring that the financial plans are transparent, are subject to proper scrutiny and oversight, and that the Authority is accountable for its use of resources.

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers).

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision making processes.

Investment Returns

To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

Responsible Investment

To develop our investment options within the context of a sustainable and responsible investment strategy.

Scheme Funding

To maintain a position of full funding (for the Fund as a whole) combined with stable and affordable employer contributions on an ongoing basis.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

Valuing and engaging our Employees

To ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

4 Implications for the Corporate Risk Register

- 4.1 The budget proposals outlined in this report have been prepared with the aim of ensuring that the Authority will have sufficient resources to meet its obligations and to support the risk mitigation actions being taken as set out in the Corporate Risk Register.

5 Background and Options

- 5.1 The overall aim of the budget process is to ensure that the organisation's financial resources and allocations are determined on the basis of supporting the achievement of the corporate aims and objectives set out in the Authority's Corporate Strategy. Therefore, the proposals set out in this report have been shaped by the overall context and strategic direction of the organisation.

Financial Context

- 5.2 The running costs of the Authority are met from the Pension Fund in accordance with regulations and do not therefore fall on Council Tax, nor is the Authority reliant upon Government grant funding. As such, the Authority is less exposed to the wider constraints on the public sector financial environment than our colleagues in the major employing organisations within the Pension Fund. There is, however, an imperative to manage the resources for which we are responsible in such a way that our expenditure does not negatively impact on the overall performance of the Pension Fund.
- 5.3 Members will be aware that the budgets for the last three years have been held at the same level in cash terms, enabled by a re-alignment of financial resources in order to provide the required investment in a range of areas to support delivery of the Authority's corporate priorities.
- 5.4 The budget setting and medium-term financial strategy (MTFS) preparation for 2022/23 to 2024/25 has taken place in the context of a number of drivers for growth in cost that are explained in further detail below. Having retained the budget at the same cash level throughout the period from 2019/20 to 2021/22 has allowed us to take the time necessary to examine all the resourcing requirements and clarify the base position before allowing for any budget growth. This aligns with the wider objectives of how the organisation is to be run and now that this work has been undertaken, we have a sound and clear basis to justify the increased budget requirement.
- 5.5 The budget for the year ahead reflects continued emphasis on equipping the organisation for meeting the challenges expected in the next three years as detailed

in the Corporate Strategy elsewhere on the agenda. Additional resources are included for four new posts to be established to support various specific areas of the planned work. The budget also includes the impact of some significant savings that have been achieved following completion of previous corporate objectives in respect of business systems and procurement of a new contract for actuarial services.

Budget 2022/23

- 5.6 The table on the following page shows the proposed budget for 2022/23 and the main changes within this when compared to the original budget for the 2021/22 year (prior to one-off virements relating to the capital budget and financing for the Oakwell House office refurbishment).

Table 1: South Yorkshire Pensions Authority – Operating Budget 2022/23

Operational Budget	2021/22 Original Budget	Transfers Between Budget Heads	Salaries Budget Movement	Other Budget Movements	2022/23 Budget for Approval
Cost of Services					
1) Pensions Administration	2,789,950	(145,200)	136,970	(63,870)	2,717,850
2) Investment Strategy	684,790	(9,710)	1,330	(103,660)	572,750
3) Finance & Corporate Services	710,620	(40,400)	150,390	(1,810)	818,800
4) ICT	667,200	(17,200)	(43,520)	132,230	738,710
5) Management & Corporate	402,650	212,510	61,050	234,950	911,160
6) Democratic Representation	142,620	0	290	(5,820)	137,090
Subtotal before transfers to / (from) reserves	5,397,830	0	306,510	192,020	5,896,360
Appropriations to / (from) Reserves Total	47,770	0	0	(114,130)	(66,360)
Grand Total	5,445,600	0	306,510	77,890	5,830,000

2021/22 Budget £	Total Charge to the Pension Fund comprises:	2022/23 Budget £
3,252,985	Administration Expenses	3,962,670
581,185	Investment Management Expenses	372,630
1,611,430	Oversight & Governance Expenses	1,494,700
5,445,600		5,830,000

- 5.7 The overall budget requirement is for a total of £5,830,000 representing an increase of £384,400 (7%) on the previous annual budget of £5,445,600 held since 2019/20.
- 5.8 For context, the rate of inflation during the same period is 7.7% (CPI) and 11.7% (RPI). The Authority's own financial objectives focus on achieving an appropriate level of financial constraint to ensure that the amounts drawn from the pension fund for the organisation's running costs are no more than necessary. The objective set out in our Medium-Term Financial Strategy is as follows:
The annual increase in the total budgeted cost per member will be limited to an index made up of 70% local government pay and 30% August CPI.
- 5.9 This limits the rate of increase in costs, while allowing the benefits of any increase in productivity to be re-invested in the quality of the service provided to members, which is broadly in line with the Authority's overall objectives. Such an approach also provides some buoyancy in the level of resources available in order to address the rising number of members and employers within the Fund.
- 5.10 The proposed increase in the budget for 2022/23 has been confirmed to meet this objective, as shown in the tables below.

Budget Increase Limit	Weighting	Apr 2020	Apr 2021 (TBC)	Apr 2022 (Estimate)
Local Government Pay	70.0%	2.75%	1.75%	2.25%
		Aug 2019	Aug 2020	Aug 2021
August CPI Inflation	30.0%	1.7%	0.2%	3.2%
Weighted Increase Limit Per Year		2.4%	1.3%	2.5%
Overall Increase Limit from 2019/20 to 2022/23				6.3%

Actual Budget Increase	Base Year			
	2019/20	2020/21	2021/22	2022/23
Budget Total	£5,445,600	£5,445,600	£5,445,600	£5,830,000
	At 31/03/2020	At 31/03/2021	Forecast 31/03/2022	Estimated 31/03/2023
Membership Totals	161,477	166,869	168,000	169,680
Total Cost Per Member	£33.72	£32.63	£32.41	£34.36
Increase / (Decrease) Per Year as %		(3.2%)	(0.7%)	6.0%
Overall Increase from 2019/20 to 2022/23				1.9%

Transfers Between Budgets

- 5.11 The transfers between budget heads summarised in Table 1 represent the transfer of corporate overheads for office accommodation and premises-related costs, and occupational health costs from the individual service area budgets to the Management and Corporate budget. This is to streamline and improve the clarity of the budget reporting only. The calculations used to allocate overheads to Administration, Investment Management and Oversight & Governance required for statutory returns and management expenses analysis are not affected.

5.12 The rest of the table provides a high-level summary of the main changes proposed within the budgets for salary costs and other costs; the details of which are explained below.

Salaries Budget Movement

5.13 The total increase of £306,510 on salaries budgets is analysed in the table below:

Employee Budget (Salary + On-costs)	Further Details	
	£	
2021/22 Original Budget	3,567,610	
<u>Newly Established Posts:</u>		
Corporate Manager - Governance	78,670	Transfer of statutory role of Monitoring Officer from BMBC. This will be offset by a reduction to the budget for the corporate SLA with BMBC from 1 April 2023.
Project Management Support Officer	40,460	To strengthen resources for corporate plan delivery; partly financed from re-allocation of £28k included as growth for this purpose in the 2021/22 budget.
ICT & Systems Senior Officer (SQL Analyst)	40,460	To meet the need for additional resource with specific skills in SQL to support the continued investment in digital, and the pensions administration software in particular.
Benefits Team Senior Practitioner	36,890	Additional senior practitioner post created to support the new Benefits Project Team to tackle outstanding aggregation cases and other pieces of work such as data improvement plan.
Finance Team Leader Changes	13,990	The current finance team leader has decided to retire in August 2022 and to ensure an effective transition to a new post-holder, there will be a period of up to 3 months for handover with two team leaders in post.
Changes from job evaluations / honoraria	26,990	Increased costs for two posts arising from a re-grade following evaluation and an addition of honoraria payments reflecting additional responsibilities.
Other Changes	43,830	Net total increase arising as a result of career grade progression, standard incremental progression, and other changes to hours worked.
National Insurance Increase	25,220	Increase to employer NI cost arising from the introduction of the Health & Social Care levy of 1.25% which in 2022/23 will be added to the NI rate.
Total Movement	306,510	
2022/23 Budget	3,874,120	

5.14 The changes summarised in the total shown above do not include an allowance for pay inflation in 2022/23. At the time of writing, the pay award for 2021/22 has not yet been agreed by the National Joint Council for Local Government Services (the NJC). The final offer confirmed by the employer side was 1.75% which was rejected by the unions who have balloted their members for strike action, the results of which are awaited. The salaries budget for 2022/23 as shown in the table above includes a 1.75% increase in the base budget. For 2022/23 pay inflation, it is not yet known what level

the national pay award may be agreed, and separately the Authority have committed to undertake an independent review of pay and benefits. Given the uncertainty of the outcomes from this, a prudent provision of £193,000 (approximately 5% of the salaries budget) has been separately included as a corporate contingency in the total budget for Management & Corporate, as outlined below. Should the 2021/22 pay award be agreed at a higher rate than 1.75%, the difference in the effect of this on 2022/23 salaries will also be funded from this corporate contingency budget.

- 5.15 The process of filling new posts approved as part of the budget will, as far as possible, begin in the current financial year with the aim of ensuring the posts are filled at the earliest opportunity. Whilst the Authority's intention is generally to operate at full establishment throughout the year, experience has shown that the time taken to recruit can often result in periods of posts being vacant and therefore the 2022/23 budget includes a (£40,000) vacancy allowance – this has also been included within the Management & Corporate budget outlined below.

Workforce and Pay Policy

- 5.16 The proposals set out in this report have the following impacts on the Authority's workforce.

	2021/22 Funded Establishment	Miscellaneous Changes	Growth	2022/23 Funded Establishment
	FTE	FTE	FTE	FTE
Pensions Administration	66.6	(0.2)	2.0	68.4
Investment Strategy	3.3	-	-	3.3
Finance and Corporate Services	18.2	0.1	1.0	19.3
ICT	8.3	(1.0)	-	7.3
Management and Corporate Costs	0.4	1.0	1.0	2.4
Democratic Representation	0.3	-	-	0.3
Total	97.1	(0.1)	4.0	101.0

- 5.17 The miscellaneous changes shown above include the transfer of 1.0 FTE from ICT to Management & Corporate – this is to reflect the change from what was a Project & Improvement Lead post, to a new Programme Manager post that will operate across the organisation and report to the Director. The other changes in this column reflect small increases or reductions in the hours of established posts, a net total impact of - 0.1 FTE.
- 5.18 The increase of 4.0 FTE shown in the column for growth comprises the addition of the newly established posts of Benefits Team Senior Practitioner, ICT & Systems Senior Officer in Pensions Administration, Corporate Manager – Governance in Finance & Corporate Services, and Project Management Support Officer in Management & Corporate. Further details concerning the addition of these new posts are provided in the table in paragraph 5.13 above.
- 5.19 The Authority produces a Pay Policy Statement which sets out its arrangements for pay and reward. As any national pay award applicable from April 2022 has yet to be

settled, it is not yet possible to update this. The pay policy statement will be updated as and when the relevant information is available.

Other Budget Movements

5.20 This column in the table at paragraph 5.6 sets out the net budget impact of various specific changes to individual budget items – details of which are set out in the following table.

Budget Head	Item of Expense	Detail	Total £
Pensions Administration	Actuarial Fees	Following a procurement exercise in 2021/22, a new contract is in place for actuarial services, and this has resulted in significant forecast savings compared to the previous year.	(80,000)
Pensions Administration	Income from Fees Charged to Employers	The change in the actuary contract as outlined above, means that the actuarial costs recharged to employers will also reduce. This results in an associated reduction to the income from the fees charged to employers for the administration of this work.	10,000
Pensions Administration	Professional Services / Consultancy	This budget has been increased in 2022/23 to provide for the costs of GMP rectification work.	36,620
Pensions Administration	Other Expenditure	In 2021/22, this budget included £28,340 as additional resource to be used for project management activity. In the 2022/23 budget, this has been transferred to the salaries budget in Management & Corporate to be used for a new Project Management Support Officer.	(28,340)
Investment Strategy	Investment Accounting System	This is the saving achieved from the change to a more basic software system for investment accounting, reflecting the change in requirements now that the majority of investment assets are managed by Border to Coast. The cost and budget for the new investment accounting system (at £8k per annum) has also been transferred to the ICT budget head – as this is where all ICT infrastructure and systems budgets are held and managed.	(172,000)
Investment Strategy	Professional Services / Consultancy	The 2022/23 budget includes an additional allowance for the cost of the triennial investment strategy review as well as an increase to meet the costs for the further work required relating to development of impact investing reporting. The investment strategy review will be financed by a transfer from earmarked reserves.	65,000
ICT	Pensions Administration System	Following a procurement exercise, the new contract for the pensions administration system commences from February 2022. The budget reflects the new annual support and maintenance costs, including increases in respect of new items such as a release delivery service, payroll browser automation, and potential developments required to deliver McCloud related administration. The total increase shown here will be partly financed by a transfer of £77,000 from earmarked reserves.	133,300

Budget Head	Item of Expense	Detail	Total £
Management & Corporate	Corporate Contingency	Allowance for potential costs increases in respect of pay award for 2022/23, impact of a review of pay and benefits (including the cost of the review itself) – see details in paragraph 5.14 above.	193,000
Management & Corporate	Vacancy Allowance	Allowance for under-spends arising from staff turnover and periods when posts remain vacant – see details in paragraph 5.15 above.	(40,000)
Management & Corporate	Premises Costs	The budget for office accommodation includes the additional costs for provision of Facilities Management (FM) and other running costs due to moving to our own new office at Oakwell House. As the office is only being fully occupied from February 2022, the budget requirements in respect of FM and utilities in particular involve a degree of estimation in relation to the cost drivers - where this is the case, caution has been used to budget on a prudent basis.	66,000
Management & Corporate	External Audit Fee	The budget for external audit fees has been increased, reflecting the additional requirements placed on external audit that are now being added to the scale fees approved by the Public Sector Audit Appointments Limited.	7,500
Management & Corporate	Health & Wellbeing	The budget for health and wellbeing now includes the costs of an external Health & Safety consultant, occupational health services purchased from BMBC including counselling provision and also the costs of providing suitable equipment to staff for homeworking.	3,500
Democratic Representation	Various	The budgets for various running costs (printing, postage, catering and travel) for Authority, Committee and Board meetings have reduced reflecting changes post-COVID and the continuing move to paperless; whilst the budgets for members' allowances and adviser to the board have increased in line with inflation. The net impact is an overall reduction on this budget head as shown.	(5,820)
All	Various	The overall net effect of other minor changes reflecting the actual resourcing requirements within each department for the 2022/23 financial year.	3,260
Total Other Budget Movements			192,020

Reserves

5.21 The movement and estimated balances on the Authority's earmarked reserves arising from the budget proposals are as follows.

Reserve	Forecast Balance at 01/04/2022 £	Estimated Contributions to Reserves £	Estimated Contributions from Reserves £	Estimated Balance at 31/03/2023 £
Corporate Strategy Reserve	220,210	40,980	(74,000)	187,190
ICT Reserve	178,300	8,660	(77,000)	109,960
Subtotal Revenue Reserves	398,510	49,640	(151,000)	297,150
Capital Projects Reserve	44,000	35,000	0	79,000
Total Earmarked Reserves	442,510	84,640	(151,000)	376,150

- 5.22 The corporate strategy reserve is held for providing additional funds required for one-off corporate plan projects and to mitigate risk. During the current 2021/22 financial year, this reserve has been drawn upon to finance aspects of the Oakwell House project, the implementation of a governance and meeting management system, and the employment of an HR undergraduate placement. In 2022/23, the planned transfers from reserves will finance the Investment Strategy review undertaken every three years in line with the triennial valuation, retention payments, and there will be an additional transfer to the reserve for future projects.
- 5.23 The ICT reserve holds funds from the income generated from the sales of internally developed software to other pension funds. The reserve is used to provide funding for the enhancement of ICT systems and infrastructure as required to support the delivery of corporate objectives. The planned transfers from this reserve in 2022/23 will be to fund the one-off costs anticipated for developments on the pensions administration system in relation to McCloud and the payroll browser automation.
- 5.24 The capital projects reserve holds funds required for one-off costs of large capital projects. In 2021/22, this reserve was used for financing the costs associated with the Oakwell House refurbishment and the implementation of the new contract for the pensions administration system. The forecast remaining balance at 1 April 2022 and the contribution to the reserve in 2022/23 is to meet the costs of the Authority's ICT Hardware replacement programme in future years – i.e. replacement of laptop equipment for all staff, replacement of servers and so on.

Local Pension Board

- 5.25 Included within the Democratic Representation budget shown above is the budget for the Local Pension Board, a total of £13,650. This was considered at their meeting on 14 October 2021 and the Board have recommended this to the Authority for approval as part of the overall Authority budget.

Report Under Section 25 of the Local Government Act 2003

- 5.26 Part 2 of the Local Government Act 2003 contains a series of duties and powers that give statutory support to aspects of good financial management within local government.
- 5.27 Section 25 requires the statutory chief finance officer to report to an Authority on the robustness of the estimates included in the budget and the adequacy of the proposed reserves when it is making its decision on determining the council tax. Whilst the

Pensions Authority budget does not have any direct impact on council tax, it is nevertheless good practice to apply the same requirement here.

- 5.28 In considering the robustness of any estimates, the following issues are taken into account:
- a. The reasonableness of the underlying budget assumptions;
 - b. The extent to which known costs and pressures have been recognised in the proposed budget;
 - c. A review of risks associated with the budget;
 - d. The alignment of resources with the Authority's service and organisational priorities; and
 - e. The strength of financial management and reporting arrangements.
- 5.29 The preparation of the 2022/23 budget builds on continued review of resourcing requirements for delivery of day-to-day operations as well as the planned requirements for delivering the corporate plan and addressing the risks facing the organisation as detailed in the corporate risk register. Detailed budget monitoring is carried out throughout the year and reported on quarterly. This ensures that budgeted resources going forward are determined and allocated to reflect the actual needs of the organisation.
- 5.30 Employee costs make up two thirds of the overall budget. The budget estimates for employee costs have been prepared based on a detailed line-by-line analysis, taking account of career grade progression, individual incremental progression, and the estimates include additional staffing resources as set out in the relevant section above.
- 5.31 Based on experience over the last three years, a vacancy allowance of c.1% has been made for 2022/23 to allow for time-lag in filling vacancies.
- 5.32 As outlined in para 5.12 above, the salaries budget lines for 2022/23 include the effect of a 1.75% pay award, currently still awaiting confirmation, to be applied for the 2021/22 year. However, for 2022/23, rather than including an assumption for pay award inflation in the individual salary budgets, a separate corporate contingency has been proposed at c.5% of the total pay budget. This is on the basis of the degree of uncertainty of pay awards going forward, and also to reflect that an independent pay and benefits review is to be undertaken during the year. This proposed approach to the budget for pay is considered to be appropriate and prudent based on the best information available at this time. In light of the wider public sector pay policy and the pressures on Local Government finances, the risk that the pay award will be higher than this is considered minimal. There is a risk that it could be lower in which case this would result in an under-spend.
- 5.33 The budget estimates have been developed specifically to align with the Authority's corporate strategy and priorities.
- 5.34 The budget is monitored regularly throughout the year and forecast outturn and variances reported to the Authority every quarter.
- 5.35 The Treasurer therefore considers that the estimates included in the budget are robust.
- 5.36 The reserves held by the Authority are required to fund specific expenditure in future years or are required to provide risk finance. As set out in the Medium-Term Financial Strategy, our policy is to limit the total amount held in the revenue earmarked reserves to no more than 7.5% of the total budget. The proposed revenue reserves total of £297k as set out in paragraph 5.21 above represents 5.1% of the total budget for 2022/23 and is therefore well within this self-imposed limit, and it is considered to be adequate for the purposes outlined and to meet needs arising from any unforeseen events during the year.
- 5.37 Additionally, the Capital Projects Reserve will provide adequate level of resources required for the ICT equipment replacement programme as set out in paragraph 5.24.

Conclusion

- 5.38 The budget proposals outlined in this report are based on a continued approach of comprehensively reviewing the resource needs in the context of the Authority's current and future requirements. The areas suggested for additional investment have been carefully identified to link to and support the achievement of the Corporate Strategy objectives.

6 Implications

- 6.1 The proposals outlined in this report have the following implications:

Financial	As set out in the body of the report.
Human Resources	The budget proposals include the addition of staff resources in certain areas as set out in the table at paragraph 5.13.
ICT	The budget proposals include specific resources for the development of the ICT infrastructure and systems available as set out in the main body of the report.
Legal	The setting and monitoring of the budget requirement ensures that the Authority complies with the Local Government Act 2003.
Procurement	The budget proposals include resources to support any procurement activity that will need to be undertaken.

Neil Copley

Treasurer

Background Papers	
Document	Place of Inspection
Budget working papers	Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, S71 1HG



Subject	Appointment of Monitoring Officer	Status	For Publication
Report to	Authority	Date	10 th February 2022
Report of	Clerk		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Gill Richards	Phone	01226 772806
E Mail	gillrichards@barnsley.gov.uk		

1. **Purpose of the Report**

- 1.1 To seek approval from the Authority to appoint Jason Field as Monitoring Officer to the Authority following the departure of the current Monitoring Officer, Gary Kirk, at the end of January 2022.

2 **Recommendation(s)**

2.1 **Members are recommended to:**

- a. **Approve the appointment of Jason Field (Head of Legal Services, Barnsley MBC) as the Authority's Monitoring Officer with effect from 1st February 2022.**

3. **Link to Corporate Objectives**

3.1 **Effective and Transparent Governance**

The Monitoring Officer has an important role to promote and enhance good corporate governance in terms of the quality of decision making as well as ensuring legality, probity and propriety.

4. **Implications for the Corporate Risk Register**

- 4.1 None.

5. **Background and Options**

- 5.1 The Authority has a statutory duty to appoint a Monitoring Officer under s5 of the Local Government and Housing Act 1989.
- 5.2 The functions of the Monitoring Officer are:

- To maintain the Constitution.
- Ensure lawfulness and fairness of decision making.
- Provide advice on the scope of the powers of the Authority, its Committees and officers to take decisions and in matters involving maladministration and probity.

5.3 Garry Kirk, Service Director, Legal Services, the Authority's Monitoring Officer, left the service of Barnsley MBC at the end of January 2022. The Council has appointed Jason Field, Head of Legal Services as its Monitoring Officer, and is recommending that he assume the same responsibilities in relation to the Pensions Authority.

The Authority is therefore recommended to formally appoint Jason Field as Monitoring Officer to the Authority.

5.4 The Authority has previously agreed to take steps to appoint to the role of Corporate Manager – Governance with the intention that this role will ultimately take on the responsibilities of the Monitoring Officer, no later than April 2023. The process of appointing to this role is in hand and following a successful candidate taking up the role discussions will take place with the Council regarding a transition to the arrangements agreed by the Authority.

6. **Implications**

6.1 The proposals outlined in this report have the following implications

Financial	None
Human Resources	None
ICT	None
Legal	It is a statutory requirement to appoint a Monitoring Officer
Procurement	None

Sarah Norman

Clerk

Background Papers	
Document	Place of Inspection
S5 of the Local Government and Housing Act 1989	http://www.legislation.gov.uk/ukpga/1989/42/contents



Subject	Independent Advisers	Status	Not For Publication
Report to	Authority	Date	10 th February 2022
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Director	Phone	01226 666439
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

- 1.1 To approve arrangements in preparation for the end of the Independent Advisers' current contracts.
-

2 Recommendations

- 2.1 Members are recommended to:
- a. **Approve the extension of Ms Devitt's contract for a further 4 years from September 2022.**
 - b. **Agree to undertake an appointment process for an adviser to succeed Mr Robb for three years with effect from September 2022 as outlined in para 5.5.**
-

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:

Investment Returns

To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

Responsible Investment

To develop our investment options within the context of a sustainable and responsible investment strategy.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

Ensuring and procuring the availability of appropriately qualified and genuinely independent advice is a key control within the decision-making process as well as allowing members to have access to an independent view of the risks being taken in the investment strategy.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report impact the identified risks in relation to investment returns and the effectiveness of the Authority's decision-making processes.

5 Background and Options

- 5.1 The current Independent Investment Advisers were appointed in September 2019 for a period of 3 years ending in September 2022. Thus, given the time required to make an appointment it is appropriate to now consider the actions to be taken in relation to these contracts.

- 5.2 The contracts limit the total duration of an adviser's service to 10 years to provide some guarantees of their continued independence. By September 2022 Mr Robb will have served for more than 10 years which means that his contract cannot be renewed. At this point Ms Devitt will have served for three years and it is possible to renew her contract for a further period if members wish to do so.

- 5.3 The role of the Independent Advisers has evolved over the last three years as the pooling process has progressed and the Authority has become more focussed on strategic issues and less on tactical matters. The skill set required of the advisers is focussed on:

- Developing the Investment Strategy and Strategic Asset Allocation.
- Key decision-making processes, such as decisions to rebalance against the strategic asset allocation or decisions with regard to the future of legacy portfolios.
- Interrogating the performance of the Fund and developing appropriate courses of action.
- Assisting in the development of a new performance management framework to address the move to pooling including the development of appropriate scorecards which enable success to be understood.
- Delivering training to members as part of the commitment to the Knowledge and Skills framework.

- 5.4 Members are faced with two specific choices at this point:

- a) Whether to continue with 2 advisers or move to one adviser. Experience over the last three years indicates that having two advisers with different backgrounds and experiences provides a better range of challenge and different but complimentary types of input for the Authority and within the Investment Advisory Panel. Therefore, it would seem sensible to continue with the current two adviser arrangement but arrange the terms of office so that both advisers' terms do not come to an end at the same time.
- b) Whether or not to renew Ms Devitt's contract. Feedback from members and officers would indicate that this would be welcomed and therefore it is recommended that Ms Devitt's contract is extended for a period of four years which would put it on a different cycle to a new adviser.

5.5 If members are happy to proceed along these lines, then it will be necessary to undertake a process to appoint a new adviser during the summer of 2022. Traditionally the appointment of independent advisers is treated as a hybrid somewhere between a procurement and a staff appointment. Given the nature of the role it is important that elected members are involved in the process and have confidence in the individuals appointed. This would lead to the conclusion that the process should involve an initial shortlisting and sifting by officers and a range of candidates being interviewed by the Staffing Appointments and Appeals Committee. The role would be advertised by circulation through the network of independent advisers together with use of the Authority's social media channels, which based on experience from the previous process this should generate a sufficient and appropriate level of interest.

6 **Implications**

6.1 The proposals outlined in this report have the following implications:

Financial	The budget provides sufficient resources for two advisers, therefore the proposals as set out in this report make no additional calls on the budget.
Human Resources	None apparent
ICT	None apparent
Legal	The Authority is required under the Investment Regulations to ensure that it has access to appropriate advice and the proposals set out in this report are designed to achieve that objective
Procurement	As indicated above the process for appointing Advisers sits somewhere between a staff appointment and a procurement. The Authority will be protected against the risk of challenge through ensuring the opportunity is as widely advertised as possible.

George Graham

Director

Background Papers	
Document	Place of Inspection

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank