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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Oakwell House
2 Beevor Court
Pontefract Road
Barnsley
S71 1HG

www.sypensions.org.uk

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, S71 1HG on Thursday, 8 September 2022 at 10.00 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 666412
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Distribution

Councillors: J Mounsey (Chair), R Bowser, S Clement-Jones, S Cox, B Curran, A Dimond, D Fisher, M Havard, D Nevett, A Sangar, M Stowe and G Weatherall.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

THURSDAY, 8 SEPTEMBER 2022 AT 10.00 AM - OAKWELL HOUSE, 2 BEEVOR COURT, PONTEFRACT ROAD, BARNSLEY, S71 1HG

Agenda: Reports attached unless stated otherwise

	Item	**Pages**
	Business Matters	
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.	
5.	Declarations of Interest	
6.	Section 41 Feedback from District Councils	
7.	Minutes of the Annual and Ordinary meeting held on 9 June 2022	5 - 16
8.	Minutes of the Staffing, Appointments and Appeals Committee held on 26 July 2022	17 - 18
	Corporate Matters	
9.	Q1 Quarter Performance Report	19 - 46
10.	Treasury Management Strategy Statement 2022/2023	47 - 56
	Investment Matters	
11.	Advisor's Market Commentary	57 - 68
12.	Q1 Investment Performance Report	69 - 86
13.	Q1 Responsible Investment Update	87 - 114
	Governance Matters	
14.	Decisions Taken Between Meetings	115 - 116

SOUTH YORKSHIRE PENSIONS AUTHORITY

9 JUNE 2022

PRESENT: Councillor J Mounsey (Chair)

Councillors: R Bowser, S Clement-Jones, S Cox, B Curran, A Dimond, D Fisher, D Nevett, A Sangar, M Stowe and G Weatherall

Trade Unions: N Doolan-Hamer (Unison) and G Warwick (GMB)

Investment Advisors: A Devitt and L Robb

Officers: J Bailey (Head of Pensions Administration), J Garrison, W Goddard (Financial Services Manager), G Graham (Director), G Richards (Governance Officer), S Smith (Head of Investments Strategy) and G Taberner (Head of Finance and Corporate Services)

E McCulloch (Border to Coast Pensions Partnership Ltd)

C McFadyen and S Scott (Hymans Robertson)

Apologies for absence were received from D Patterson

1 APPOINTMENT OF CHAIR FOR THE ENSUING YEAR

RESOLVED – That Cllr John Mounsey be appointed as Chair of the Authority for the ensuing year.

2 APPOINTMENT OF VICE-CHAIR FOR THE ENSUING YEAR

RESOLVED – That Cllr Garry Weatherall be appointed as Vice-Chair of the Authority for the ensuing year.

3 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

4 DECLARATIONS OF INTEREST

The Director declared an interest in Item 24 – Review of Directors remuneration.

5 ANNOUNCEMENTS

The Chair announced that this was the last meeting for Leslie Robb who had been an Independent Advisor to the Authority for the last 10 years. He thanked Leslie for his honesty and openness over the years, commenting that he had been a great asset to the Authority and wished him all the best for the future.

6 URGENT ITEMS

None.

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

RESOLVED – That item 24 – Review of Director Remuneration be considered in the absence of the public and press.

It was noted that all officers, with the exception of the HR Business Partner, would leave the room for this item.

8 MEMBERSHIP, POLITICAL BALANCE AND APPOINTMENTS TO COMMITTEES

A report was considered which sought approval of appointments to the Authority's Committees for the 2022/23 Municipal Year in line with the political balance rules applying to the Authority.

It was noted that the following Councillors had been appointed to the Authority by each of the District Councils for the 2022/23 Municipal Year.

Barnsley MBC	Doncaster MBC	Rotherham MBC	Sheffield CC	Non-Voting Co-opted Members
R Bowser	S Cox	D Fisher	S Clement-Jones	N Doolan(Unison)
M Stowe	J Mounsey*	M Havard	B Curran	D Patterson(Unite)
	D Nevett		A Dimond	G Warwick(GMB)
			A Sangar	
			G Weatherall	

The following members had been designated by the District Councils as the s41 members whose role was to answer questions about the work of the Authority.

Barnsley MBC	Doncaster MBC	Rotherham MBC	Sheffield CC
M Stowe	D Nevett	M Havard	G Weatherall

Audit Committee

Barnsley MBC	Doncaster MBC	Rotherham MBC	Sheffield CC
R Bowser	S Cox	M Havard	S Clement-Jones
	D Nevett		G Weatherall*

Staffing, Appointments & Appeals Committee

Barnsley MBC	Doncaster MBC	Rotherham MBC	Sheffield CC
M Stowe	S Cox	M Havard	A Sangar
	J Mounsey*		G Weatherall

Members were reminded that at its last meeting the Authority endorsed the principle of creating a member working group to support the development of the plan which the Authority would be required to prepare in relation to investment directed to support the "levelling up" agenda. A proposed set of terms of reference was at Appendix A. Suggested membership was as follows:

Impact Investment Working Group

Barnsley MBC	Doncaster MBC	Rotherham MBC	Sheffield CC
M Stowe	D Nevett	D Fisher	A Dimond
			A Sangar
			G Weatherall*

*denotes Chair.

N Doolan-Hamer commented on the lack of female representation on the Authority.

The Director agreed commenting that it was out of his hands but would feedback the comment to the District Councils.

RESOLVED – That members:

i) Note the members appointed to the Authority by the District Councils.

ii) Note the members appointed to answer questions in the meetings of the District Councils.

iii) Approve the nominations to the two Committees as detailed above.

iv) Approve the terms of reference for the proposed Impact Investment Working Group set out in Appendix A and approve the nominations to the Group as detailed above.

9 Q4 CORPORATE PERFORMANCE REPORT

G Taberner and W Goddard presented the Corporate Performance Report for Quarter 4 2021/22.

Highlights for the Quarter were noted as:

- Majority of corporate objectives had been delivered or remained on target.
- Fund value at year end £10.7 billion, estimated funding level of 109%.
- Improvements in pension administration performance measures.
- A small number of corporate objectives not delivered had be deferred.

- Continued high level of vacancies contributing to a large budget underspend although progress had now been seen since the end of Quarter 4.

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 key performance indicators for Pensions Administration were presented within the report. It was noted that performance on priority cases continued to improve and was not affected by the creation of the Projects Team; there had been slight reduction in non-priority cases during the quarter. A more detailed report on performance of Pensions Administration was provided for each meeting of the Local Pension Board.

Members noted the quarter 4 financial performance and forecast outturn. The provisional outturn for the year before transfers from reserves as an underspend of £299k.

The majority of the underspend related to employee costs. Details of the variances on the individual service area staffing budgets were included in the analysis within the report.

Members were reminded that the Authority had three earmarked reserves, The Corporate Strategy reserve, the ICT reserve and the Capital Projects reserve.

A table within the report showed details of planned transfers from the reserves in 2021/22 which resulted in a total of £1,405k being transferred for the financial year.

As outlined in the table, there were some specific areas of under-spend – including the capital budget and the areas of additional income for apprenticeships and for ICT that were required to be transferred into reserves for use in the forthcoming year.

Additionally, given that there continued to be a need to ensure the balance of reserves was kept to an adequate level going forward to meet resourcing requirements for specific corporate strategy objectives and for managing risk, it was proposed to transfer the remaining forecast under-spend for 2021/22 into the reserves, in addition to the originally budgeted transfers into reserves. This resulted in a total of £338k being transferred into reserves for the year.

The result of the above was a total net transfer from reserves of £1,067,410

The Corporate Risk Register, was attached at Appendix A. A full review was undertaken in May 2022 and this had resulted in three risk scores being reduced as highlighted on the attached Risk Register which also provided full commentary.

RESOLVED – That members:

i) Note the report.

ii) Approve the other transfers to and from earmarked reserves as set out in the table in paragraph 4.64; amounting to a net total transfer from reserves of £1,067,410.

10 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

11 MINUTES OF THE MEETING HELD ON 17 MARCH 2022

RESOLVED – That the minutes of the meeting held on 17th March 2022 be agreed as a true record.

12 ADVISOR'S MARKET COMMENTARY

A Devitt provided a market commentary on recent events.

Highlights since the last quarterly update included:

- Inflation remained the core focus of central banks worldwide.
- Fixed income had one of its worst starts to the year since recordkeeping began, with sharp falls in investment grade and high yield issues.
- Employment numbers remained positive, but GDP numbers were strained due to supply chain problems and a slowdown in exports.
- The case for de-globalisation remained strong with some expecting this to lead to more inflation, more local supply chains and ultimately more protectionism.
- The pressure on energy users remained severe and this had upped pressure to locate alternative sources.
- Markets had experienced severe volatility globally although this had since turned more positive.

Members discussed the effects of inflation and interest rate rises, the effect of the lifting of travel restrictions enforced by Covid and political and currency moves.

The Chair thanked A Devitt for an interesting update.

13 Q4 INVESTMENT PERFORMANCE

S Smith presented the quarterly Investment Report to 31st March 2022.

It was noted that the Fund was valued at £10.65bn at the end of March; the current value was £10.4bn.

With regard to asset allocation, it was noted that the largest transaction during the quarter was the transition of £140m of listed alternative holdings to the new Border to Coast Listed Alternatives fund.

Ahead of this transition listed equity holdings were reduced by £70m - £50m of this was invested into the listed alternatives fund. At the same time there were further drawdowns of £10m across the infrastructure and private debt funds.

Within property three sales transactions were completed during the quarter, these were all transactions that were reported in the 2021 Strategic Plan.

It was noted that there was now only one category that was outside its tactical range and that was private equity.

The changes in net investment for the categories over the last year were shown within the report as was the Fund allocation which was shown against the strategic target.

With regard to performance, for the quarter to the end of March, the Fund returned -1.0% against the expected benchmark return of -1.6% - this was all due to stock selection.

For the financial year the return of the Fund at 9.6% was above the expected benchmark of 7.7%.

Asset allocation during the year contributed 0.1% with the remainder being due to stock selection.

The report also contained details of the performance of Border to Coast Funds showing the quarterly returns and also the longer-term position,

Members noted that the funding level as at 31st March 2022 was estimated to be 109%, the breakdown was:

- Fund's Assets at 31st March £10,586
- Fund's estimated liabilities at 31st March £ 9,673

It was noted that the estimate was calculated on a roll forward basis which meant that there was no allowance made for any actual member experience since the last formal valuation on 31st March 2019.

RESOLVED – That the report be noted.

14 Q4 RESPONSIBLE INVESTMENT UPDATE

Members considered the Quarter 4 Responsible Investment update.

Highlights included:

- An increase of 1/3rd in the number of votes cast as the peak voting season started.
- An increase in votes against management reflecting the tightening of the voting guidelines in a number of areas including board diversity and having credible plans to achieve Net Zero.
- A reduction in engagement activity following the peak around CoP26 in the last quarter.
- A move back to a position where over 50% of engagement activity involved direct interaction with the relevant company.
- The closure of an engagement around single use plastics which had achieved some positive movement.

- Maintenance of strong ESG ratings for the three equity portfolios and the publication of the first assessment of ESG performance of the Investment Grade Credit portfolio.
- The availability for the first time of clear metrics for the Commercial Property portfolio indicating a reduction in GHG emissions and reduced energy consumption.
- A mixed picture for the end of year carbon emissions data, although in the context of a broadly improving position. A high risk remained that when looked at for these portfolios in isolation the 2030 Net Zero goal would not be achieved.
- Continued collaborative activity, particularly around nature-based disclosures.

RESOLVED – That the report be noted.

15 <u>REGULATORY UPDATE - ADMINISTRATION SERVICE</u>

Members considered a report which provided an update on recent legislative developments that would impact on the administration service over the year ahead and summarised the mitigations that were in place to manage the associated risks of service impact.

The report gave details of:

- The Pensions Dashboards Programme.
- The McCloud Judgement.
- Stronger Nudge Requirements.
- Special Severance Payments.

RESOLVED – That members note the ongoing projects linked to legislative changes and the steps being taken within the administration service to manage the risks of wider service impacts.

16 <u>CONSULTATION ON FUNDING STRATEGY STATEMENT</u>

A report was submitted which sought to gain approval to consult informally with employers in the fund on the proposed changes to the Funding Strategy Statement (FSS).

Members were reminded that the FSS was a statutory requirement under the LGPS regulations and must be kept under review and subject to consultation where changes were being made.

Officers, in consultation with the actuary, had been reviewing the FSS and the actuary had produced a summary of the key principles contained within the FSS and the current expectation of how this may change as part of the review, subject to consultation. The summary document was attached at Appendix A.

It was noted that there were no fundamental changes planned to the FSS but there were a number of developments in line with the evolution of the funding strategy which it was intended to discuss with the employers as part of the consultation. These were detailed within the report.

The summary document also drew attention to two new elements that were intended to be reflected in the updated FASS. The first was reflecting wider developments in the approach to climate change risk and the second was the proposed introduction of "pass through" arrangements for new employer admissions created from outsourcing. J Bailey explained the concept of "pass throughs" to members together with the potential advantages and drawbacks.

RESOLVED – That members approve the early consultation with employers on key changes proposed to the principles and polices contained within the Funding Strategy Statement.

17 <u>ANNUAL REPORT OF THE AUDIT COMMITTEE</u>

Members considered the annual report of the Audit Committee.

The report was produced in order to provide stakeholders with information on the work of the Committee droning 2021/22 to support the process of gathering assurance for the production of the Annual Governance Statement.

The report outlined the Committee's:

- Role and responsibilities.
- Membership and attendance.
- Work Programme.

RESOLVED – That the report be noted.

18 <u>ANNUAL REPORT OF THE LOCAL PENSION BOARD</u>

The Authority considered the Annual Report of the Local Pension Board in line with LGPS Governance Regulations and as part of the process of gathering assurance for the Annual Governance Statement.

The report gave details of:

- The role and membership of the Local Pension Board
- Meeting attendance
- Work of the Board during 2021/22
- Governance
- Learning & Development
- Review of the Board's effectiveness
- The Board's budget.

RESOLVED – That the report be noted.

19 <u>LOCAL PENSION BOARD MEMBERSHIP</u>

A report was considered which sought to secure a decision with regard to filling of vacancies on the Local Pension Board and approval of the amendments to the Board's Constitution.

Members were informed that at its last meeting in April the Local Pension Board had considered its annual effectiveness review which had raised some specific issues around membership which fell to the Authority to determine.

The Board determined two key principles in relation to its membership which underpinned the thinking for its requests to the Authority:

a) That the Constitution should be written flexibly enough in relation to membership that it did not require frequent changes.

b) That the terms of office of all members should not be less than three years to allow members to develop the knowledge and skills necessary to fulfil the relevant regulatory requirements.

Full details of the suggested amendments were contained within the report.

RESOLVED – That members:

i) Endorse the views of the Local Pension Board in relation to the need to achieve greater consistency of member.

ii) Direct the Authority's Director to request that the District Councils make their appointments to the Board for a period of three years.

iii) Approve the consequent changes to the Board's Constitution.

20 ANNUAL GOVERNANCE STATEMENT

A report was submitted which sought to secure approval of the Authority's Annual Governance Statement (AGS).

Members were reminded that the AGS assessed compliance with and performance against the standards set out in the Authority's Local Code of Corporate Governance. The AGS was attached at Appendix A for approval.

The AGS also included a summary of the assessment of the control environment from the Internal Audit Annual Report. Currently this was a provisional assessment pending the completion of the full Internal Audit Annual Report and if any amendments were required they would be made prior to publication as part of the accounts.

The AGS also contained an Action Plan for completion in 2022/23. The Action Plan reflected the development of a number of themes from previous years with some additional issues which reflected the learning from changes that had to be made due to the pandemic.

RESOLVED – That members:

i) Approve the Annual Governance Statement for 2021/22 and authorise its signature by the Chair and the Director.

ii) Note the provisional conclusion of the Head of Internal Audit which would be revised, if required, by the content of the Internal Audit Annual Report.

21 AMENDMENT TO THE AUTHORITY'S CONSTITUTION

A report was submitted which sought to update the provisions of the Authority's Constitution regarding the sealing of documents,

Members were informed that since the departure of the Deputy Clerk, the number of officers available to execute documents requiring the Authority's seal to be attached had been reduced. As these documents often needed to be turned round quickly it was important to have sufficient officers available to execute such documents.

It was noted that it was intended to commission a comprehensive review of the Constitution in the run up to the formal changes to the statutory officer roles in April 2023, but in the interim it was suggested that the Corporate Manager – Governance be added to the list of officers authorised to execute such documents.

RESOLVED – That members approve the changes to the list of officers authorised to execute sealed documents on the Authority's behalf as set out in the report.

22 DECISIONS TAKEN BETWEEN MEETINGS

Members considered a paper which reported on decisions taken as a matter of urgency between meetings of the Authority.

It was noted that there had been one such decision since the last meeting which related to the Authority's shareholder vote on resolutions concerned with the remuneration of Executive Directors of Border to Coast.

RESOLVED – That members note the decision taken between Authority meetings using the appropriate urgent procedures.

23 MEMBER LEARNING AND DEVELOPMENT - PROGRAMME AND NEEDS ASSESSMENT

A report was submitted which provided an update on the assessment of learning and development needs and the plan to address the identified needs.

Members of the Authority and Local Pension Board had completed an online knowledge/needs assessment provided by Hymans Robertson earlier in the year, whilst new members and others who had been unable to complete the assessment at the time had completed the assessment prior to the meeting.

The assessment results indicated common needs across both the Authority and Board, these were detailed within the report. In addition to this, there was also a need to keep members up to date on specific issues which would affect the Authority in the coming months,

Set out at Appendix A was the proposed Learning and Development Plan for the year which had been constructed reflecting the results of the assessment and the specific issues which would come forward during the next few months.

RESOLVED – That Members:

i) Note the results of the Learning Needs Assessment process.

ii) Approve the proposed Learning and Development Plan set out in Appendix A.

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.

24 REVIEW OF DIRECTOR REMUNERATION

A report was submitted which presented the results of a review of the current salary for the Director and provided a recommendation from this for Authority approval.

RESOLVED – That members approve an increase in salary for the Director as outlined in paragraph 5.7, option B as detailed in the report resulting in a single point salary of £125,000.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

STAFFING, APPOINTMENTS & APPEALS COMMITTEE

26 JULY 2022

PRESENT: Councillor J Mounsey (Chair)
Councillors: S Cox, A Sangar and M Stowe

A Devitt (Independent Advisor)

Officers: G Graham (Director) and S Smith (Head of Investments Strategy)

Apologies for absence were received from Councillor G Weatherall

1 APOLOGIES

Apologies were noted as above.

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

RESOLVED – That Item 16 'Appointment of Independent Investment Advisor' be considered in the absence of the public and press.

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.

3 APPOINTMENT OF INDEPENDENT ADVISOR

The Committee interviewed four candidates for the role of Independent Investment Advisor, and

RESOLVED – That Trevor Castledine be appointed as an Independent Investment Advisor for an initial period of 3 years with the possibility of two extensions to a maximum term of 10 years.

CHAIR

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Delivering for our Customers – Corporate Performance Report

Quarter 1 2022/23

Contents

1. Introduction

1.1 South Yorkshire Pensions Authority only exists to provide services to our customers whether they be scheme members or employers.

1.2 This Corporate Performance Report provides a summary view of overall performance in achieving the Authority's objectives; bringing together information on progress against the corporate strategy, a range of key performance measures, financial monitoring, and an ongoing assessment of the risks to the delivery of the Corporate Strategy. By providing this single view of how we are doing it will be easier for councillors and other stakeholders to hold us to account for our performance.

1.3 This report presents the information on overall performance during the first quarter of the 2022/23 financial year. More detailed information on the performance of the Authority's investments and the pension administration service during the quarter are contained in other reports which are available on the Authority's website.

Recommendations

1.4 The financial measures set out within Section 4 of the report include details regarding the budget for 2022/23 and proposed virements between budget heads required as a result of changes taking place after the budget was approved in February 2022. The Authority's approval for these virements is required and Members are recommended to:

a) Approve the budget virements as set out in paragraphs 4.17 to 4.20 of the report.

2. Headlines

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

+	−
Customer feedback remains positive	Small increase in sickness levels
Despite market conditions a strong funding level is being maintained	Delays to a small number of Corporate Strategy projects which will need to be rephased
Costs, including pay pressure, being maintained within budget	Admin performance stable but remains below target
Cyber security accreditation maintained	

3. Delivering the Corporate Plan & Supporting Strategies

3.1 This section provides information on the progress we are making on delivering the various strategies which form part of our corporate planning framework.

3.2 The update to the Corporate Strategy for the period 2022-2025 was approved in January 2022 and 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 had to work at home. 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.

3.3 The detailed objectives and plans have been divided into the following programmes of work.

a) 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.

b) Process Improvement – with a particular focus on getting the most out of our investment in technology including automating processes and improving reporting.

c) Investment – which focuses on activity to develop and refine the investment strategy to support the overall funding of the pension scheme.

d) Organisational Infrastructure – which focuses on all those things that make the business work.

3.4 The following tables provide updates in respect of developments that have taken place during the quarter in delivering these programmes of work.

3.5 Key to responsible manager abbreviations:

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
PM	Team Manager – Programmes and Performance
S&E	Team Manager – Support and Engagement
TA	Technical Adviser
G&R	Governance and Risk Officer

Ref	Project / Action	Timescale Start	Timescale Finish	Responsible Manager	Quarter 1 Progress Updates	On Track:
Data						
D01	**Complete Valuation 2022**	**Nov-21**	**Mar-23**	**Dir**		
	Data Submission	*Apr-22*	*May-22*	*TA*	*Data submission now completed later than originally proposed but within timescales agreed with actuary.*	✓
	Funding Strategy	*Nov-21*	*Mar-23*	*Dir / HPA*	*Initial modelling and discussion with major employers has taken place and parameters agreed with actuary. Further work will depend on detailed results.*	✓
D02	**Guaranteed Minimum Pension – Completion of Rectification process**	Nov-21	May-22	HPA	*Rectification project has been delayed due to temporary lack of availability of specialist technical adviser at SYPA, but consideration needs to be given to the timing of any reductions to pensions. Deferring this until the next inflationary increase could reduce the perception of financial impact on members.*	✗
D06	**Deliver annual data improvement plan**	**Apr-22**	**Mar-25**	**TA**	*Ongoing project with volumes reported periodically to Local Pensions Board but significant data improvements made as part of valuation preparation.*	✓
Process Improvement						
P01	**Implement contractual improvements to the Core UPM Pension Administration System**	**Feb-22**	**Mar-25**	**HPA**		
	Retire Online	*Jan-21*	*Apr-22*	*Sys*	*Completed for deferred members. Further enhancements made following customer feedback.*	✓
	Automation of joiners	*Sep-21*	*Apr-22*	*Sys*	*Phase 1 work completed for automation of joiners and leavers, but these are ongoing process improvements so revised end date should be March 2023*	⇔

Ref	Project / Action	Timescale Start	Timescale Finish	Responsible Manager	Quarter 1 Progress Updates	On Track:
	Automation of leavers / deferred members	*Jun-21*	*Jun-22*	*Sys*	*Phase 1 work completed for automation of joiners and leavers, but these are ongoing process improvements so revised end date should be March 2024*	⇔
	Implement dynamic homepage and improve the log in / sign up process for mypension	*Apr-22*	*Mar-23*	*ICT*	*Dynamic homepage completed and went live this quarter.*	✓
P04	**Financial Process Improvements**	**Apr-22**	**Mar-24**	**HFCS**		
	Review of processes following implementation of new financial systems to capture benefits	*Apr-22*	*Mar-23*	*HFCS / Fin*	*This is work in progress; activity during Q1 has been limited due to the need to prioritise the annual accounts and audit work; but dates for training and consultancy from the system supplier have been arranged to take place during Q2 on the areas of user administration and reporting.*	✓
	Review custodian arrangements and procure as necessary	*Feb-22*	*Sep-22*	*HFCS*	*An internal working group involving officers from Financial Services and from Investment Strategy has been established and they have commenced work on reviewing the arrangements during Q1.*	✓
	Review banking arrangements and procure as necessary	*Apr-22*	*Sep-22*	*Fin*	*The timescale for this review will have to be deferred to 2023 / 2024 due to other projects that are a greater priority, and the fact that any change to banking arrangements will involve a significant amount of work and resource to implement.*	✗

Ref	Project / Action	Timescale		Responsible Manager	Quarter 1 Progress Updates	On Track:
		Start	Finish			
Investment						
I01	**Strategic Issues**	**Apr-22**	**Mar-25**	**Dir**		⇔
	Conduct an Investment Strategy review following the 2022 Valuation and update the Investment Strategy Statement	*Apr-22*	*Mar-23*	*HIS*	*Consultant appointed and timetable agreed. Modelling cannot happen until valuation process complete.*	✓
	Address systemic risks to the fund's investments resulting from climate change through progressing annual updates to the Net Zero action plan.	*Mar-22*	*Mar-25*	*Dir*	*Work on this included within specification for investment strategy review. Provisional targets for equity and investment grade credit submitted to IIGCC as part of the Paris Aligned Asset Owner Initiative.*	⇔
	Implement new requirements related to TCFD Reporting	*Apr-22*	*Ongoing*	*Dir / HIS*	*Awaiting formal consultation from DLUHC on the regulations. Annual report adapted to include data quality information which will be required. Consideration being given to resourcing and external advice requirements.*	⇔
I02	**Tactical and Transactional Issues –**	**Apr-22**	**Ongoing**	**HIS**		
	Conclude Project Chip	*Sep-21*	*Sep-22*	*Director*	*Negotiations progressing well and broad structure and terms agreed. Key dependency is the response of HMRC on a number of issues. Due diligence process in hand.*	✓

Ref	Project / Action	Timescale Start	Timescale Finish	Responsible Manager	Quarter 1 Progress Updates	On Track:
Organisation						
O01	**Governance –**	**Dec-21**	**Mar-25**	**HFCS**		
	Complete roll out of workflows etc. within Modern.gov and implement paperless meetings	*Apr-22*	*Jun-22*	*G&R*	*The Governance team have continued to do a lot of work on this during the quarter but due to some technical issues and awaiting support from the system supplier (Civica), the full implementation will not be completed until the autumn.*	✘
	Implement new statutory officer arrangements and internalise committee and member support activity	*Apr-22*	*Mar-23*	*Dir / HFCS*	*Given all appointments made this can be progressed in line with the planned timescale.*	✓
	Update procurement arrangements, processes, and systems including the implementation of the YORtender replacement	*Dec-21*	*Jun-23*	*G&R*	*The YORtender platform replacement has been fully completed and is now being used successfully for procurement activity. Work continues on updating of procedures and planning delivery of appropriate training for staff.*	✓
O02	**People –**	**Jan-22**	**Ongoing**	**SMT / HR**		
	Consolidate the new finance team structure and capture benefits	*Apr-22*	*Ongoing*	*HFCS / Fin*	*Some progress has been made on this due to appointing the additional senior finance officer in March 2022, but wider progress has been hampered due to having been unable to recruit to the post of Finance Team Leader as early as we had wished to allow a handover period. Following a third attempt, this post is now due to be filled from September 2022.*	✓
	Address currently identified recruitment and retention risks	*Jan-22*	*Dec-22*	*Dir / HR*	*The key response is the pay and benefits review which is in hand to the planned timescale. Individual cases have been dealt with on an ad hoc basis as necessary in the interim.*	✓

Ref	Project / Action	Timescale		Responsible Manager	Quarter 1 Progress Updates	On Track:
		Start	Finish			
O03	**ICT –**	**Jun-21**	**Mar-25**	**ICT**		
	Complete the roll out of Microsoft 365 tools and the migration to 365 infrastructure	*Jun-21*	*Sep-22*	*ICT*	*Continued review and migration of processes for Shared/System mailboxes. Implemented organisational calendar sharing.*	✓
	Review and update ICT policies, including specifically a review of password management arrangements	*Apr-22*	*Ongoing*	*ICT*	*Updated Remote Access Policy published.*	✓
	Undertake annual ICT security health checks	*Apr-22*	*Ongoing*	*ICT*	*Re-accredited with Cyber Essentials (April) and Cyber Essentials Plus (June) certifications.*	✓
O04	**Project and Programme Management**	**Jun-22**	**Mar-23**	**Dir / HPA**		
	Determine a stripped down and appropriately scaled programme and project management process	*Jun-22*	*Mar-23*	*PM*	*Team Manager - Programmes and Performance in post from August 2022 and will address this as part of her initial range of tasks. Overall timescale to be reviewed next quarter.*	✓
O05	**Business Continuity –**	**Apr-22**	**Ongoing**	**HPA / HFCS**		
	Produce revised corporate business continuity plan	*Apr-22*	*Sep-22*	*INF / Gov*	*The original planned timescale for this has not been achievable, due to various factors outside of our control relating to staff availability and having other priorities for these responsible managers. Revise the target date to June 2023.*	✗

4. How are we performing?

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

Corporate Measures

4.2 The level of sickness absence in the first quarter is as follows.

Measure	Performance			
	Quarter 1 2022/23	YTD 2022/23	Prior Year: Q1 of 2021/22	Movement Year on Year
Short Term Sickness Absence – Days Lost per FTE	0.73	0.73	0.58	⇧
Long Term Sickness Absence – Days Lost per FTE	0.70	0.70	0.60	⇧
Total Days Lost per FTE	**1.43**	**1.43**	**1.18**	⇧

4.3 Sickness absence is reported as 'Days lost per FTE' rather than as a percentage and the measures are calculated as annualised figures to enable comparison from year to year.

4.4 For this quarter, there has been a small increase in days lost compared to the same quarter of the previous year. This reflects the impact of a number of employees who had sickness absence due to COVID-19 during this quarter.

4.5 Sickness absence is actively monitored under the Authority's managing attendance policy, and data on the application of this policy is reported quarterly to SMT. Occupational health services are provided by Barnsley MBC and referrals for this service are made as appropriate for individuals, for example, providing assessment reports to advise managers in supporting return to work following long-term absence, and access to additional resources such as counselling for employees. The usage of these services is also monitored and reported quarterly to SMT.

4.6 The Authority's Health, Safety and Wellbeing Committee continue to promote a range of initiatives to help support staff with their wellbeing.

Investment Measures

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

Measure	Performance Quarter 1 2022/23	Quarterly Benchmark	Performance YTD 2022/23	2022/23 Benchmark	2022/23 Actuarial Target	RAG Indicator
Investment Return – Whole Fund	-5.10%	-5.70%	-5.10%	-5.70%	2.51%	

4.8 Quarterly performance is ahead of the benchmark, but because of high level of inflation the benchmark is lagging the actuarial target in the short term.

4.9 The total Fund value at 30 June 2022 was £10.1 billion and the estimated funding level at the end of the quarter was 103% calculated on a roll-forward basis from the 2019 valuation data.

4.10 At the end of the quarter, 67.9% of the Fund’s assets were being managed in pooled structures provided by Border to Coast.

Pension Administration Measures

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

Measure	Quarter 1 2022/23	Quarter 4 2021/22	YTD 2022/23	Previous Year: 2021/22	Target 2022/23	Movement Year on Year
Proportion of priority cases processed on time	82%	88%	82%	85%	100%	⇧
Proportion of non-priority cases processed on time	71%	73%	71%	73%	100%	⇩
Proportion of all cases processed on time	72%	75%	72%	74%	100%	⇩
Proportion of employer data submissions on time	>99%	99%	>99%	99%	100%	⇔

4.13 Overall performance dipped slightly this quarter as the Projects Team were focused on completing data quality work ahead of submitting the membership data files for the 2022 valuation.

4.14 At the end of the quarter, membership of the Fund stood at 170,737.

4.15 One new employer was admitted to the scheme, and no terminations were completed during the quarter.

4.16 There were 548 participating employers with active members at 30 June 2022.

Financial Measures

Authority Budget 2022/23

4.17 The budget for 2022/23 was approved by the Authority at their February 2022 meeting. After the budget was approved, two changes were made that have required virements between budget heads as follows.

4.18 As part of the process of bringing the Authority's governance arrangements fully in-house – as previously approved by the Authority in June 2021 – the Governance Officer was TUPE transferred from Barnsley MBC with effect from 1 April 2022. The budget for this resource was previously part of the budget for the costs of the Service Level Agreement with BMBC in the Management and Corporate cost centre. This part of the SLA budget has therefore been transferred to the Finance & Corporate Services cost centre as this is where the employee costs for the Governance Officer are now charged.

4.19 The costs for property management fees of the agricultural property portfolio have historically been charged to the Authority operating budget and there was an amount of £35k for this included in the approved budget for 2022/23. However, this was reviewed as part of closing down the 2021/22 accounts which determined that these costs are related to direct investment management and should therefore be charged directly to the Fund in the same way as the management fees for the commercial property portfolio. The budget amount of £35k for this has been transferred into the corporate contingency budget for the year included in Management and Corporate costs. This is because any amount not required form this corporate contingency in the year, will be returned to the Fund.

4.20 The effect of the virements on the individual budget heads are summarised as follows.

Budget Virements 2022/23	2022/23 Original Budget	Virements	2022/23 Revised Budget
Pensions Administration	2,717,850		2,717,850
Investment Strategy	572,750	(35,410)	537,340
Finance & Corporate Services	818,800	40,000	858,800
ICT	738,710		738,710
Management & Corporate	911,160	(4,590)	906,570
Democratic Representation	137,090		137,090
Subtotal - Cost of Services	**5,896,360**	**0**	**5,896,360**
Capital Expenditure Charged to Revenue	0	0	0
Subtotal - Total Expenditure	**5,896,360**	**0**	**5,896,360**
Transfer to / (from) Reserves	(66,360)	0	(66,360)
Total Budget Requirement	**5,830,000**	**0**	**5,830,000**

2022/23 Q1 Forecast

4.21 The quarter 1 forecast expenditure and forecast variance against the revised budget is as follows. Details of the significant variances are shown beneath the table.

South Yorkshire Pensions Authority Operational Budget	2021/22 Actuals £	2022/23 Revised Budget £	2022/23 Q1 Forecast £	2022/23 Q1 Forecast Variance £	2022/23 Q1 Forecast Variance %
Pensions Administration	2,500,610	2,717,850	2,652,390	(65,460)	(2.40%)
Investment Strategy	565,090	537,340	539,910	2,570	0.50%
Finance & Corporate Services	772,420	858,800	880,970	22,170	2.60%
ICT	635,850	738,710	732,730	(5,980)	(0.80%)
Management & Corporate	423,050	906,570	703,550	(203,020)	(22.40%)
Democratic Representation	124,020	137,090	136,870	(220)	(0.20%)
Subtotal - Cost of Services	**5,021,040**	**5,896,360**	**5,646,420**	**(249,940)**	**(4.20%)**
Capital Expenditure Charge to Revenue	1,546,930	0	38,970	38,970	100.00%
Subtotal before transfers to reserves	**6,567,970**	**5,896,360**	**5,685,390**	**(210,970)**	**(3.60%)**
Appropriations to / (from) Reserves	(1,122,370)	(66,360)	(43,800)	22,560	(34.00%)
Total	**5,445,600**	**5,830,000**	**5,641,590**	**(188,410)**	**(3.20%)**

4.22 The forecast outturn for the year before transfers from reserves is an under-spend of (£211k).

2022/23 Corporate Contingency Budget and Local Government Pay Award

4.23 After the proposed transfers from reserves for the year, an under-spend of (£188k) is currently forecast. This amount relates to the corporate contingency budget that was included this year (within the 'Management & Corporate' budget line) for the purpose of meeting the costs associated with the 2022/23 pay award, outcomes of the pay and benefits review, and also any costs arising in this year from the recommendations to be made by the Director regarding creating a resilient organisation for the future.

4.24 The pay award for 2022/23 has not yet been determined but the offer from the employers side of the National Joint Council (NJC) has been made at an amount of £1,925 on all NJC pay points with effect from 1 April 2022. This offer is now being considered by the unions. For the purposes of budget forecasting, a pay award at this level has been built into the employee costs forecast for this year and is included in the forecast expenditure within each of the service areas shown in the table above.

4.25 The additional cost arising from this is approximately £213k, equivalent to 5.5% of the budget for employee pay and on-costs. However, as a result of taking longer than planned to recruit to a number of new posts that were included in the budget this year and impact of staff turnover, on current projections, it is anticipated that the costs relating to the pay award – if agreed at the level that has been offered – can be met from the existing pay budgets without having to use any of the corporate contingency budget for this purpose.

4.26 The approved Corporate Strategy and HR Strategy for this year included an objective to commission an independent review of the Authority's pay and benefits structure. A procurement is currently under way for a consultant to undertake this work with the aim being for the review to commence before the end of September 2022.

4.27 In addition, the Director has been tasked with producing a set of recommendations regarding building organisational resilience for the medium term and ensuring appropriate succession planning. This will be presented to the Staffing, Appointments and Appeals Committee in October 2022.

4.28 It is likely that both of the above pieces of work will result in some additional cost in order to implement any recommendations arising. At this stage though it is not possible to estimate the value of any additional costs. Any such costs for 2022/23 will be met from the corporate contingency budget of £188k.

2022/23 Forecast and Explanation of Variances

4.29 The significant variances against budget for each of the service areas are explained below.

4.30 <u>Pensions Administration – Forecast Under-Spend (£65k):</u>

4.31 The employee costs budget included a full year budget for some posts due to be recruited, including a Communications Officer, a new post of SQL Analyst for the systems team, an additional benefits team Senior Practitioner and 3 FTE Pensions Officers. With the exception of the SQL Analyst, these posts have now been recruited to, but the recruitment took longer than planned, resulting in vacant posts for several months and an under-spend of (£107k) arising from this.

4.32 There has also been some turnover in staffing this year, resulting in a forecast under-spend of (£32k).

4.33 The forecast additional cost for this service area of applying a pay award as detailed in paragraph 4.24, is £110k. This is more than offset by the under-spends above, resulting in a forecast net under-spend on staffing costs of (£28k).

4.34 Costs relating to travel expenses, hotel accommodation etc. are forecast to be (£11k) under budget, reflecting the continued move towards greater use of virtual and remote, online approach for conferences, courses, meetings etc.

4.35 The training budget is currently forecast to be (£10k) under-spent, based on projecting from previous year actuals, but this will be kept under review with greater encouragement and support for training being provided.

4.36 An under-spend of (£12k) is currently forecast on legal and consultancy fees based on the expected activity and requirements for this year.

4.37 <u>Investment Strategy – Forecast Over-Spend £3k:</u>

4.38 The forecast additional cost for this service area of applying a pay award as detailed in paragraph 4.24, is £13k.

4.39 An under-spend of (£2k) is forecast on indirect employee costs relating to travel, training, etc.

4.40 The budget for actuarial and consultancy fees is forecast to be (£8k) under budget for the year, primarily due to the change in charging structure arising from the change in actuary which has meant that fees for dashboard access for funding level forecasting are not charged separately but are instead covered within the main costs for the contract, which are charged to the Pensions Administration budget.

4.41 Finance & Corporate Services – Forecast Over-Spend £22k:

4.42 The forecast additional cost for this service area of applying a pay award as detailed in paragraph 4.24, is £40k.

4.43 The Authority approved an addition of 1 FTE Senior Finance Officer to the establishment at their March 2022 meeting, after the budget for the year was set. The additional cost for this is £38k.

4.44 The employee costs budget includes two FTE business support officers. However, following one of these officers being promoted internally, it was decided not to fill the resulting vacancy currently as there was no longer a need for this resource at this level in the team. The second business support officer left in July 2022 and a recruitment for this is currently in progress but means that the post will have been vacant for a few months by the time a replacement is appointed. There is therefore an under-spend of (£32k) forecast relating to these posts.

4.45 There is also a net under-spend of (£26k) forecast on staffing costs in this service area relating to turnover and in particular, delays arising from the difficulty in recruiting to the Finance Team Leader post – which was planned for being in post from May 2022 but in practice took three attempts to recruit successfully and therefore will only be in post from September 2022.

4.46 An additional £2k expenditure is forecast on the budget for corporate subscriptions which is due to having joined additional CIPFA networks during the year to provide us with access to expert resources and support for a range of activity including Governance, Insurance, and Procurement, as well as discounted prices for training courses run by these networks.

4.47 ICT – Forecast Under-Spend (£6k):

4.48 The forecast additional cost for this service area of applying a pay award as detailed in paragraph 4.24, is £15k.

4.49 There is an under-spend of (£9k) on staffing costs forecast relating to the budget for an apprentice, which is now unlikely to be used before the end of this year.

4.50 The training budget is forecast to under-spend by (£3k) based on projecting from previous year actuals, but this will be kept under review with greater encouragement and support for training being provided.

4.51 At this stage in the year, a net under-spend of (£9k) is forecast on the budgets for various software systems, and wider IT infrastructure.

4.52 Management and Corporate – Forecast Under-Spend (£203k):

4.53 The corporate contingency budget, as outlined in paragraph 4.28 above, is currently included in the forecast as (£188k) under-spend but this will be reviewed and updated once further details are known regarding the outcomes of the pay and benefits review and the organisational resilience plan recommendations.

4.54 The forecast additional cost for this service area of applying a pay award as detailed in paragraph 4.24, is £7k.

4.55 The budgets for the new posts of Team Manager – Programmes and Performance and Programmes and Performance Officer are forecast to be under-spent by (£39k) as a result of the time taken to recruit to these posts. The manager started in post in August 2022 and is now in progress with recruiting to the officer post.

4.56 Capital Expenditure – Forecast Over-Spend £39k:

4.57 The over-spend against the budget for capital expenditure in 2022/23 is really just a timing difference in works being completed. Members may recall that the outturn position for the 2021/22 year included an under-spend on capital expenditure that was due to delays arising from global supply chain issues which meant that the final stage of the AV installation works at Oakwell House could not be completed until May 2022. The cost of this in 2022/23 is £34k, and there is a further £5k relating to some final outstanding pieces of work completed in the first quarter of this year by the main contractor for the office works.

Earmarked Reserves

4.58 The Authority has three earmarked reserves, the Corporate Strategy reserve, the ICT reserve, and the Capital Projects reserve.

4.59 The table below shows the forecast transfers to and from the reserves in 2022/23.

4.60 The planned transfers into and out of the Corporate Strategy reserve are to meet costs associated with areas such as the investment strategy review, which is undertaken every three years based on the triennial valuation, providing for the costs of the retentions scheme this year, and setting aside funds from under-spends that will be allocated to costs of delivering corporate strategy plans in future.

4.61 The ICT reserve transfers relate to setting aside the income from software sales and funding the costs of developments on areas such as the pensions administration software system.

4.62 The transfer into the Capital Projects reserve is to set aside funds for the hardware replacement programme, and the transfer out of this reserve is to finance the capital expenditure incurred this year.

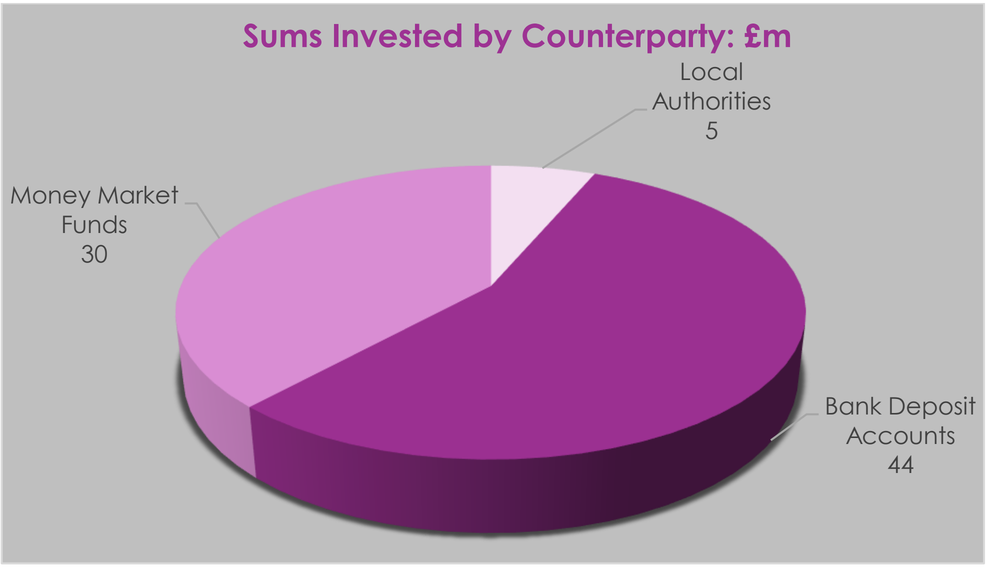
4.63 The result of the above is a net total transfer from reserves of £43,800.

Reserves	Balance at 01/04/2022 £	Transfers In £	Transfers Out £	Forecast Balance at 31/03/2023 £
Corporate Strategy Reserve	143,840	82,510	(54,000)	172,350
ICT Reserve	205,950	8,660	(77,000)	137,610
Subtotal: Revenue Reserves	**349,790**	**91,170**	**(131,000)**	**309,960**
Capital Projects Reserve	139,110	35,000	(38,970)	135,140
Total Reserves	**488,900**	**126,170**	**(169,970)**	**445,100**
Net Total Transfer		**(43,800)**		

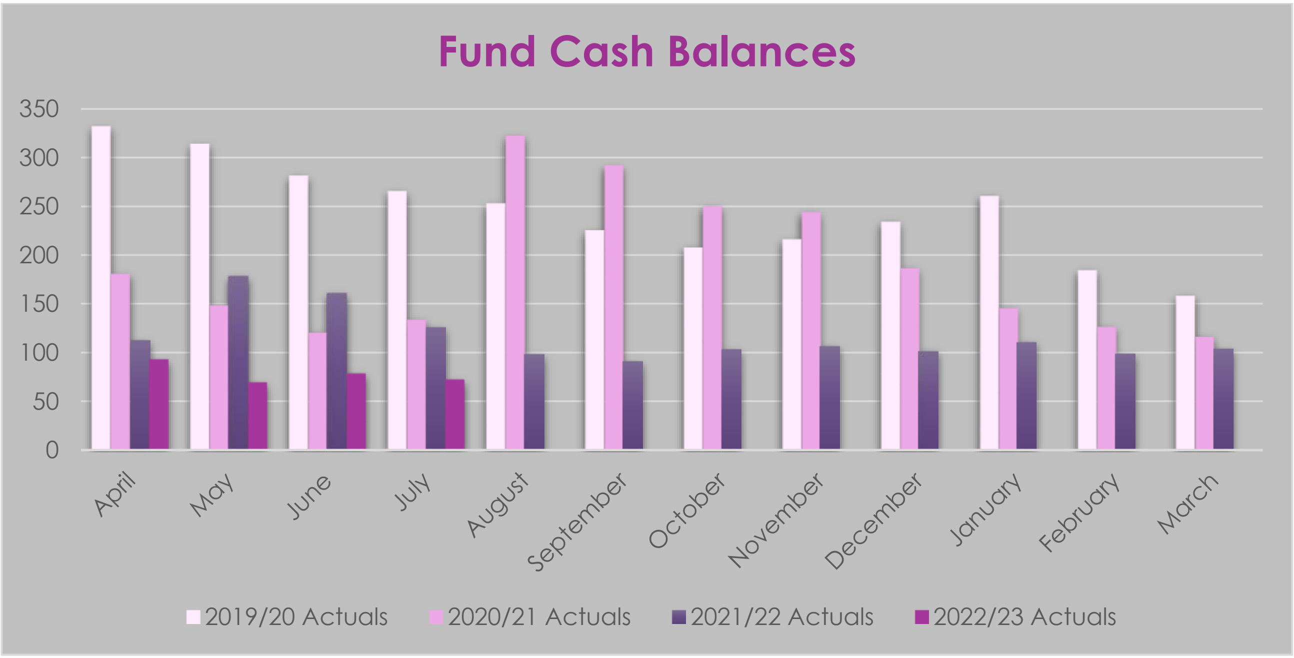
4.64 The forecast balance of the revenue reserves following the transfers proposed for the year, is £310k in total which equates to 5.3% of the Authority's total revenue budget, well within the 7.5% limit we set for ourselves in the Medium-Term Financial Strategy.

Treasury Management

4.65 The Fund's cash balances at 30 June 2022 stood at £78.5 million. The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



4.66 The following chart shows the movement in cash balances held for the current year to date and the previous three financial years.



4.67 Cash is only held pending Fund investment and the balance of cash at the end of the quarter represents 0.78% of the Fund, compared with 0.98% at 31 March 2022.

5. What is getting in the way – Risk Management

5.1 We regularly review the things which might get in the way of us achieving our objectives – these are the risks that are set out in detail in the corporate risk register.

5.2 The Corporate Risk Register is attached at Appendix A. A full review was undertaken in August 2022. There were no changes made to the risk scores from this review, but the commentary provided on the register attached at Appendix A provides further details regarding each risk, the various mitigation measures in place currently and the progress being made towards the target of reducing the risk scores where possible.

6. Learning from things that happen

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

	Received in Q1 2022/23	Received in Q4 2021/22	Received YTD 2022/23	Received in Previous Year: Full Year 2021/22
Complaints	7	5	7	24
Appeals Stage 1	1	0	1	4
Appeals Stage 2	2	1	2	4

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

6.3 Of the seven complaints received during the quarter, five were outside of SYPA direct control as they were a result of third parties.

6.4 Of the two complaints attributable to SYPA, one was a delay with an aggregation which is a backlog project, and the second was an incomplete explanation provided to a member regarding their legacy AVC fund - this was a training issue which has been addressed.

6.5 Two Stage 1 Appeals were determined during the quarter. One was rejected and one was partially upheld – this was a delay by SYPA in handling the transfer of a modest AVC fund from another LGPS fund but there was no financial detriment to the member.

6.6 Two Stage 2 Appeals were determined and rejected. These were both appeals against the decision of their employer that they did not meet ill-health retirement criteria.

Breaches of Law and Regulation

6.7 We are required to maintain a register of breaches, the detail of which is reported to the Local Pension Board at each meeting as part of their oversight role.

6.8 There was one breach recorded in the quarter, involving one member whose address had been incorrectly updated in duplicate. System error resolved.

Satisfaction Surveys

6.9 A customer centre survey found that 89% of the 468 respondents were satisfied with the service they received.

6.10 A survey of members retiring during February to April 2022 showed that of the 153 respondents, 97% were satisfied with the service they received.

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South Yorkshire Pensions Authority Risk Register As At
17 August 2022

Key:

Key: P = Probability I = Impact VL (1) = Very Low; L (2) = Low; M (3) = Medium; H (4) = High; VH (5) = Very High

Risk Matrix

5 Very High	5	10	15	20	25
4 High	4	8	12	16	20
3 Medium	3	6	9	12	15
2 Low	2	4	6	8	10
1 Very Low	1	2	3	4	5
	1 Very Low	2 Low	3 Medium	4 High	5 Very High

PROBABILITY

Risk Score

Risk Score	RAG Rating
0 – 5	Low
6-14	Moderate
15-25	High

SOUTH YORKSHIRE PENSIONS AUTHORITY RISK REGISTER

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	Corporate Manager - 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. Provide further internal seminars and examine options for more individualised "tuition". ***Comment 16/08/2022 :*** *Whilst improvement has been made, and Authority members have completed the Hymans online learning module, we are still not fully compliant. The expectation would be that by December 2022 members will have completed the majority of mandatory training required, at which point the risk score could be reduced significantly.* *Further work has identified additional training which has now been diarised throughout the coming year which will strengthen Governance and Compliance throughout the organisation.*	Corporate Manager - Governance		16/08/2022
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.	Corporate Manager - 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	9	P=M I=M	6	P=L I=M	Additional support to complete knowledge assessments for all members Examination of additional bite size learning options Provide further internal seminars and examine options for more individualised "tuition". ***Comment 16/08/2022:*** *The comments still stand from the May review, in that the Board has a stable membership and sound level of knowledge. We would hope to further reduce the score in December 2022 with the mandatory training replicating that for the Authority members.* *Further work has identified additional training which has now been diarised throughout the coming year which will strengthen Governance and Compliance throughout the organisation.*	Corporate Manager - Governance		16/08/2022
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	8	P=L 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 ***Comment 16/08/2022:*** *The consensus at the last review was that the probability was low, impact would however still remain high therefore no justification for further change at this stage.*	Senior Management Team		16/08/2022

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
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. ***Comment 16/08/2022:*** *A successful appointment has been made and the new Programmes and Performance Team Manager is now in post. Due to the recent nature of the appointment the score will remain as is. It is however likely that, following new systems implementations, both elements of the score will be reduced at the next review.*	Director		16/08/2022
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 Strategy	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. ***Comment 16/08/2022:*** *There has been significant market volatility in the first part if the year which has resulted in some reduction in the value of the fund. However this has to some degree been mitigated by the overall mix of assets held and the lower volatility approach used in most of the products in which the Authority has invested. At this stage there is no basis for reducing the risk score.*	Head of Investment Strategy		16/08/2022
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. Analysis of end of year climate data to gain a detailed understanding of the current emissions trajectory. ***Comment 16/08/2022:*** *There remains no basis for adjusting this score down however, in the last quarter targets for the main listed portfolio have been set and the latest estimated trajectory for the achievement of net zero in these indicates a date of around 2045. Whilst not in line with the 2030 goal this does represent an improvement on our previous position.*	Director		16/08/2022

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
I3	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 Programme of specific risk mitigations agreed as part of the 2022 - 2025 Strategic Plan and Budget	**9**	P=M I=M	**6**	P=L I=M	Ongoing monitoring of Programme of specific risk mitigations set out in 2022 - 2025 strategic plane. ***Comment 16/08/2022:*** *There continues to be evidence that points in the right direction, however the risk score remains the same at this stage, with a potential to be revised at the next review.*	Director		16/08/2022
I4	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	Further improvements in cashflow forecasting,. Implementation of strategies to more regularly harvest income from investments. ***Comment 16/08/2022:*** *At the last review was no justification to reduce the score. The same comment applies to this review, particularly given the higher level of inflation which will significantly increase the amount of benefits from April. Work will need to be done to forecast cashflows following the valuation and agreement of prepayment with employers in order to ensure current levels are maintained.*	Head of Investment Strategy		16/08/2022
I5	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 ***Comment 16/08/2022:*** *At this stage there is no justification to reduce the score.*	Director		16/08/2022
O1	Operational	Failure to maintain effective cyber defences	Significant disruption to the provision of services. Loss / unauthorised release of key data.	Corporate Manager - 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 Cyber Security Essentials Plus Certification ***Comment 17/08/2022:*** *The annual Cyber Security Essentials Plus accreditation recertification has been successful. Whilst this does not reduce the risk probability, as it is an existing measure, it is worth noting that the standards have continued to be raised year on year and we were already working to this increased level. At this stage there is no justification for a change in the score.*	Corporate Manager - ICT & Digital		17/08/2022
O2	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 ***Comment 17/08/2022:*** *Unforeseen admin system issues as a result of the upgrades delivered by the system provider have meant that expected improvements have not been delivered as yet .* An overarching review of the current system provider will take place in the Autumn. At this stage there is no justification for a reduction in the score.	Head of Pensions Administration		17/08/2022

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
O3	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 **Comment 17/08/2022:** *At this stage the is no justification for a reduction in the score, however it is likely that this could be reduced at the end of 2022 following the implementation of:* *Data protection refresher training for all staff due to be completed by the end of September 2022.* *Review of Information Management Policies, including the development of a formal information sharing agreement by December 2022.* *DPIA process to be piloted and rolled out to whole organisation early 2023.*	Head of Pensions Administration		17/08/2022
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. ***Comment 17/08/2022:*** *There is no justification at this stage to reduce the score. Existing systems are in place for individual areas however the implementation of the new risk/compliance system may warrant a reduction in the overall risk score in December 2022. TPR Single Code has not yet been issued yet and is expected no earlier than the end of 2022, further compliance requirements will be reviewed at that stage.*	Corporate Manager - Governance		17/08/2022
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 wellbeing. 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. ***Comment 16/08/2022:*** *The pay and benefit review is planned to take place in the Autumn.* *Recruitment is continuing taking place, some areas are problematic, however impact to this will be assessed after the pay and benefit review.* *At this stage there is no justification to reduce the score.*	Director		16/08/2022

Subject	Treasury Management Strategy Statement 2022/23	Status	For Publication
Report to	Authority	Date	8 September 2022
Report of	Treasurer		
Equality Impact Assessment	Not Required	Attached	N/a
Contact Officer	Will Goddard Financial Services Manager	Phone	01226 666421
E Mail	wgoddard@sypa.org.uk		

1 Purpose of the Report

1.1 To comply with: the Local Government Act 2003 and supporting regulations, CIPFA's Treasury Management in the Public Services: Code of Practice 2021 Edition, and Prudential Code for Capital Finance in Local Authorities 2021 Edition and the Statutory Guidance on Local Government Investments 3rd Edition (2018) published by the Ministry of Housing Communities and Local Government (MHCLG) before the re-named Department for Levelling Up, Housing and Communities was created in 2021.

2 Recommendations

2.1 Members are recommended to:

a. **Approve the 2022/23 Treasury Management and Annual Investment Strategy;**

b. **Approve the Treasury & Prudential Indicators for 2022/23; and**

c. **Approve the Minimum Revenue Provision statement as set out in this report.**

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.

Effective and Transparent Governance

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

The Treasury Management Strategy sets out the parameters in which the cash balance of the Fund will be managed with the aim to achieve optimum return commensurate with proper levels of security and liquidity as the key priorities. By producing this report, the Authority ensures compliance with the relevant legislation, CIPFA Codes of Practice and statutory guidance.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report have no direct implications for the identified risks outlined in the Corporate Risk Register but robust risk management is central to the development and implementation of the treasury management strategy.

5 Background and Options

5.1 Treasury management is the management of an Authority's cash flows, borrowing and investments, and the associated risks.

5.2 This report fulfils the Authority's legal obligation under the Local Government Act 2003 to "have regard to" the following guidance:

a. The CIPFA Prudential Code of Practice (2021);
b. The CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes (2021);
c. MHCLG Statutory Guidance on Local Authority Investments (2018); and
d. MHCLG Statutory Guidance on Minimum Revenue Provision (2018)

5.3 This Authority's sole purpose is as administering authority for the South Yorkshire Pension Fund and therefore all of the expenditure of the Authority is on behalf of the Fund and is recharged to or financed by the Fund. Consequently, not all of the objectives and requirements of the Prudential Code (e.g. in respect of borrowing and capital expenditure and financing) are directly applicable to the Authority.

5.4 However, the Authority has regard to all of the relevant guidance as required and sets out in this annual strategy all of the appropriate objectives, indicators and policy statements as applied to the operating context of the Authority.

5.5 The CIPFA TM Code adopts the following as its definition of treasury management activities:

"The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

5.6 The above definition is intended to apply to public service organisations. In our context as an administering authority for the SY Pension Fund, it is applied to our management of the cash balance of the Fund and the management of the Authority's operational cash flows (i.e. payment of benefits, receipt of contributions, payments to suppliers, etc.). Whereas the management of the Pension Fund itself is separately governed by the Investment Strategy in accordance with extant regulations.

Reporting Requirements

5.7 The Authority will receive reports on its Treasury Management activities including, as a minimum, an annual strategy for the forthcoming year (this report), an annual report after year end, and interim updates as part of the quarterly corporate performance reports (rather than the minimum six-monthly report required by the Code).

5.8 This annual strategy report is normally presented for approval prior to the start of the financial year but was missed this year due to other pressures taking priority when the finance team were short-staffed in the early part of the year. However, there are no substantive changes from the 2021/22 strategy, which has been followed in the interim period.

5.9 This annual strategy report includes:

a. the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators;
b. an investment strategy, (the parameters on how investments are to be managed); and
c. To the extent that they apply in this Authority, capital plans, prudential indicators and minimum revenue provision policy statement.

5.10 The responsibility for the implementation and regular monitoring of its treasury management policies and practices remains with the full Authority, and responsibility for the execution and administration of treasury management decisions is delegated to the Authority's Section 73 Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management. In accordance with the Authority's financial regulations, responsibility for the day-to-day application of the strategy is delegated to the Head of Finance & Corporate Services, who is also the Deputy S.73 Officer.

Training

5.11 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training relevant to their needs and responsibilities. At this Authority, Members receive an annual induction which includes coverage of treasury management issues and have undertaken a programme of quarterly training seminars during the year with an emphasis on investments and the management of risk.

5.12 Officers involved in treasury management have their training needs regularly reviewed as part of the appraisal and review process.

Use of External Service Providers

5.13 The Authority uses Link Asset Services, Treasury Solution as its external treasury management advisers.

5.14 The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

5.15 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

5.16 The Authority also uses Broker services from the following providers to assist in placing deals and deposits with banks and with local authorities as required:

a. City Deposits
b. BGC Partners
c. Imperial Treasury Services

Annual Investment Strategy

5.17 The Authority's strategy in relation to investments of the Fund's cash balances has the general objective to invest surplus cash prudently whilst managing risk effectively. The Authority's priorities in this respect are, in order of importance:

a. The security of capital; and
b. The liquidity of its investments.

5.18 The Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

5.19 The Authority has defined the list of approved investment instruments as follows.

Specified Investments	Minimum short term credit rating	Maximum limit per institution	Max. maturity period	Notes
Term deposits with banks and building societies	F1	£40m - £50m	364 Days	The lending limit per institution is £40m but is permitted to be increased to £50m in exceptional circumstances when short term placing of excess funds pending market settlements is required.
Money Market Funds (CNAV / LVNAV)	AAA Fund Rating	£50m per Fund and up to 50% of total specified investments	Liquid	
Local authorities	UK Government	£25m	364 days	Loans to local authorities are not subject to bail-in and there is generally a lower risk of insolvency, although they are not zero risk.
DMADF – UK Government	UK Government	Unlimited	6 months as set by the Debt Management Office	Should this facility be used for sums over £50m, such use will be reported to the next Authority meeting.

Risk Assessment and Credit Ratings

5.20 Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

a. No new investments will be made;
b. Any existing investments that can be recalled or sold at no cost will be; and

c. Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.21 The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above investment criteria.

5.22 A summary of the treasury investments held at 1 April 2022 and 1 August 2022 is attached at Appendix A to this report.

Treasury and Prudential Indicators

5.23 The CIPFA Treasury Management and Prudential Codes require local authorities to set and monitor against specified indicators for prudence and sustainability. The indicators specified relate to capital expenditure and financing, external debt and affordability. The majority of these are not directly relevant in the Authority's context.

5.24 <u>Capital Expenditure</u>

5.25 Capital Expenditure is that which is incurred on assets that provide service potential for more than one year such as buildings, equipment and IT software. The Authority incurs very limited capital expenditure and this will always be on behalf of the Fund and financed by the Fund.

5.26 It is estimated that during the forthcoming financial year, capital expenditure will be nil.

5.27 <u>Capital Financing Requirement</u>

5.28 The capital financing requirement (CFR) reflects an authority's underlying need to finance capital expenditure by borrowing or other long term liability arrangements.

5.29 The Authority has a CFR of Nil. Capital expenditure is incurred on behalf of the Fund and is financed by the Fund so there has been no underlying need to borrow. The estimated CFR for the next three-year period (2022/23 to 2024/25) is also Nil. Should any capital expenditure be undertaken in this period, it will be fully financed in the year in which it is incurred from available reserves as outlined above.

5.30 <u>External Debt</u>

5.31 For the reasons outlined above, the Authority has no requirement to undertake external borrowing in its own right under the powers granted in the Local Government Act 2003.

5.32 Therefore the indicators for gross external debt and the capital financing requirement and actual external debt are not applicable.

5.33 Whilst there is no expectation of any external borrowing requirement, the Authority nevertheless sets and keeps under review the Authorised Limit and Operational Boundary indicators as required by the Prudential Code.

5.34 Both the authorised limit for its gross external debt and the operational boundary should be consistent with the Authority's plans for capital expenditure, financing and treasury management activities.

5.35 The limits for the Authority are therefore set as follows.

	2022/23	**2023/24**	**2024/25**
Authorised Limit	£750,000	£750,000	£750,000
Operational Boundary	£500,000	£500,000	£500,000

5.36 Affordability

5.37 The Prudential Code sets out the need for local authorities to ensure that the revenue implications of capital finance, including financing costs, are properly taken into account and in assessing affordability, authorities should consider the council tax implications of capital, borrowing and investment decisions. As all expenditure of this Authority is on behalf of and recharged to the Fund, there are no direct implications for taxpayers. However, we do 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. Therefore affordability is a key consideration when making decisions on capital expenditure and financing.

5.38 The indicator of the ratio of financing costs to net revenue stream is not applicable as there are no financing costs expected for the Authority in the forthcoming period and up to 2024/25.

Minimum Revenue Provision (MRP) Statement

5.39 The Authority is required to have regard to the statutory guidance on MRP issued by the Ministry of Housing, Communities and Local Government (MHCLG) prior to being re-named as the Department for Levelling Up, Housing and Communities (DLUHC).

5.40 MRP is a provision for the repayment of debt based on paying off the accumulated capital financing requirement through an annual charge to the revenue account. The statutory guidance requires that authorities make an MRP charge that is deemed to be prudent and to have their policy on MRP approved by the equivalent of Full Council in advance of each year.

5.41 There is no requirement to charge MRP where the capital financing requirement (CFR) is nil or negative at the end of the preceding financial year. For this Authority, a nil MRP charge is made because the CFR is nil.

5.42 There is no expectation currently that there will be any CFR generated in the next three years because, as outlined above, it is planned that any capital expenditure will be fully financed from reserves. Therefore it is anticipated that there will be no MRP charges required in the next three years.

5.43 Nevertheless, the Authority is required to set out its policy on MRP. Therefore, should the capital plans of the Authority change and lead to a CFR, the policy for the MRP charge will be to apply the ‘Asset Life Method – Equal Instalments’ set out as Option 3 in the MHCLG Statutory Guidance. Using this method, MRP is calculated based on the estimated useful life of the assets created. This provides for a reduction in the borrowing needs over approximately the useful life of the asset.

6 Implications

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

Financial	As outlined in the report. The strategy is to seek the optimum return consistent with prioritising security & liquidity.
Human Resources	None apparent.
ICT	None apparent.
Legal	This report ensures compliance with the Local Government Act 2003 and supporting regulations.
Procurement	None apparent.

Neil Copley

Treasurer

Background Papers	
Document	**Place of Inspection**
None	

Treasury Portfolio

SOUTH YORKSHIRE PENSIONS AUTHORITY

The following table shows the treasury investments by counterparty as at the beginning of the current financial year and as at 1 August 2022.

South Yorkshire Pensions Authority Treasury Portfolio	Actual		Current	
	01/04/2022		01/08/2022	
Treasury Investments by Counterparty	£m	%	£m	%
Banks	69	66%	33	45%
Local Authorities	5	5%	5	7%
Money Market Funds	30	29%	35	48%
Total Treasury Investments	**104**	**100%**	**73**	**100%**

The following table analyses the treasury investments held as at 1 August 2022 by the period to maturity and shows the average interest rate achieved on these. Interest rates have increased from the same time last year due to the recent increases in the Bank of England base rate.

Treasury Portfolio Treasury Investments by Maturity	Average Interest Rate	Banks £m	LA £m	MMF £m	Total £m	Allocation
Call	0.00%	13	0	35	**48**	66%
1 to 3 months	1.53%	20	0	0	**20**	27%
9 to 12 Months	1.30%	0	5	0	**5**	7%
Total	**0.94%**	**33**	**5**	**35**	**73**	**100%**

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The Anatomy of a Bull and a Bear; Energy moves into the "Stratosphere"

In July and August positive sentiment returned with the rush of a summer breeze. It was welcome after a disastrous second quarter and first half of the year in markets. This was until late in the month when the Fed Meeting at Jackson Hole caused the wind to change and a cold front moved in again.

Just as markets have lurched from one extreme to the other, we lurched from a summer of no travel to a summer of travel gridlock. Bans on new short-haul flights from Heathrow, stranded baggage and cancelled flights became a new normal, but this surge in activity left Covid in the rear-view mirror for the most part (except in Asia). Elsewhere supply chains started to loosen, Covid numbers abated and a tentative return to the office took place.

Besides a lack of rainfall in the UK and the conservative leadership contest, summer so far has been dominated by news of energy prices, inflation, interest rate hikes and the big R – recession – whether it is with us and how long and severe it will be.

Looking around the world gave little solace. As interest rates topped 20% elsewhere in Europe and Covid shutdowns continued in Asia, the US continued to look like the only economic engine firing on more-or-less four cylinders. While this might bode well for dollar denominated assets, it continues to place a strain on the rest of the world economy which can now add imported inflation to the rest of its woes.

Highlights since the last quarterly update:

- **Inflation has not budged from the forefront of newspaper headlines and central bank deliberations. Figures remain high globally, although it continues to be difficult to**

decipher which parts of it will stick and which are more temporary – e.g. in the US energy prices fell back in July leading to a slightly lower headline inflation number, while in Europe energy prices looked set to surge without governmental intervention.

- **Interest rates continued to rise, with the US Fed raising rates for the fourth time this year (75 bps) in July while the Bank of England raised its rates to 1.75%, its sixth consecutive rate rise and the largest (50 bps) since 1985. Fixed income performance recovered somewhat in the summer months, but remains exposed to expectations of further rate rises, and overall volatility in rates.**
- **Employment numbers look increasingly precarious – as job openings fall and hiring slowdowns and layoffs pick up. To date this has been the one piece that has prevented a full-blown recessionary outlook. If the employment picture starts to turn it is likely to have severe repercussions for the consumer.**
- **As we noted last quarter, we continue to watch and wait for the winter energy surge. With energy caps expected to reach up to 3x their current levels and expectations for inflation in the UK reaching the teens (18.6% was the recent Citi number for January) this is perhaps the most critical barometer of consumer sentiment for the next few months.**
- **As we discuss later, energy security and pricing concerns have become existential for some economies and there is a real likelihood that this will jeopardize some initiatives around decarbonization and shifts to renewable energy. Despite (or maybe because of) the passing of the Inflation Reduction Act in the US, with its numerous provisions around climate initiatives, ESG has become increasingly weaponized in the US, with mainly Republican politicians set against it. We will watch this dispersion in industry responses very carefully.**

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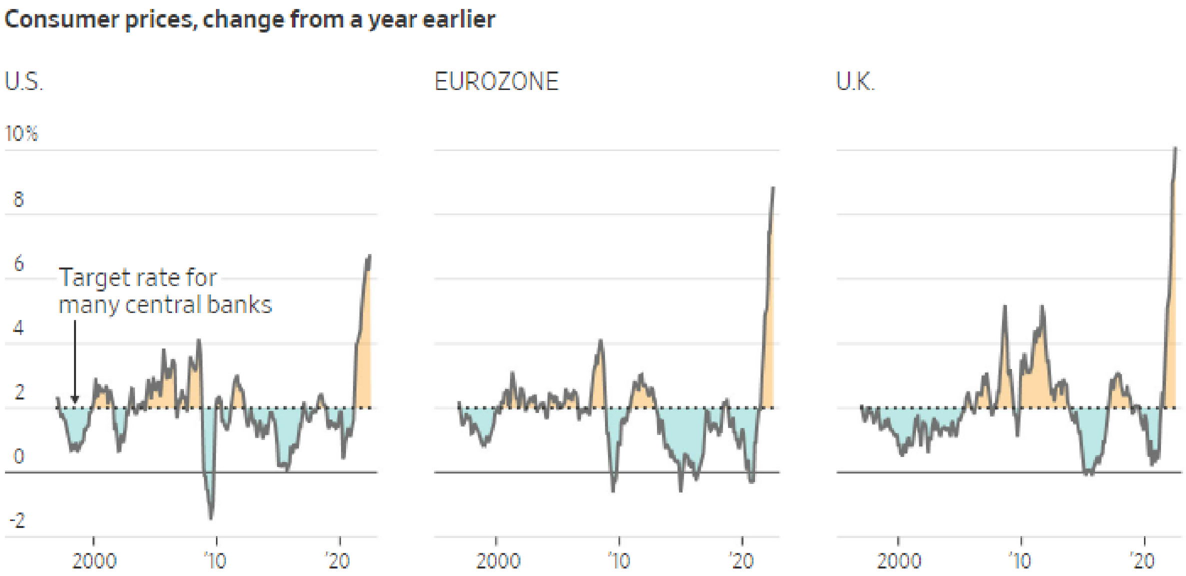
Current Macro Snapshot

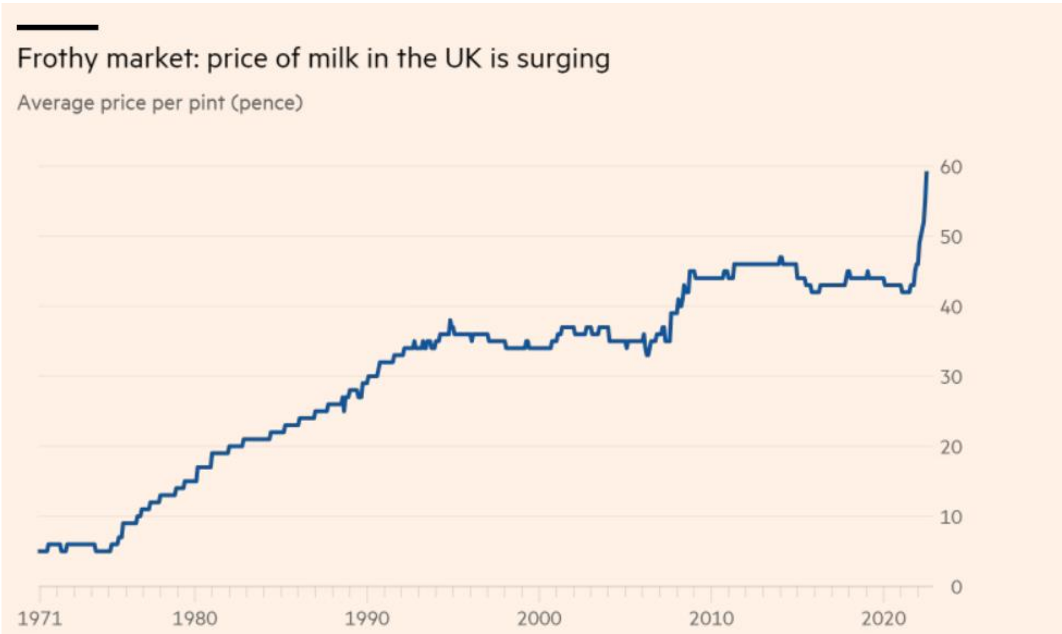
Energy heads into the Stratosphere

UK inflation levels topped 10.1% in July, driven by a near doubling in wholesale gas prices – a direct economic effect of the war in Ukraine. The Bank of England now expects inflation to peak at 13.3% in October and not fall back to its 2% target until 2025. As discussed below, this commitment to target this inflation number "with no ifs or buts" was demonstrated by the Bank raising interest rates by 50 bps in early August for its sixth consecutive rate rise.

As the graphs below show, consumer prices have risen globally with a remarkably similar pattern, and even staples such as milk have recently broken out of largely range-bound price changes:



Note: U.S. inflation refers to the PCE index and is through June 2022. Eurozone and U.K. data is through July 2022.
Sources: Commerce Department (U.S.); Eurostat (Eurozone); Office for National Statistics (U.K.)



Source: Office for National Statistics
© FT

As the facts change . .

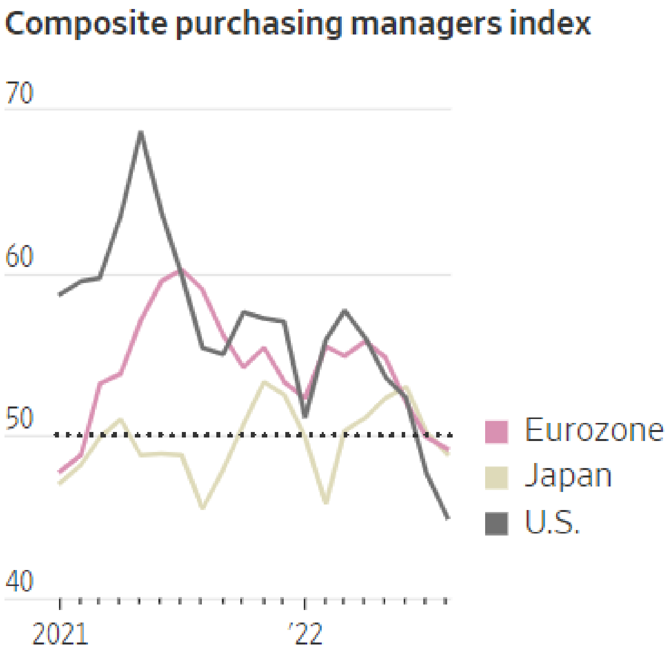
Although the Bank has been quick to revise its previous inflation expectations upwards in light of evidence of rising prices, other commentators have been even more pessimistic. Citi made news in late August by predicting a retail energy price cap of close to 3x the current level, and inflation reaching 18.6% in October, which compares only to the OPEC oil shock of 1979 when inflation reached 17.8%. This rise was described as "stratospheric" with an impact that could not be predicted, but in truth, the impact on lower income earners will be more severe – reflecting again the disproportionate impact of much of the Covid-induced hardship and, now, its aftermath.

Due in part to energy, the inflation numbers globally continue to move starkly higher. There is a fascinating amount of dispersion within the numbers though. Inflation hit 8.9% in the Eurozone in July, although this masked dispersion from lower annual rates of 6.8% (France and Malta) and 8% (Finland) to higher rates in the Baltic state of Estonia (23.2%), Latvia (21.3%) and Lithuania (20.9%). Meanwhile levels in Turkey, outside the EU, but on the periphery, hit 80%, but were accompanied, somewhat unorthodoxly, by an interest rate cut. This dispersion presents the likelihood of an uneven response across the area to rising prices (e.g. France, due to its sizeable nuclear power industry, is much less dependent on Russian-sourced gas) and further fracturing of the economic picture in Europe.

Central Banks Invite Recession to the Dance

Having cycled through the "inflation is transitory" phase to "no ifs and buts", central banks have until now openly flirted with the possibility that their actions will cause a recession. In the US the Fed has focused on the probability of executing a "soft landing" while in the UK the Bank of England has been one of the first institutions to telegraph what they now say will be a protracted recession starting in the fourth quarter of 2022 and which will last up to 5 quarters. In other quarters the gloves are off now too, with the European Central Bank initiating its first rate rise in over a decade in July, lifting the Eurozone out of negative rate territory. Recognizing the divergent fortunes of certain member states it also announced a series of "anti-fragmentation tools" to allow it to shore up the most vulnerable economies by purchasing their debt in a limited number of circumstances.

But now central banks seem to be willing to do more than just flirt with recession. By persisting with rate rises (some as high as 75 bps in the case of the US) even despite a series of corporate profit warnings, a negative quarterly GDP print (US) and a weaker consumer, it is clear that they are willing to take economies even closer to recession – even "invite it to the dance". This is an exceedingly difficult needle to thread and as rates rise the strain on the consumer as well as corporate borrowers will only grow as mortgage rates rise as prices are doing the same. As the chart below shows, the purchasing managers index, typically an indicator of private sector business activity, has been sharply lower in recent months with a similar pattern globally.



Note: Readings above 50 indicate an increase in activity, and below that threshold, a decline.
Sources: S&P Global; au Jibun Bank (Japan)

UK Economic Update – No Ifs or Buts

The outlook for the UK economy has moved from subdued to poor and the Bank of England in August predicted "significant deterioration" in the outlook not only in the UK but in the rest of Europe. The Monetary Policy Committee did note in its last meeting that the labour market remained tight, with vacancies at historically high levels and unemployment at only 3.8% (a 50 year low). Rises in pay were still lagging inflation, and as of late August job vacancies had started to fall slightly. A clear casualty of this bleak outlook has been Sterling, which has moved steadily weaker against the USD and the Euro over the past few weeks.

Other indicators such as factory output (which fell) and the services sector (modest expansion only) added to the sense of concern.

Individual Asset Class Performance.

- Equities
- Fixed income
- Other asset classes

Equities: Bull or Bear?

Equity Index	Year to date (August 26)	1 year
FTSE 100	0.58%	3.91%
S&P 500	-14.87%	-10.02%
Nasdaq	-22.39%	-19.75%
Dax (Europe)	-18.34%	-18.34%
Hang Seng	-13.79%	-20.62%
Shanghai Comp	-11.09%	-8.12%

Markets remain in the doldrums year to date and the sharp reaction to the Chairman of the US Fed’s speech in Jackson Hole in late August eroded all of the positive returns for the month. As can be seen above, the FTSE 100 remains a bit of an outlier due to its industrial and export orientation. Asia has salvaged some of the year’s performance to date and is looking somewhat stronger than mainland Europe.

Much of the debate in recent weeks has centered on whether or not the run up in equity markets was a “bear market rally” to be followed by further weakness or the beginning of a durable bull market after the indiscriminate sell-off of the first half of the year. There were a few indicators of interest: typically a bear market rally has lasted around 32 trading days, and the current one persisted for around 41 days.

The average rise from the bottom in an average bear market rally is 15%, and the rise from the bottom in this case was over 17%. Bear market rallies are typically narrow in terms of the number of stocks that drive it – more than 30% of the rise in the rally in the US was driven by Microsoft, Tesla, Amazon and Apple, while the US itself represented over 80% of the market rises globally. So this was reasonably broad, but not excessively so.

Given the economic outlook it is difficult at this juncture to say whether the current equity market strength will be durable. Cash on the sidelines, the massive sell-off in the first half and the fact the stock markets are typically leading indicators would suggest that stock markets have bottomed already. They cannot, however, point to a stable and secure future path and we do expect further volatility to be pronounced.

Fixed Income in the Cross-Hairs of Aggressive Monetary Policy

Although the activity in fixed income was more muted over the summer than in the first half of the year, it remains a negative returner for the year as investors wrestle with how the asset class is likely to behave in the current rate environment. The yield curve for US government bonds has been at times inverted, which is usually a bellwether for a recession – although this persisted even while equity markets were rising. It also reflected the doubt around the future direction of interest rates and the central bank commitment to follow through on attacking inflation by all means.

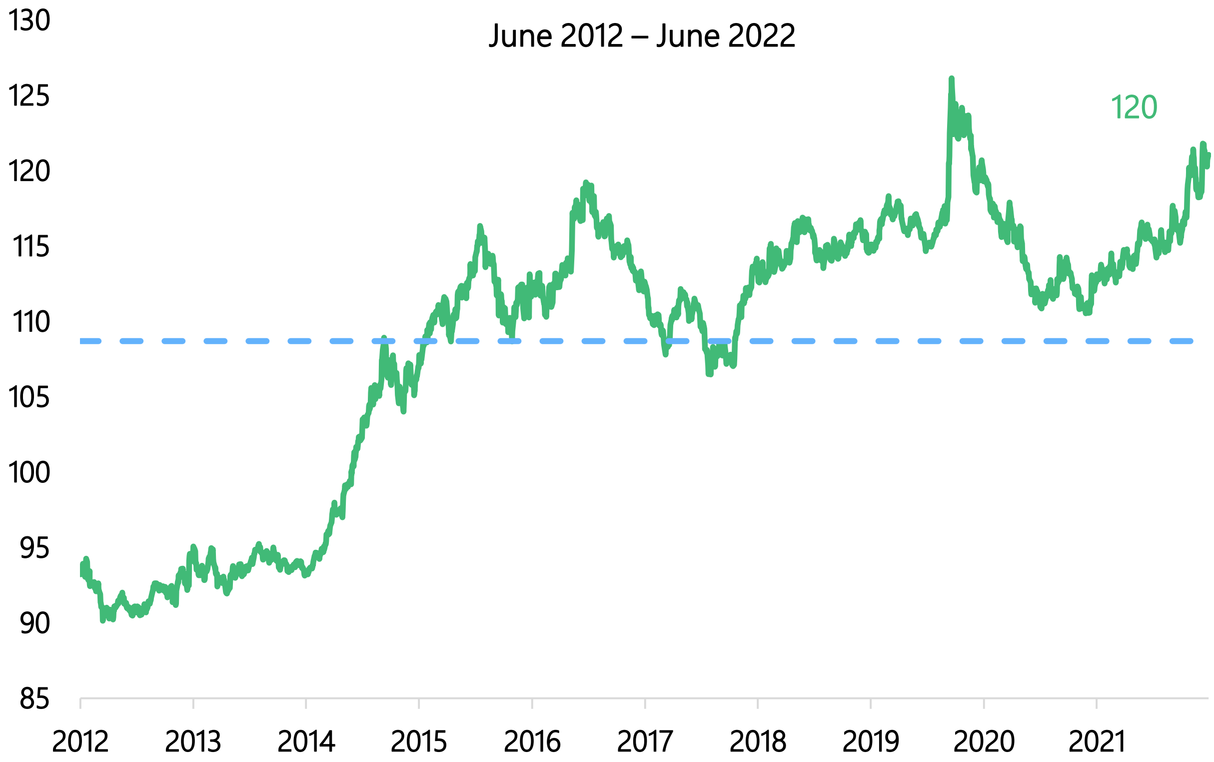
Other asset classes – Infrastructure Receives a Boost; Real Estate Under Fire

US infrastructure received a boost from the long-awaited passing of both the CHIPs Act and the Inflation Reduction Act in the US. Not only did this indicate an end to regulatory gridlock, but it promised up to $260 bn for areas designed to advance the energy transition which is expected to spark a wave of spending from both the public and private sectors. The CHIPS Act, by committing over $50 bn to chip production also raised the possibility of less reliance on Taiwan for this supply, which was welcomed given the recent geo-political tension in that area with respect to China.

Real estate seemed to be displaying fractures with economists predicting that prices of housing are "nowhere near the bottom" and exposed to both increasing supply and contracting demand due to higher mortgage rates and a consumer squeeze. This sits oddly with the widespread media coverage of severe housing shortages and distorted rental markets, and was even behind the sensational backing by a leading venture capitalist of a "WeWork" for residential homes in the US, a venture called "Flow", and started by infamous founder Adam Neumann.

Oil prices showed some recovery in late August but are still down around 14% in the past three months and below $100 as we write. While some of this is due to demand destruction the forecasts of lower demand and contracting economic growth going forward are definitely contributing to the price weakness.

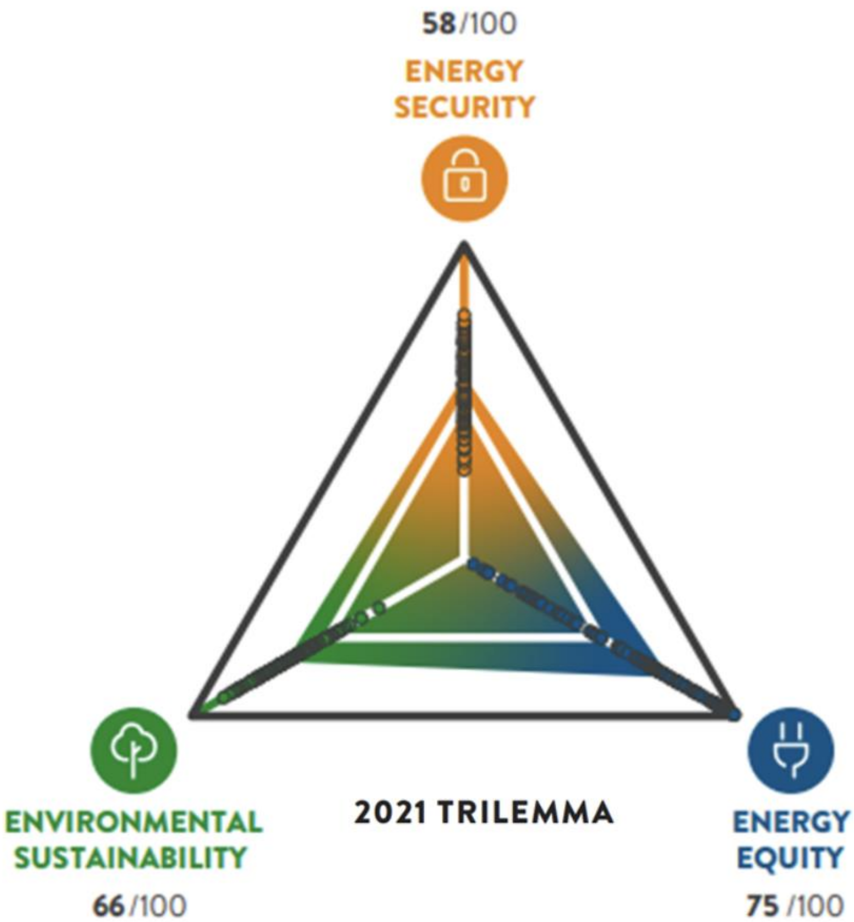
Currencies continue to trade near the extremes of their historic ranges, and as noted previously the ascent of the USD out of its historic range has been an unstoppable trend and can be seen here – the blue line indicates the long term average level with January 2006 = 100.



The Euro, like Sterling, has attracted exceptionally negative sentiment, as the chart below shows.

Spotlight: The Energy Trilemma

I recently recorded a podcast with Jason Mitchell of MAN Group – see here: https://www.fiftyfaceshub.com/156-jason-mitchell-of-man-group-on-the-energy-trilemma-indian-poetry-and-creating-a-sustainable-future/ in which he describes with extraordinary clarity the "energy trilemma" facing world governments. The energy trilemma is the three-pronged challenge of how to make energy **sustainable**, **affordable** and **secure** and involves the imperative of not creating a class of "energy poor" with the challenges of pursuing a de-carbonizing and net zero agenda. The war in Ukraine has brought the challenges of energy security – and pricing – firmly into focus, which may now possibly come at the expense of making energy sustainable.



The tension between the three objectives can at times lead to dissatisfied stakeholders – e.g. the recent Inflation Reduction Act in the US committed $260 bn for the energy transition, including incentives for consumers around electric vehicles and for manufacturers around clean hydrogen and wind and solar power as well as battery storage. But it also incentivized carbon capture and storage, which opponents suggest will extend the life of the fossil fuel industry in ways that aren't conducive to sustainability.

ESG is being increasingly weaponized too as "woke capitalism" in certain political quarters, and this may too erode the progress that has been made in integrating ESG risk factors across the investment process. It is expected that balancing the "energy trilemma" will be a dominant policy issue over coming months and years.

Outlook . . the "New, New, New Normal"

Last quarter we talked about the term "regime change" and how this was increasingly over-used in the context of today's macro backdrop. At one time an environment of "*lower for longer*" – low interest rates, low inflation and low growth was termed the "new normal" or even "new neutral". Then in the immediate aftermath of Covid it seemed that there was a "*New New Normal*" – the new paradigm of rising rates, steeply rising inflation and aggressive central banks. Markets reacted with shock and investors balked – as the start to the year showed.

Now that New Normal seems to have changed again – investors seem to have quickly adjusted to a reality of inflation in high single digits and in the US markets actually rallied when it looked as if the Fed would introduce merely a 50 bps rate rise in September, as opposed to the 75 bps one that had been expected. This was extraordinary. Is this normalization of higher inflation and higher rates – a *New New New Normal*?

In coming months we will be watching in particular:

- **What the winter brings in terms of energy pricing and consumer sentiment.** With inflation expectations rising sharply and concerns around the impact of energy prices, this will be a key factor to watch in terms of how it affects the outlook for consumer spending and the retail sector, as well as rent defaults.

- **Default watch.** With so many businesses still on edge after the emergence from Covid and the consumer no longer as "stimulated" or ebullient, the contraction in spending could rapidly send some companies into distress, and even default. This did not occur after Covid, maybe because the proverbial can was being kicked down the road. The long awaited "wave of defaults" could well start to arrive now.

- **Political and currency moves.** As was the case last quarter, the pending US mid-terms and UK conservative party leadership contest will reset the political stage in both areas, and even the outcomes are likely to be decided on the basis of economic policy. Both the Euro and the Pound have brushed with new lows in the past quarter and this fragility could linger into the rest of the year, bringing with it more imported inflation and economic weakness.

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August 29, 2022

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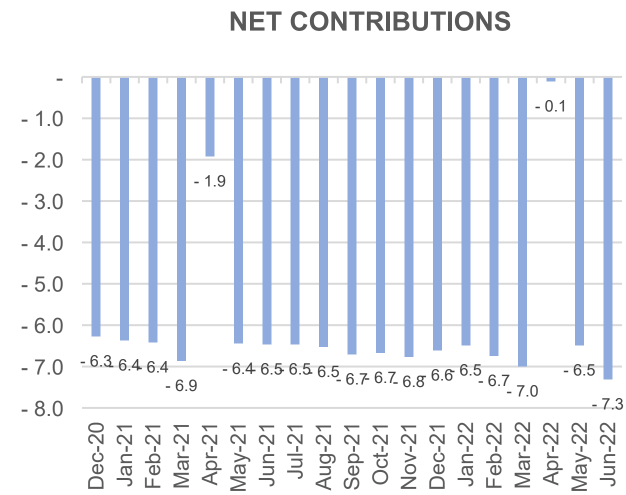
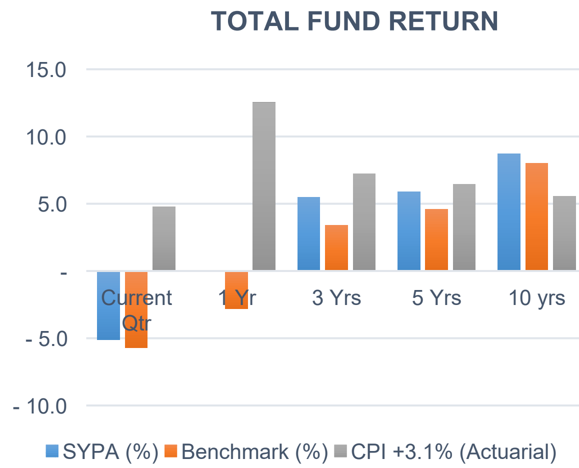
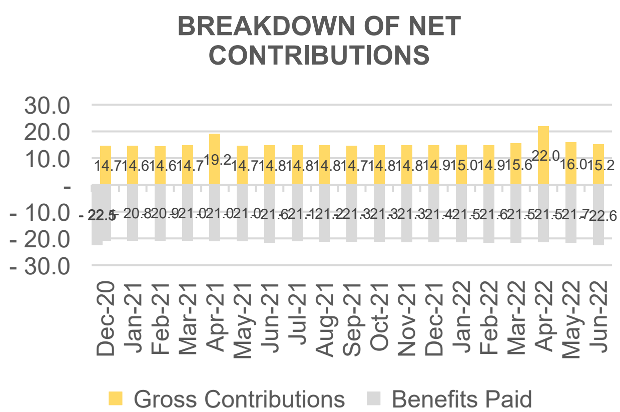
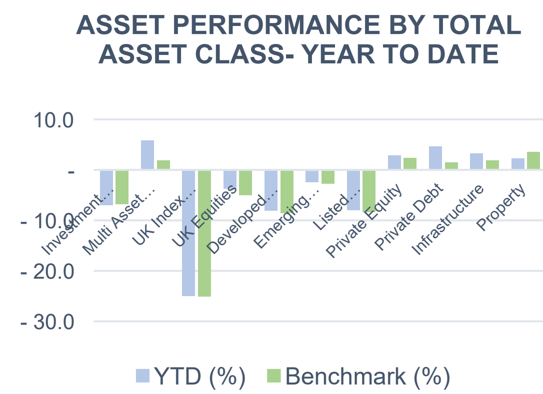
SOUTH YORKSHIRE PENSIONS AUTHORITY

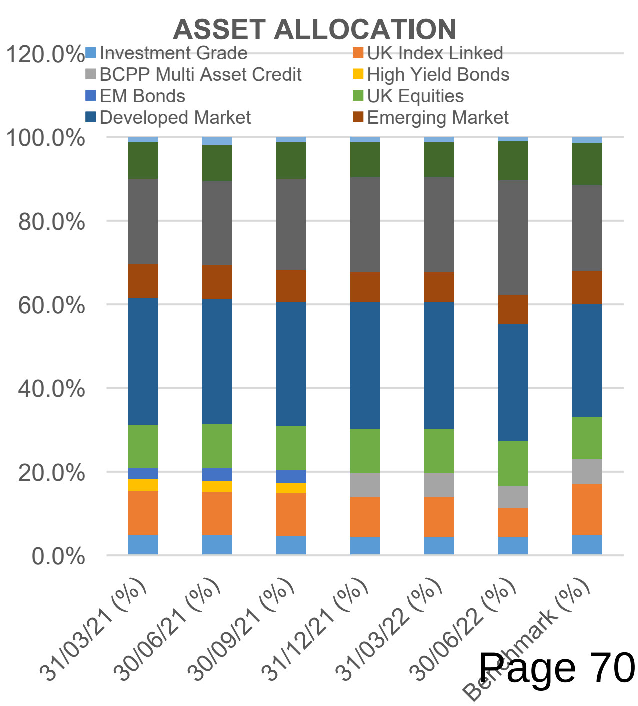
QUARTERLY REPORT TO 30 JUNE 2022

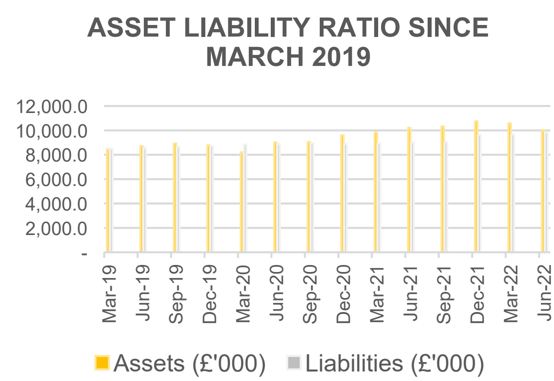

NET CONTRIBUTIONS
- 6.3
- 6.4
- 6.4
- 6.9
- 1.9
- 6.4
- 6.5
- 6.5
- 6.5
- 6.7
- 6.7
- 6.8
- 6.6
- 6.5
- 6.7
- 7.0
- 0.1
- 6.5
- 7.3
Dec-20 Jan-21 Feb-21 Mar-21 Apr-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21 Oct-21 Nov-21 Dec-21 Jan-22 Feb-22 Mar-22 Apr-22 May-22 Jun-22

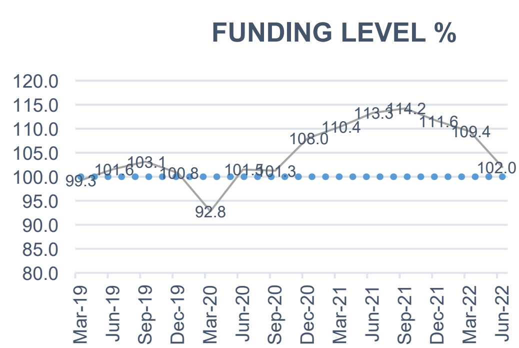

TOTAL FUND RETURN
Current Qtr
1 Yr
3 Yrs
5 Yrs
10 yrs
SYPA (%)
Benchmark (%)
CPI +3.1% (Actuarial)


BREAKDOWN OF NET CONTRIBUTIONS
Dec-20 Jan-21 Feb-21 Mar-21 Apr-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21 Oct-21 Nov-21 Dec-21 Jan-22 Feb-22 Mar-22 Apr-22 May-22 Jun-22
Gross Contributions
Benefits Paid


ASSET PERFORMANCE BY TOTAL ASSET CLASS- YEAR TO DATE
Investment...
Multi Asset...
UK Index...
UK Equities
Developed...
Emerging...
Listed...
Private Equity
Private Debt
Infrastructure
Property
YTD (%)
Benchmark (%)


ASSET ALLOCATION
Investment Grade
UK Index Linked
BCPP Multi Asset Credit
High Yield Bonds
EM Bonds
UK Equities
Developed Market
Emerging Market
31/03/21 (%)
30/06/21 (%)
30/09/21 (%)
31/12/21 (%)
31/03/22 (%)
30/06/22 (%)
Benchmark (%)


ASSET LIABILITY RATIO SINCE MARCH 2019
Mar-19 Jun-19 Sep-19 Dec-19 Mar-20 Jun-20 Sep-20 Dec-20 Mar-21 Jun-21 Sep-21 Dec-21 Mar-22 Jun-22
Assets (£'000)
Liabilities (£'000)


FUNDING LEVEL %
99.3
101.6
103.1
100.8
92.8
101.5
101.3
108.0
110.4
113.3
114.2
111.6
109.4
102.0
Mar-19 Jun-19 Sep-19 Dec-19 Mar-20 Jun-20 Sep-20 Dec-20 Mar-21 Jun-21 Sep-21 Dec-21 Mar-22 Jun-22

Market background

This quarter was another difficult quarter for markets and as for the previous quarter there were few places to hide. Developed market equities, emerging market equities, credit and sovereign bonds all fell as investors priced in further interest rate rises and an increased risk of recession.

UK equities were more resilient than other global market indices due to the higher weightings in energy and consumer staples stocks which held up well in the sell-off. The Bank of England increased rates by two consecutive 25 bps rises to take the official rate to 1.25% at the end of June and continued to warn of higher inflation. The Chancellor also announced additional measures to help households facing higher energy bills this autumn.

Global equities fell almost ten percent over the quarter in sterling terms with the developed markets underperforming emerging markets. Japan was relatively most resilient of the developed regions this quarter with the US and Europe ex-UK being the weakest performing markets. Emerging markets performed better lead by China which rose in anticipation of the easing of Covid lockdown restrictions.

Bonds continued to sell off sharply with yields rising sharply as central banks looked to control inflation by raising interest rates. This hurt high quality, high duration bonds the most. Also as there is more likelihood of economic weakness this has lead to credit spreads widening. Bonds rallied into the quarter end as rising growth concerns materialised and slightly improved the negative returns. Corporate bonds saw significant negative returns and wider spreads, underperforming government bonds. High yield spreads widened more than investment grade and emerging market bonds also suffered significant declines

Commodity indexes continued to rise as higher energy prices offset sharp price falls in other components of the index. Energy was the strongest component as rising demand and supply constraints due to the ongoing conflict in Ukraine. Industrial metals was the worst performing component, with sharp falls in the prices of aluminium, nickel and zinc.

Real estate returns were positive with all sectors rising. Industrials were the strongest with offices the weakest as we saw elevated levels of vacancies in a number of markets.

SOUTH YORKSHIRE PENSIONS AUTHORITY

Fund Valuation

as at 30 June 2022

	Mar-22		Quarterly Net Investment	Jun-22		Benchmark	Range
	£m	%		£m	%	%	%
FIXED INTEREST							
Inv Grade Credit - BCPP	454.7	4.3	30.0	450.1	4.5	5	
UK ILGs - BCPP	870.7	8.2	0.0	652.8	6.5	10	
UK ILGs SYPA	63.5	0.6	0.0	47.3	0.4		
MAC - BCPP	587.3	5.5	-3.8	537.5	5.3	6	
TOTAL	**1976.2**	**18.6**	**26.2**	**1687.7**	**16.7**	**21**	**16-26**
UK EQUITIES	**1140.8**	**10.7**	**-30.0**	**1068.4**	**10.6**	**10**	**5 _ 15**
INTERNATIONAL EQUITIES							
Developed Market - BCPP	3099.6	29.1	-30.0	2817.5	27.9	27.125	
Developed Market - SYPA	24.7	0.2	-2.6	19.6	0.2		
Emerging Market - BCPP	721.2	6.8	0.0	703.5	7.0	7.875	
Emerging Market - SYPA	1.0	0.0	0.0	1.0	0.0		
TOTAL	**3846.4**	**36.1**	**-32.6**	**3541.6**	**35.0**	**35**	**30-40**
LISTED ALTERNATIVES -BCPP	**198.6**	1.9	**0.0**	**180.2**	1.8	0	
PRIVATE EQUITY							
BCPP	155.7		11.4	169.2			
SYPA	888.1		-5.5	910.8			
TOTAL	**1043.8**	**9.8**	**5.9**	**1080.0**	**10.6**	**7**	**5_9**
PRIVATE DEBT FUNDS							
BCPP	46.0		10.4	56.4			
SYPA	491.9		-10.2	504.9			
TOTAL	**537.9**	**5.0**	**0.2**	**561.3**	**5.6**	**5.5**	**4.5-6.5**
INFRASTRUCTURE							
BCPP	184.4		13.4	228.0			
SYPA	695.3		-0.5	719.5			
TOTAL	**879.7**	**8.3**	**12.9**	**947.5**	**9.4**	**10**	**8_12**
PROPERTY	**911.8**	**8.6**	**13.8**	**940.5**	**9.3**	**10**	**8_12**
CASH	**118.7**	**1.1**		**98.3**	**1.0**	**1.5**	**0-5**
TOTAL FUND	**10653.9**	**100.0**		**10105.5**	**100.0**	**100**	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	**1321.7**			**1503.7**			

Asset Allocation Summary

We reduced our overweight position to listed equity holdings by £63m to fund a £30m investment into Sterling Investment Grade Credit which reduced the underweight position and to fund further drawdowns into private equity, private debt and infrastructure funds. .

There were no transactions within the commercial property portfolio but we did see drawdowns on the CBRE loans that we have and into the residential funds that we hold.

There are now two categories that are outside their tactical range and those are private equity and index-linked gilts

We have seen continued uplift in valuations from our private equity fund holdings and due to the relative under-performance of other asset classes we actually saw an increase in weighting to this category. We have been reducing our annual commitment to this category over the last few years and as realisations come through the overall weighting should reduce. Also due to the lagged pricing of these funds we would expect reduced valuations to feed through in the next couple of quarters.

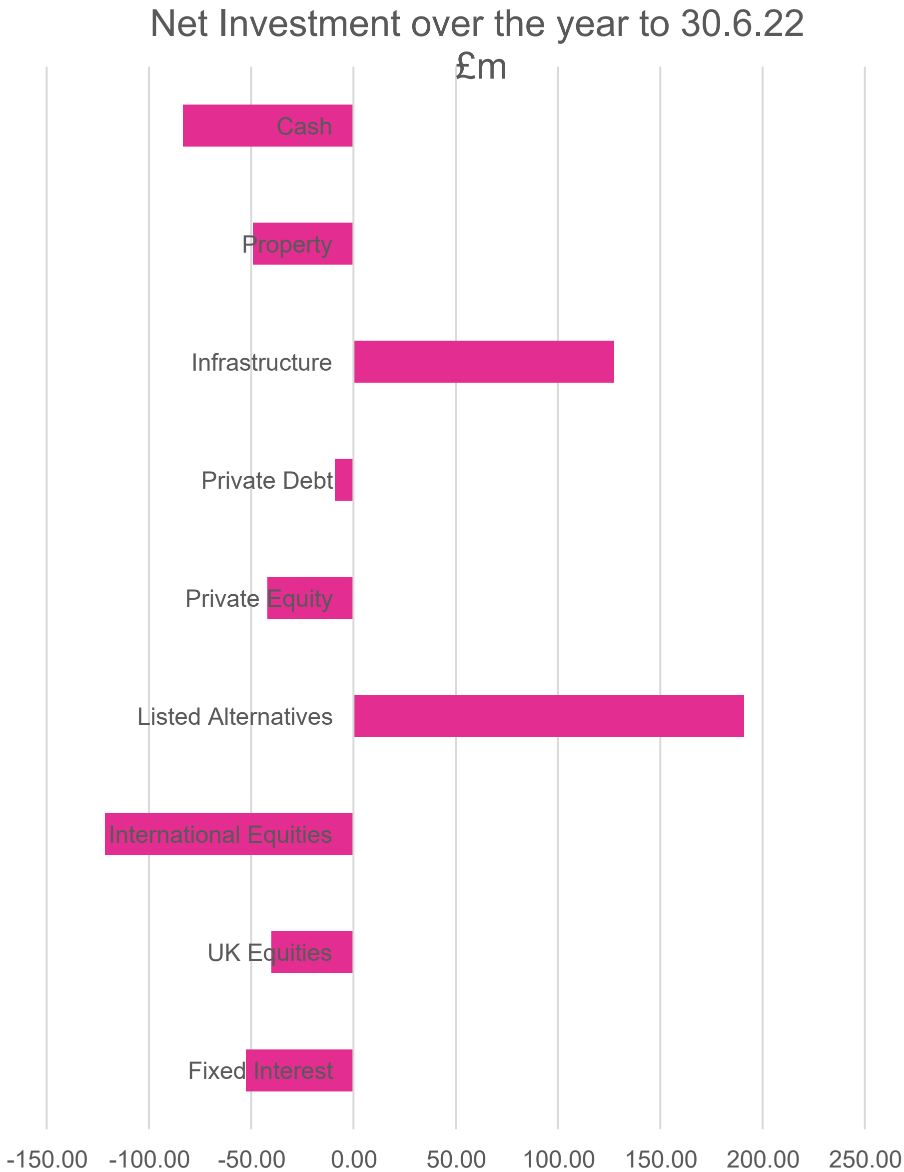
There were no transactions within our index-linked holdings but gilt yield volatility increased dramatically with inflation concerns being the main driver. The Bank of England raised interest rates twice to end at 1.25% in June and signalled it will continue to raise rates over the coming months as they expect CPI to hit close to 12% in October. The marked increase in yields resulted in a total return of -25% during the quarter. We did not add to our holdings due to the uncertain background regarding interest rates and thus we are now below the lower range. However although we have deliberately been underweight index-linked gilts it must be noted that we have been adding to infrastructure funds which are also assets which have inflation linkage.

Asset Allocation Summary

The changes in net investment for the categories over the last year are also shown below. It shows that we have been de-risking the Fund in line with the strategic benchmark

The current Fund allocation can also be seen in the chart below and is shown against the strategic target.

Asset Allocation Summary



SOUTH YORKSHIRE PENSIONS AUTHORITY

Asset Allocation Summary

Strategic vs Current Asset Allocation					
Asset Class	SAA Target	Range	Current Asset Allocation		
	%	%	£m	%	OW/UW
Index Linked Gilts	10	8 - 12	700.1	6.9	**-3.1**
Sterling Inv Grade Credit	5	3 - 7	450.1	4.5	**-0.5**
Multi Asset Credit	6	4 - 8	537.5	5.3	**-0.7**
UK Equities	10	5 - 15	1068.4	10.6	**0.6**
Overseas Equities	35	30 - 40	3541.6	35.0	**0.0**
Private Equity	7	5 - 9	1080	10.7	**3.7**
Private Debt	5.5	4.5-6.5	561.3	5.6	**0.1**
Infrastructure	10	8 - 12	947.5	9.4	**-0.6**
Listed Infrastructure	0	0-2	180.2	1.8	**1.8**
Property	10	8 - 12	940.5	9.3	**-0.7**
Cash	1.5	0 - 5	98.3	1.0	**-0.5**
Total	100		10105.5	100	

OW/UW 'RAG' ratings

Green ratings indicate that current asset allocation is within agreed tolerances

Amber ratings indicate that current asset allocation is beyond 70% of the difference between the maximum/minimum range and the strategic target allocation

Red ratings indicate that current asset allocation is out of range

Performance

as at 30 June 2022

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Investment Grade Credit - BCPP	-7.0	-6.8	-7.0	-6.8
UK ILGs	-25.0	-25.1	-25.0	-25.1
Multi Asset Credit - BCPP	-7.9	1.1	-7.9	1.1
UK EQUITIES	**-3.7**	**-5.0**	**-3.7**	**-5.0**
INTERNATIONAL EQUITIES				
Developed Market - BCPP	-8.1	-8.6	-8.1	-8.6
Developed Market - SYPA	-9.3	-8.6	-9.3	-8.6
Emerging Market - BCPP	-2.5	-2.7	-2.5	-2.7
Emerging Market - SYPA	5.6	-2.7	5.6	-2.7
TOTAL	**-7.1**	**-7.3**	**-7.1**	**-7.3**
PRIVATE EQUITY	**2.9**	**2.4**	**2.9**	**2.4**
PRIVATE DEBT FUNDS	**4.6**	**1.5**	**4.6**	**1.5**
INFRASTRUCTURE	**3.2**	**1.9**	**3.2**	**1.9**
PROPERTY	**2.3**	**3.5**	**2.3**	**3.5**
CASH	**0.2**	**0.2**	**0.2**	**0.2**
TOTAL FUND	**-5.1**	**-5.7**	**-5.1**	**-5.7**

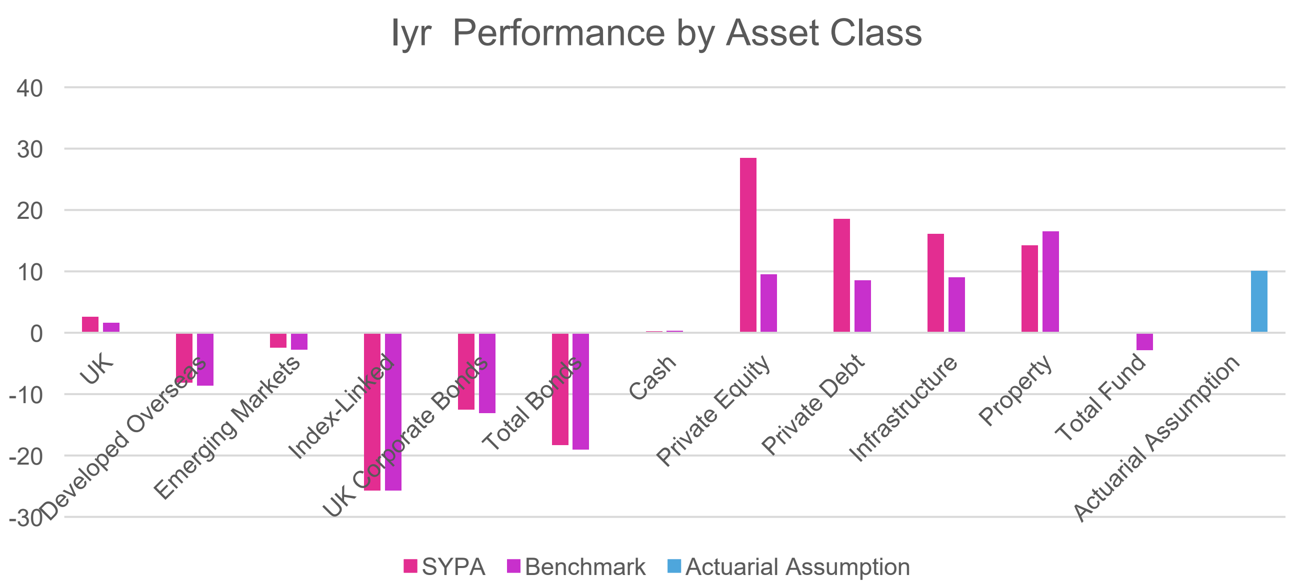
Performance Summary

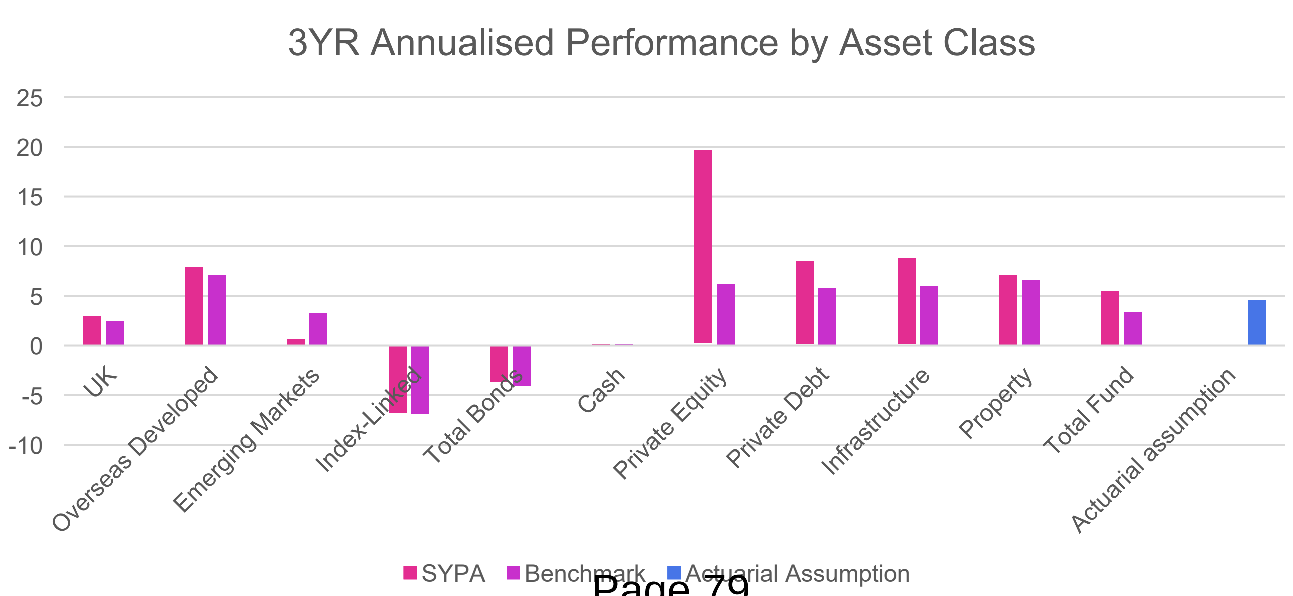
For the quarter to the end of June, the Fund returned -5.1% against the expected benchmark return of -5.7%. Asset allocation decisions taken together added 0.2% and stock selection added 0.4%

The breakdown of the stock selection is as follows:-

UK Equities	0.1%
Overseas Equities	0.2%
Total Bonds	-0.1%
Private Debt funds	0.2%
Infrastructure funds	0.1%
Property	-0.1%

Performance-Medium term





Performance – Border to Coast Funds

The UK equity portfolio showed outperformance of its benchmark this quarter and is now achieving its target return since inception. The portfolio benefited by being underweight consumer discretionary which was impacted by falling consumer confidence in the face of rising inflation, by being underweight financial services and underweight real estate.

The Overseas Developed Market portfolio continued it's steady outperformance with stock selection in Europe ex-UK and the US in particular adding to performance.

The Emerging Market out-performed the benchmark this quarter by 0.3% but is still behind the benchmark since inception.

Gilt yields increased significantly as inflation continued to rise and the Bank of England raised interest twice, from 0.75% to 1.0% in early May and to 1.25% in June. CPI is expected to reach 12% over the coming months. The marked increase in yields resulted in a total return of -25% for the index-linked portfolio, in line with the benchmark.

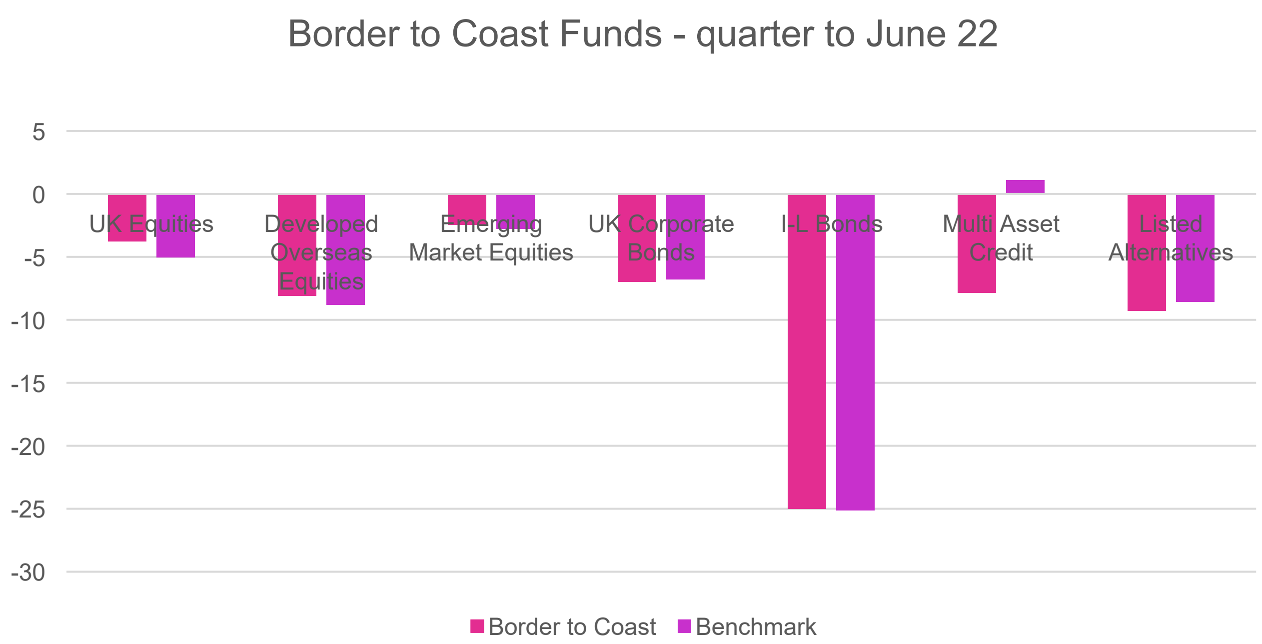
Credit spreads widened over the quarter reflecting the relative riskiness of lending to corporate borrowers and the Sterling Investment Grade credit portfolio underperformed its benchmark by 0.2%. Both Insight and RLAM underperformed but M&G demonstrated their ability to generate excess returns in volatile and increasingly stressed markets.

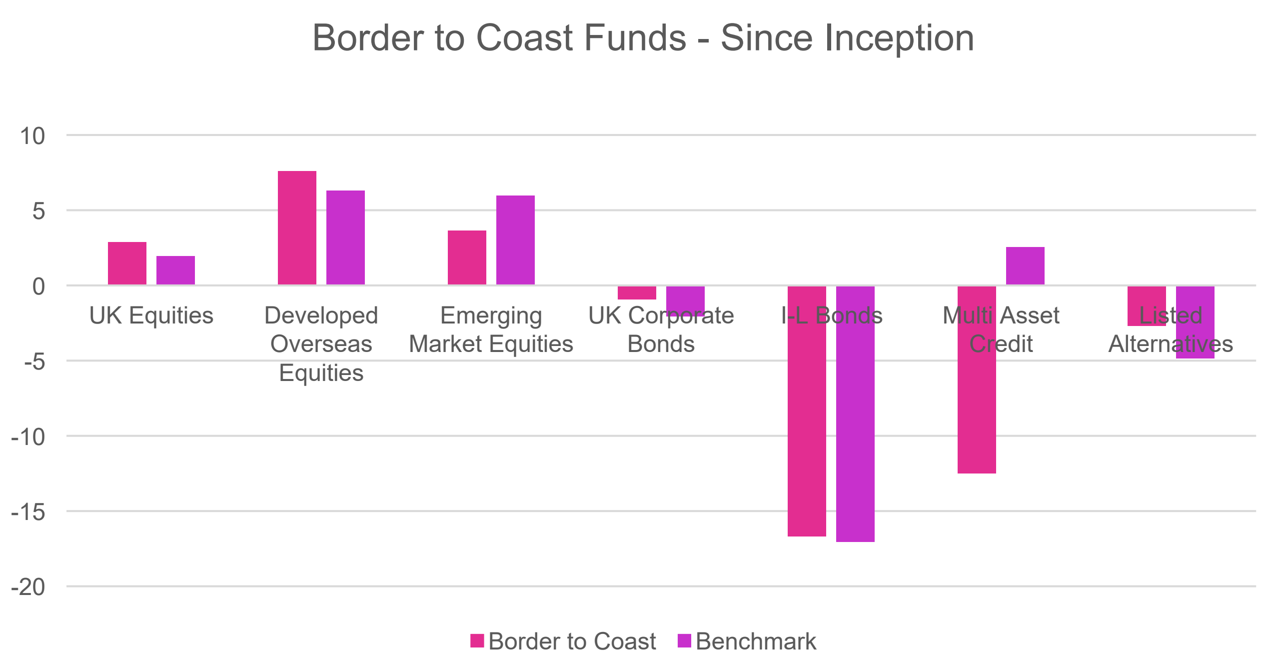
The Multi-Asset Credit fund has an absolute return benchmark and this quarter all the underlying fixed income asset classes experienced weak performance and thus led to underperformance. They only slightly underperformed their secondary benchmark (-0.4%) in totality although PIMCO the core manager underperformed its secondary benchmark by 0.9% and this is being monitored closely.

The Listed Alternatives fund showed underperformance for the quarter but since 18th February when the portfolio came out of transition it is still showing outperformance and has provided downside protection versus broader equity markets.

The charts below show quarterly returns but also the longer term position of each of the Border to Coast funds that we hold.

Performance-Border to Coast Funds





SOUTH YORKSHIRE PENSIONS AUTHORITY

Funding Level

The funding level as at 30 June 2022 is estimated to be 102.9%

The breakdown is as follows:

Fund’s Assets at 30 June	£10,105
Funds estimated Liabilities at 31 June	£9,824

Caveat
This estimate is calculated on a rollforward basis. This means that there is no allowance made for any actual member experience since the last formal valuation on 31 March 2019.

Outlook

High inflation and monetary tightening by central banks are leading to slowing growth. Recession risk is rising but central banks are focused on fighting inflation which has lead to higher real yields, flatter yield curves and tighter financial conditions which has also given rise to greater market volatility.

Valuations have become more attractive but the background is still challenging for credit and equities and looks to be skewed toward downside risks. From an asset allocation perspective, equities face headwinds but will still be supported by some earnings growth even if it is lower than in 2021.

UK Equities

The UK market has performed relatively better than other developed equity markets due to relatively high exposure to defensive stocks and commodities but the probability of a recession is growing and we will be looking to take profits as necessary.

Overseas equities

We expect market conditions to remain volatile as higher than expected inflation accelerates the removal of monetary policy accommodation. We are now only moderately overweight overseas equities although we are underweight emerging markets relative to our benchmark weighting. We see no reason to adjust this position as although valuations for emerging markets do not look expensive the market outlook has deteriorated, especially for China.

Outlook

Bonds

Currently the case for chasing returns in lower rated securities is not compelling as economic conditions are less favourable than twelve months ago but valuations are looking more attractive than in recent months. The expectation of higher rates is negative for nominal government bonds and credit markets but some of this expectation is already reflected in market prices. Index-linked gilts give protection against rising inflation but real yields are very low (negative) and likely to rise if nominal yields rise due to higher inflation We are underweight credit against a backdrop of rising rates and high valuations. At the moment we prefer to take moderate risk in equities.

Real Estate

Property performance has been strong but given the economic backdrop it is expected that there will be an impact on pricing and capital values across all UK real estate sectors. The prime end of the market will be impacted given its low yields but it is still expected that the pricing impact will be greater and more prolonged on secondary assets.

It is expected that the industrial sector will remain the key sector call driven by strong rental growth,. Demand is expected to soften from here given the weakening economic environment but rental growth is still expected to be positive but should return to a more normalised growth rate. The office sector is still expected to come under further structural pressure with secondary assets with poor ESG credentials being at risk as demand continues to focus on best-in-class assets. However, they are still expected to underperform the broader market. Retail performance despite showing some recovery is still likely to be under pressure, with essential and discount led retail expected to be more resilient

The alternatives sector is expected to see continued growth with focus directed to those areas with strong demographic drivers, such as the private residential sector (including student accommodation) and healthcare.

Outlook

Real Estate cont

Following the sale of the smaller retail and risk assets the Fund has a positive weighting to London & SE industrials but could benefit from diversification into healthcare assets, alongside better quality student halls, retail parks and further exposure to supermarkets.
Will look to selectively increase weighting.

Alternatives

The alternative investment market which includes investments within private equity, private debt and infrastructure, have the potential to add value and diversification. They generally generate above market returns and we are looking to add further investments into this asset class although it may take some time for capital to be deployed.

Cash

Cash is now at a level that any further cash requirement will be financed by switching among the asset classes.

SOUTH YORKSHIRE PENSIONS AUTHORITY

Responsible Investment Update Quarter 1 2022/23

August 2022

Contents

Highlights and Recommendations

Highlights over the quarter to the end of June include:

- The casting of nearly 6,500 votes at close to 450 company meetings.
- A continued high level of engagement activity running at almost twice the level of the same quarter last year.
- Maintenance of high ESG ratings for those portfolios where they are available.
- The setting of the first round of targets towards Net Zero.
- A significant level of stakeholder engagement around various issues but particularly around human rights issues and this update highlights a range of engagement activities associated with human rights.

The Authority are recommended to note the activity undertaken in the quarter and endorse the initial targets for reducing carbon emissions from the listed asset portfolios.

Background

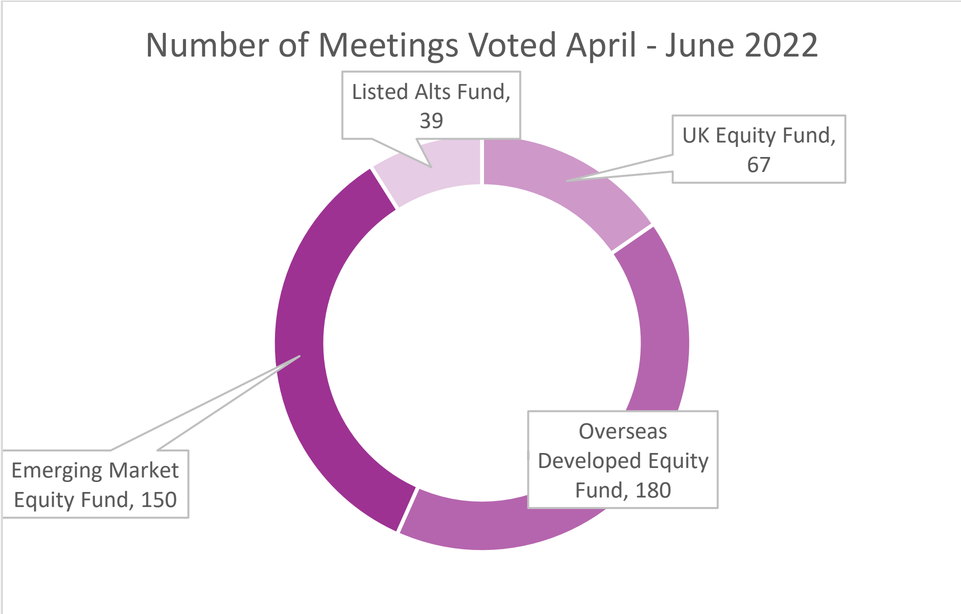
The Authority has developed a statement which sets out what it believes Responsible Investment is and how it will go about implementing it within its overall approach to investment. This statement is set out in the Responsible Investment Policy which is available on the website here.

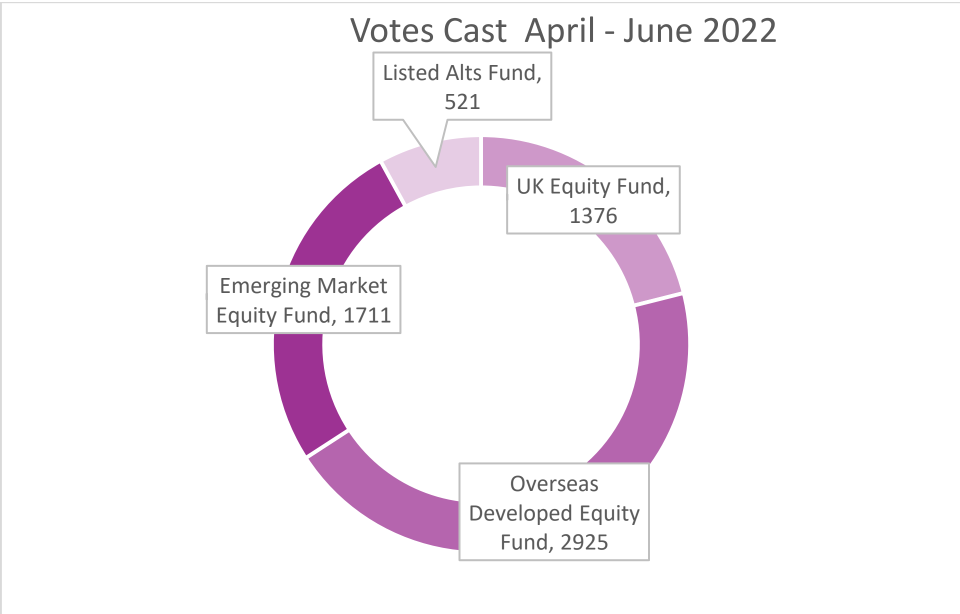
Our approach is largely delivered in collaboration with the other 10 funds involved in the Border to Coast pool. This report provides an update on activity in the last quarter covering:

- Voting – Information on how the voting rights attached to shareholdings have been used over the period to influence the behaviour of companies to move in line with best practice.
- Engagement – Information on the volume and nature of work undertaken on the Authority's behalf to engage in dialogue with companies in order to influence their behaviour and also to understand their position on key issues.
- Portfolio ESG Performance – Monitoring the overall ESG performance of the various products in which the Authority is invested, and on the commercial property portfolio.
- Progress to Net Zero – Monitoring the carbon emissions of the various portfolios where data is available in order to identify further actions required to support progress to Net Zero.
- Stakeholder Interaction – There is considerable interaction between the Authority and stakeholders around responsible investment issues which is summarised for wider accountability purposes.
- Collaboration – Working with others to influence the behaviour of companies and improve stewardship more generally.
- Policy Development – An update on broader policy developments in the Responsible Investment space some of which directly involve the Authority and others which are of more general interest.

Voting Activity

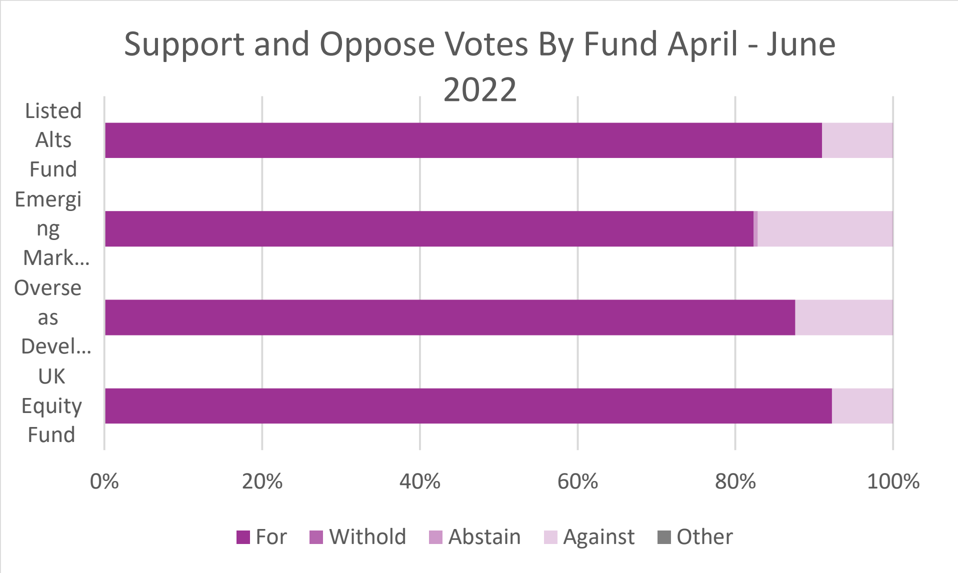
This quarter continued the higher level of activity seen last quarter with the continuation of the second part of peak voting season with nearly 450 company meetings and over 6,500 votes cast as shown in the charts below. Detailed reports setting out each vote are available on the Border to Coast website here.

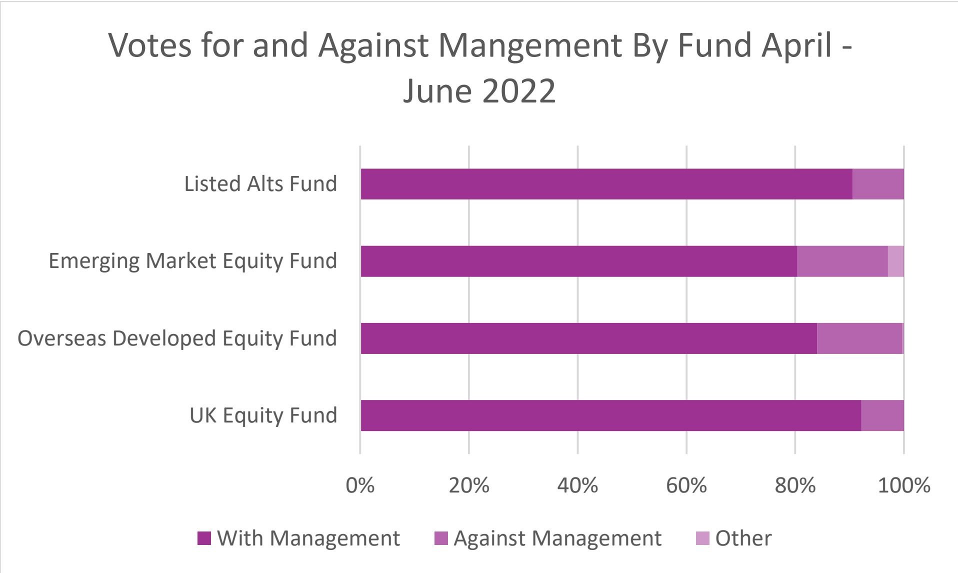




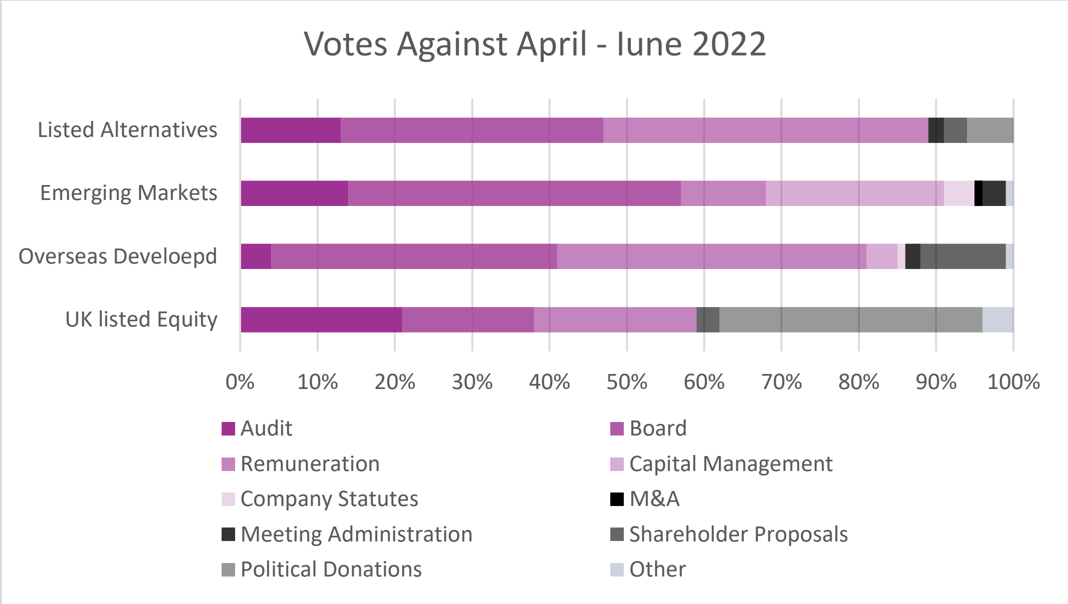
The increasing concentration of the UK equity portfolio is evident in the somewhat smaller proportion of UK meetings while the listed alternatives fund features significantly for the first time.

The pattern of support and oppose votes and votes for or against management is shown in the charts below.





This shows a continuation of the trend of an increasing proportion of votes both against specific resolutions and against management as a result of the tightening of the voting policy both in terms of securing board diversity and in relation to companies progressing towards Net Zero. The topics of votes against are analysed in more detail in the chart below:



This indicates that votes against Board composition are the largest proportion of votes against reflecting the fact that these are the most common types of vote and also the policy of using these votes to try to encourage progress in other areas such as diversity. Remuneration is the second largest area for votes against and this is particularly high in the Overseas and Listed Alternatives funds perhaps reflecting differences between the expectations of a UK shareholder versus other markets. The high level of votes against political donations in the UK reflects tha fact that in the UK this issue has to be put to a shareholder vote and the voting guidelines oppose any donations of this sort.

Robeco have produced the following summary of activity during this voting season.

The 2022 proxy season saw shareholders continue pushing to expand their rights and enact change at companies deemed to lag their expectations. Meeting agendas were packed with proposals seeking amendments to provisions governing proxy access, special meetings, and action by written consent, as well as resolutions calling for companies to adopt the “one share, one vote” principle. Particularly noteworthy were the many “fix -it” shareholder proposals seeking amendments to existing proxy access bylaws. These called for changes to aggregation limits or holding period requirements, indicating that shareholders have a thorough understanding of the technicalities surrounding their participation tools, and clear expectations regarding what rights they should hold. In all instances, we judged the merits of these shareholder proposals on a case -by -case basis. We supported proposals deemed to protect minority shareholder rights and strengthen director accountability while safeguarding long -term shareholder interests.

In some cases, shareholder initiatives to enact change translated into large -scale proxy contests. A notable development in this sense was the proxy fight launched by Carl Icahn at McDonald’s over animal welfare. Although the campaign failed, many viewed this attempt as a signal that ESG -driven proxy contests may become commonplace. This speculation is spurred by recent proxy rules amendments passed in the US by the Securities and Exchange Commission, which will mandate the use of universal proxy cards in election contests as of August 2022. These require that all proxy cards distributed in contested elections include all nominees up for election, enabling shareholders voting by proxy to mix and match nominees from distinct slates. In the case of proxy contests, we base our voting decisions on several factors, including, among other things, the validity of the dissident’s case for change at the company and whether the proposed plan is in line with the shareholders’ long -term interests.

The 2022 proxy season, as it was expected, was an active one. It is challenging to decide where the focus was this season. There was certainly a lot of interest in numerous post -pandemic Say -On -Pay proposals and some corporate governance agenda items covering board elections. Additionally, there was also a lot of enthusiasm for some notorious Say -On -Climate resolutions. There is no doubt that this season was busier due to the high volume of ESG shareholder resolutions making it to proxy ballots.

The increase in shareholder proposal filings was prompted by the priorities shift at the US Securities and Exchange Commission (SEC) over the last year. In November 2021, the SEC issued new guidance on how they would interpret the rules used by companies to exclude ESG shareholder proposals, making it more difficult for companies to remove environmental and social proposals from their proxies. This guidance gave investors significant power to raise their concerns by submitting resolutions on essential matters and voting on them.

Investors' attention in this proxy season was on environmental matters. The most prominent shareholder resolutions requested companies for greater disclosure of their impact on climate and the risks this entails, the adoption of concrete emissions reduction targets in all scopes, and reporting on board oversight on the company's climate initiatives. We also saw investors asking companies to disclose their lobbying activities on climate issues, as well as to report on how they would shift their business to using recycled plastic, and to communicate their efforts to decrease deforestation.

Say -On -Climate has been a dominant issue since the 2021 proxy season, and the debate also continued this year. We also noticed a strong increase in shareholder proposals asking for the adoption of Say -On -Climate proposals in future AGMs. Investors' views in this respect though have been diverse. Some have been more decisive in supporting the facilitation of these proposals, while others have been more skeptical. One thing is sure - many investors are adopting a more detailed and case -by -case approach when assessing their votes on Say -On -Climate proposals, pushing companies to provide clear and comprehensive climate -related information.

Social shareholder resolutions focusing on diversity, equity, and inclusion were also high on the agenda for investors. There has been increasing support for resolutions focusing on disclosing data on gender and racial pay gaps. High support was also received by resolutions asking companies to conduct racial equity audits to detect how their business activities might have 'adverse impacts on non -white stakeholders and communities of color.' This year we also saw shareholders asking companies to explain the use of concealment clauses in employment contracts, which limit the ability of an employee to discuss grievances or concerns about employment practices. Lastly, abortion rights have moved up on responsible investors' agenda, pushing companies to support employees' rights in those US states where lawmakers have passed or proposed legislation that would severely restrict women's ability to access legal terminations of pregnancies.

This proxy season, we also saw an increase in anti -ESG shareholder resolutions. A prominent example was the 'civil rights and non -discrimination' proposal, which asked the companies to conduct audits of their impact on civil rights. The resolution initially seemed supportable. Nevertheless, after carefully reviewing the proponent's supporting statement, it showed that the proposals also argued that "anti -racist" programs are discriminatory "against employees deemed non - diverse". This argument revealed filler's intentions to frustrate companies' efforts to promote civil rights and social justice.

Last but not least, on Governance, the shareholder proposals that attract investors' interest remain those focusing on supermajority vote requirements, the ability to call special shareholder meetings,

and action by written consent. A high support rate was seen in the case of shareholder proposals asking the company to separate the roles of CEO and Chair of the Board. This development is welcomed by most investors since an independent chair can better oversee a company's executives and set a pro -shareholder agenda.
Robeco Voting Report

Notable votes in the quarter, all drawn from the Overseas Developed Fund on this occasion are illustrated in the graphic below.

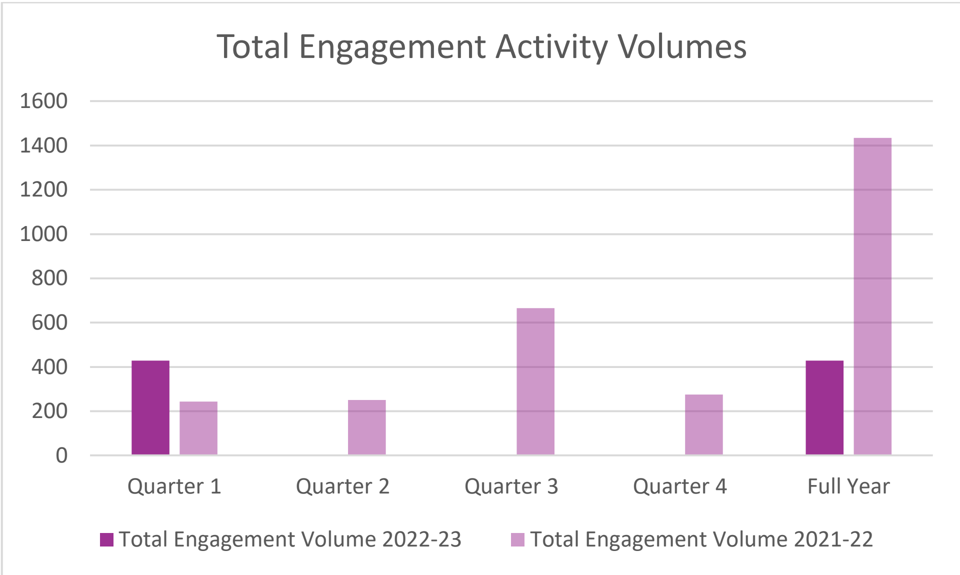
Activision - This a global developer and publisher of interactive entertainment content and services. There were a number of resolutions at a special meeting to consider a takeover by Microsoft. 63% of shareholders while endorsing the takeover voted in favours of a resolution asking for reports about efforts to combat "abuse, harassment and discrimination" following allegations of a "fratboy" culture.

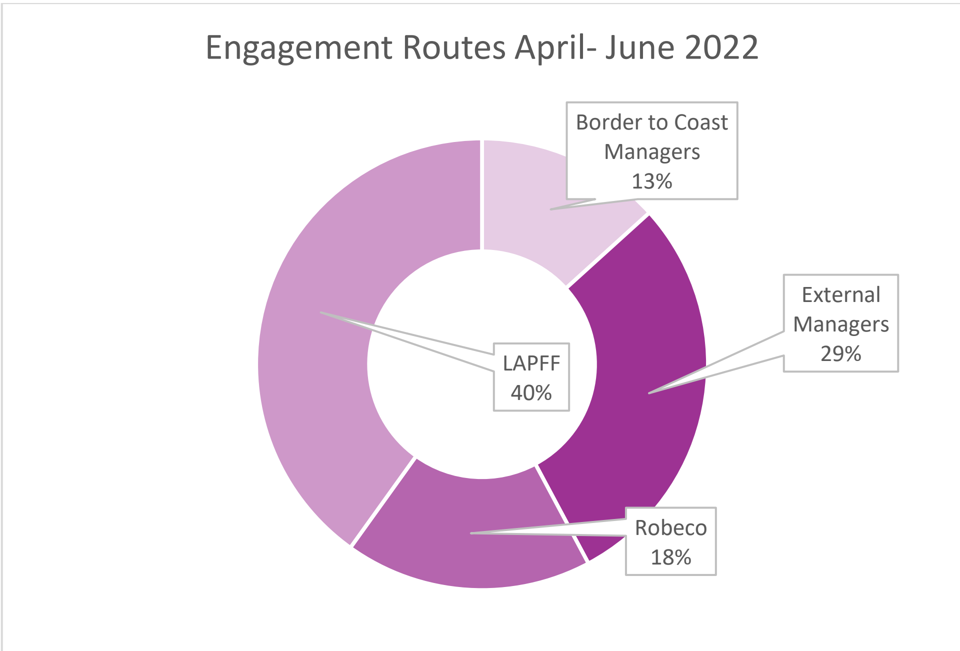
Meta - This is the parent company of Facebook. There were 13 resolutions at the annual meeting covering a range of ESG issues. Of particular note was a resolution which secured 24% support asking the company to report on the potential human rights impacts of its targeted advertising policies and practices.

Pfizer- This is a major global pharmaceutical company where a proposal made at the annual meetings of a number of similar companies was considered. This asked the company to commission a third party report assessing the feasability of transferriing intellectual property to facilitate Covid-19 vaccine production. This received 27% support.

Engagement Activity

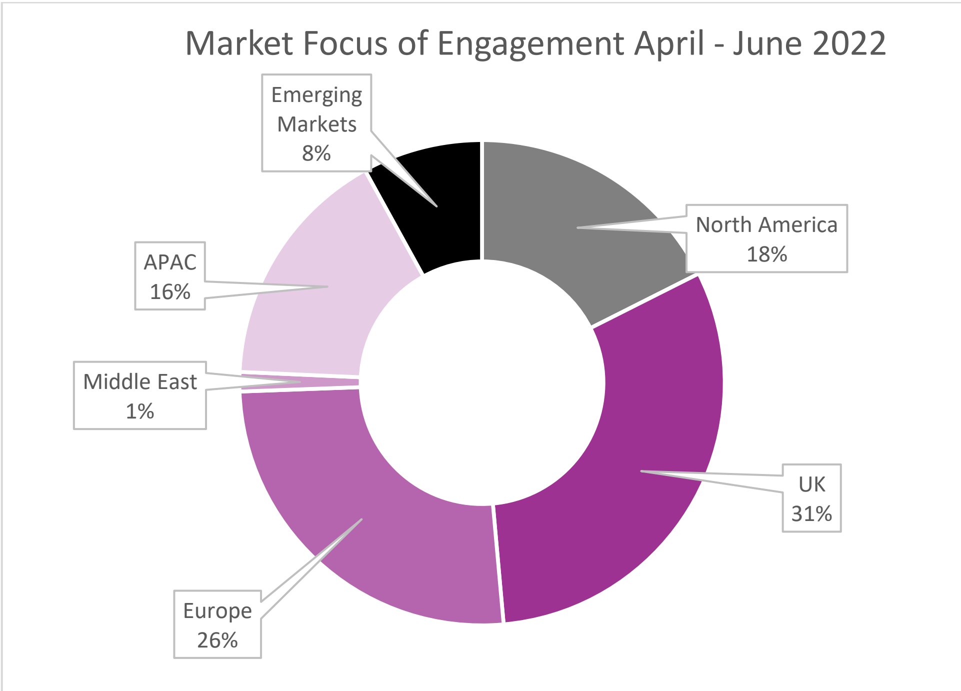
Engagement is the process by which the Authority working together with other like-minded investors seeks to influence the behaviour of companies on key issues. Engagement (in distinction to voting) is an ongoing process and is undertaken by those directly managing money for the Authority such as the investment team at Border to Coast and the external managers in the Investment Grade Credit fund together with Robeco who act on behalf of Border to Coast and the Local Authority Pension Fund Forum which acts on behalf of all its member funds. The graphs below illustrate the scale (in terms of the total number of pieces of engagement activity), the route for and the focus of engagement activity undertaken in the quarter, as well as the method of engagement undertaken.



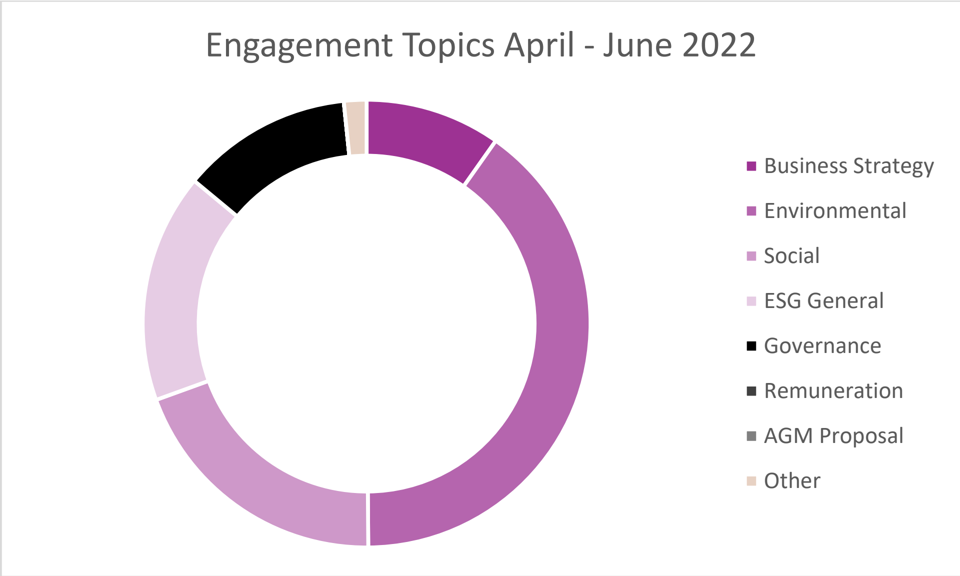


As can be seen the level of engagement activity in the quarter is significantly greater than in the same quarter last year. This appears to be due to an increase in activity by the external managers within the Investment Grade Credit Fund as well as a continuing relatively high level of activity by LAPFF. This is reflected in the almost doubling of the proportion of engagement by the external managers this quarter compared to last year with their total activity in the quarter being more than half the total for last year.

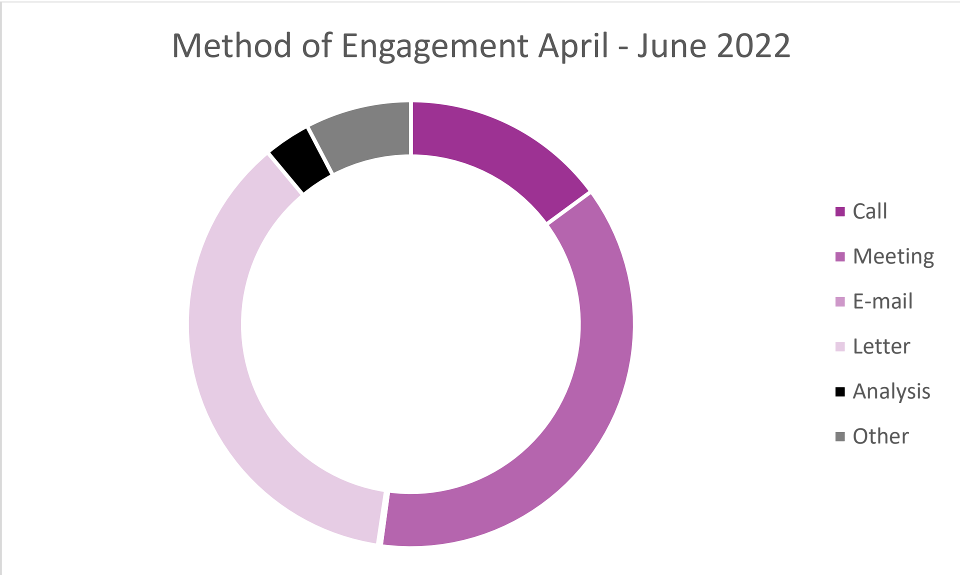
While a significant focus has remained on engaging with UK companies this has reduced somewhat compared to last year, although the high level of activity by both the credit managers and LAPFF has resulted in this remaining higher than what might be judged a neutral level. To some degree this reflects the focus of some engagement activity. For example, many of the large mining companies on which LAPFF has focussed considerable activity are UK based, although many of the issues being engaged are actually in other countries, particularly in emerging markets such as Latin America and Africa.



The range of topics covered (set out below) remains much the same as previously with engagement on social issues at much the same level as last year but with environment down somewhat post COP 26 but with more focus on Governance and the range of issues covered under ESG General which includes issues such as cybersecurity.



The method by which companies are engaged is important. Letters and e mails are much more easily ignored or likely to generate a stock response from companies whereas calls or meetings allow for genuine interaction with the company. Encouragingly over 50% of interactions this quarter were in this form. This is broadly similar to the last quarter although an improvement over the full year picture for last year.



More details of the engagement activity undertaken by Border to Coast and Robeco in the quarter is available here. Significant aspects of this work in the quarter include:

- The closing out of a number of company engagements around plastic use. It was found that most companies were able to show good progress in innovation management, plastic recycling and industry collaboration and partnerships. However, they showed less progress towards responsible lobbying for regulatory change and plastic harmonization. It was concluded that despite considerable general progress only a few companies have demonstrated concrete efforts to adopt a circular model, although it was acknowledged that there were some technical obstacles to this.

- The closure of an engagement on Digital Innovation in Healthcare which had been running since 2019. Progress was seen for all companies under engagement. Most companies under engagement had defined a comprehensive digital strategy and supported it by integrating newer digital technologies within their innovation process. More limited progress was seen in the area of cybersecurity, where despite having robust policies in place, companies remain reluctant to share detailed information on external attacks and internal policy adherence failure. While this particular theme has now closed engagement on cyber security matters through the collaborative initiative led by Royal London Asset Management continues.
- The launch of Robeco's updated Net Zero Carbon Emissions engagement theme which is working with companies towards Net Zero by 2050. This engagement focuses on expanding engagement with companies deemed to have a material impact on the climate, with the aim to focus on engagement with companies with the highest carbon footprint that need to transition towards net zero emissions. Equally importantly, that transition plans ensure reduction in real-world emissions over the next decade. The engagement objectives for companies are based on, but not limited to the Climate Action 100+ Net Zero Benchmark, including to set long term net zero targets, substantiated by credible short- and medium-term emissions reduction strategies. The theme is expected to run to 2025 and includes 16 companies in which Border to Coast invest

More details of the activity undertaken by LAPFF in the quarter is available here. Key issues being worked on include:

- A major initiative around "Say on Climate" where LAPFF plans to issue up to 50 voting alerts on company climate plans over the next 12 months. The goal is to emphasise the importance of investors having a meaningful input on corporate climate strategies and initiatives. The Forum has recommended support of shareholder resolutions at a number of companies focussing on disclosure of emissions and plans to keep emissions in line with a 1.5^{o}C pathway. A specific theme has also been developed around mining companies' climate plans.
- The publication of a major report on mining and human rights building on the ongoing work being conducted by the Forum with community groups affected by tailings dam collapses in Brazil. Specific engagement has taken place with both Vale and Rio Tinto in particular focussing on the companies approach to assessing the impact of their operations. The Human Rights report also focussed more widely on the necessity for companies to carry out Human Rights impact assessments an issue also relevant to operations in the Occupied Palestinian Territories, which as reported elsewhere has been the subject of particular stakeholder interest.
- The production of voting alerts for a number of technology companies including Amazon, Meta and Alphabet, where there were a significant number of shareholder resolutions broadly focussed on human rights and labour standards.
- Meetings with a number of banks in relation to progress with their climate plans with ongoing engagement focussing on new financing of the oil and gas sector.
- The beginning of an engagement process with water utilities around environmental performance (including the discharge of raw sewage).

LAPFF continues to deliver a significant amount of activity on behalf of member funds and it is evident that while this ranges over a large number of companies the topics of engagement are becoming increasingly focussed around climate and human rights issues, the latter being an area where the Forum through engagement with affected communities can add a unique focus to the debate with companies.

Engagement Spotlight – Human Rights

As evidenced by the degree of interaction with stakeholders around companies operating in the Palestinian Territories human rights is an area of increasing focus for engagement with companies and is a specific focus in the Authority's responsible investment beliefs statement. It is therefore worth highlighting some of the work being undertaken in this area by Border to Coast and Robeco on our behalf.

Border to Coast has six engagement themes which have links to human rights issues covering 41 companies that the Authority are invested in within Border to Coast Funds. Five of these themes are being conducted by Robeco and one is a collaborative engagement facilitated by the Principles for Responsible Investment (PRI). The engagement themes are:

- Human Rights Due Diligence for Conflict-Affected and High-Risk Areas (Robeco)
- Labour Practices in a Post Covid-19 World (Robeco)
- Living Wage in the Garment Industry (Robeco)
- Social Impact of Artificial Intelligence (Robeco)
- Sound Social Management (Robeco)
- PRI-led Initiative for human rights and social issues (PRI / Border to Coast)

Each of the themes covered have a connection to human rights. Some themes have a specific focus on human rights (i.e. Human Rights Due Diligence for Conflict-Affected and High-Risk Areas), whereas for other themes human rights features as a specific engagement objective (i.e. Social Impact of Artificial Intelligence).

Robeco systematically analyses engagement themes that cover human rights issues by mapping them against the following codes of conduct:

- UN Global Compact Principles 1 – 4
- OECD Guidelines for Multinationals IV, V
- UN Guiding Principles on Business and Human Rights
- SDG 8: Decent Work and Economic Growth
- SDG 16: Peace, Justice and Strong Institutions

As Robeco engagement themes run for a three-year period, each of these themes are at slightly different stages, with many starting in 2021 or 2022 and are therefore due to conclude over the next three years. As with all engagement activity to protect the integrity of the engagement and to ensure no reputational damage to the company under engagement, only high-level information on each particular theme is made public. Robeco are including more engagement 'case studies' in their Active Ownership reports and we have provided a public case study below. It is likely that examples of this sort will increase as more of the engagements conclude.

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas (Robeco)

In 2021, Robeco's Active Ownership team conducted a research project focused on human rights due diligence for conflict-affected and high-risk areas (CAHRAs) which informed this engagement theme. The three areas that were chosen were Myanmar, the Occupied Palestinian Territories (OPT) and the Chinese region of Xinjiang.

Robeco identified five engagement priorities related to corporate human rights practices, including a policy commitment, enhanced human rights due diligence, remediation, reporting and performance measurement.

The engagement focuses on strengthening the proactive measures of companies to help them mitigate risks that people face through the company's products and services, business model, and partners. Robeco have developed a proprietary framework to assess the different companies in the engagement program. The framework assesses the policies, procedures, guidelines, and disclosures companies are expected to have in place as reflected in the engagement objectives set for this theme. This framework will be used to track progress over the engagement period and to inform potential areas for improvement.

Of the ten selected companies for engagement, SYPA hold two within Border to Coast Funds.

Company Covered	Fund	Start Date	Close Date
1 Company	Overseas Developed	2021	2024
1 Company	Emerging Markets	2021	2024

Labour Practices in a Post Covid-19 World (Robeco)
The relevance of addressing labour practices and human capital management from the systemic perspective is mainly driven by rising social inequality. Inequality can have an adverse impact on productivity, undermine economic growth, and has the potential to cause macroeconomic and financial disruption. From a business perspective, having sustainable labour practices and robust human capital management strategies, enables companies to seize growth opportunities. This can be driven by increasing workers' productivity and reducing costs, as well as minimising reputational, operational and litigation risks.

This engagement was launched in Q2 2021. The engagement objectives are focused on protecting practices post-COVID in labour-intensive sectors. Robeco has targeted sectors that have experienced massive disruption in their operations due to the pandemic, bringing the working conditions of their employees to the fore. Border to Coast holds four of the eight target companies in funds held by South Yorkshire Pensions Authority.

Coverage	Fund	Start Date	Close Date
1 Company	Emerging Markets	2021	2024
1 Company	UK Listed Equity	2021	2024
2 Companies	Overseas Developed	2021	2022*

*In 2022, one of these companies was transferred to the SDG Engagement program due to the overlap of the engagement objectives linked to labour practices.

Living Wage in the Garment Industry (Robeco)
*I*n 2019, Robeco launched an engagement program focused on advancing the payment of living wages in the global supply chain of the apparel industry. This was conducted through the Platform Living Wage Financials (PLWF), a coalition of 18 financial institutions, using their influence and leverage to engage with their investee companies on this topic.

Robeco engaged with five companies in the industry held by Border to Coast, ranging from fast fashion retailers to luxury brands. The program focused on how companies uphold the payment of living wages across their strategy; how this is supported by responsible purchasing practices and meaningful industry collaborations; and whether they offered remedies when incidents were identified.

After three years of engagement, there was positive progress in the sector and the engagement was closed successfully in December 2021.

Coverage	Fund	Start Date	Close Date
1 Company	UK Listed Equity	2019	2021
4 Companies	Overseas Developed	2019	2021

Case Study
Adidas has integrated living wages into its purchasing practices by using a standard minute value costing system. This enables the sportswear apparel company to monitor wages paid by suppliers, along with the material, labour, and overhead costs necessary to produce Adidas's products. Moreover, the company actively engages with its suppliers to improve social dialogue. Factories representing 85% of the company's sourcing volume are unionized and 56% of them have specific collective bargaining agreements in place. When it comes to providing remedy to workers, the company's human rights grievance channel, which is accessible to stakeholders across the supply chain, has set a precedent in the industry. On an annual basis the company publicly reports the status of complaints on the Adidas Human Rights webpage, indicating the region and the types of organisations that have reported complaints.

Social Impact of Artificial Intelligence (Robeco)
In 2019 Robeco's Active Ownership Team conducted research on the implications of the increasing use and development of artificial intelligence (AI) by a variety of listed companies. The chief concern is that the technological development and application of AI outpaces the development of principles (soft law, company principles, sector principles) and hard legislation to use the technology responsibly. Issues around machine learning are increasingly surfacing that show a heightened focus on safety, privacy and human rights.

The objective of the engagement program was to promote strong governance and human rights practices to mitigate undesirable social impact from artificial intelligence, this also supports our investment in companies with exposure to AI. We believe that companies prepared for the social and governance risks associated with machine learning will be better positioned to capitalise on any further technological applications of AI. Companies that have clear policies, risk management systems and strong governance structures are less likely to be adversely impacted by incoming regulations, than companies that lack such policies and systems.

Since 2019, eight companies held in Border to Coast Funds, in which SYPA invest, have been under engagement.

Coverage	Fund	Start Date	Close Date
3 Companies	Overseas Developed	2019	2022
5 Companies	Overseas Developed	2019	2021*

*In 2021, these five engagements were transferred to the SDG Engagement program due to the overlap in the objectives of the engagement.

Sound Social Management (Robeco)
The "Sound Social Management" theme is an ongoing theme which covers several areas of engagement with companies including Human Rights Practices, Stakeholder Management, Labour Practices, Human Capital Management and Supply Chain Management. Engagements are aligned to the OECD Guidelines and the UN Global Compact. Engagements with individual companies are run for three-years, and clear objectives and success thresholds are set for each company.

Company Covered	Fund	Start Date	Close Date
1 Company	Overseas Developed	2021	2024
2 Companies	UK Listed Equity	2021	2023
3 Companies	Overseas Developed	2020	2023
1 Company	UK Listed Equity	2019	2022

PRI-led Initiative for human rights and social issues – Advance
Border to Coast has recently joined a new stewardship initiative launched by PRI. Institutional investors will work together to take action on human rights and social issues, using their collective influence with companies and other decision makers to drive positive outcomes for workers, communities and society.

The following three expectations will be set for target companies:

- Fully implement the UNGPs – the guardrail of corporate conduct on human rights
- Align their political engagement with their responsibility to respect human rights
- Deepen progress on the most severe human rights issues in their operations and across their value

Progress will be monitored through a combination of tracking company performance over time against company benchmarks (such as the World Benchmarking Alliance's Corporate Human Rights Benchmark (CHRB)) and from information received from lead and Collaborating Investors. The first sectors to be covered are the Metals and Mining and Renewables sectors. Of the initial 40 target companies South Yorkshire Pensions Authority hold 17 within Border to Coast Funds. These engagements have a longer time frame than those set by Robeco, running for a five-year period.

Coverage	Fund	Start Date	Close Date
4 Companies	UK Listed Equity	2022	2027
6 Companies	Overseas Developed	2022	2027
1 Company	Overseas Developed / UK Listed Equity	2022	2027
4 Companies	Emerging Markets	2022	2027
2 Companies	Overseas Developed / Listed Alternatives	2022	2027

LAPFF undertakes a significant amount of engagement activity around human rights with a particular focus on the mining industry and its interaction with indigenous communities. The key issues and risks to investors in this area are summarised in a comprehensive report produced by the Forum which is available here.

LAPFF has ongoing engagement with all the largest mining companies unusually including Vale which is domiciled in Brazil and therefore more difficult to engage with. The focus of this ongoing activity includes progress (or lack of) with reparations following the various tailings dam collapses, companies process for undertaking assessments of the impact of their activities on the communities within which they operate and the responsibility companies bear for the negative impacts on communities of Joint Ventures in which they participate.

In the last quarter LAPFF engaged with 19 companies on human rights issues (not all of which are held in the Border to Coast products in which SYPA is invested). This included major IT companies where there are concerns about human rights and free speech aspects of operation in China and companies included on the UN list of companies operating in the Palestinian territories.

In summary, the broad thematic engagement on human rights issues being conducted through Border to Coast and Robeco as well as through LAPFF are consistent with our policies and beliefs statement and have scope to introduce real world change and preserve or create shareholder value.

Portfolio ESG Performance

Equity Portfolios

Each of the equity portfolios is monitored by Border to Coast in terms of its overall ESG performance with data reported quarterly. This section of the report provides a summary of performance and of changes over time. The full reports are available for Authority members in the on-line reading room, but this summary provides a high-level indication of the position.

Overseas Developed

- Weighted ESG Score 7.0 v 6.9 for banchmark and AAA rated
- 41.5% of portfolio ESG leaders slightly below benchmark.
- 2% of portfolio ESG laggards below banchmark.
- 5.5% of portfolio not covered all of which are investment trusts etc higher than benchmark
- Worst scoring companies 1.5% of portfolio
- Emissions below benchmark on all metrics.
- Weight of fossil fuel holdings greater than benchmark
- All 5 top emitters rated on the Transition Pathway with three scoring 4, and all are being engaged by Climate Action 100+.

United Kingdom

- Weighted ESG Score 7.8 v 7.7 for benchmark and AAA rated
- 70.8% of portfolio ESG leaders above benchmark
- 0% of portfolio ESG laggards better than benchmark
- 7.7% of portfolio not covered mainly investment trusts etc higher than benchmark
- Worst scoring companies 6.4% of portfolio
- Emissions belpw benchmark on all measures
- Less weight of fossil fuel holdings than in benchmark.
- Top 5 emitters all rated 4 or 4* (highest ratings) on the Transition Pathway and all engaged through Climate Action 100+

Emerging Markets

- Weighted ESG score 5.4 v 5.2 for benchmark and rate BBB
- 22.8% of portfolio ESG leaders above benchmark
- 16.5% of portfolio ESG laggards more than benchmark
- 5.0% of portfolio not covered largely investment trusts etc
- Worst scoring companies 6.0% of portfolio.
- Emissions materially below benchmark on all metrics
- Greater weight of fossil fuel holdings than in benchmark.
- 3 of the top 5 emitters engaged with the Transition Pathway with one scoring 4 and two engaged through Climate Action 100+.

In general, this shows a broadly positive picture, although there have been some less positive movements in the quarter albeit from a high base. It is also the case that focus in this area should be on the longer-term trends rather than quarterly movements.

The most significant movements in the quarter were:

- In the Overseas Developed Fund the overall rating for the Fund increased to AAA. There is only one CCC holding, Jardine Matheson a diversified holding company operating in the Far East. There are a number of governance concerns about cross holdings and a controlling shareholder which are beginning to be addressed alongside the company making a number of commitments in relation to environmental issues. All of these should lead to some improvement in the rating going forward.
- In the UK Fund there were no significant movements in the quarter with the Fund continuing to be underweight the lowest ESG rated companies.
- In the Emerging Market Fund one CCC stock was exited in the period and there were no downgrades.

The carbon metrics are addressed later in this report.

Investment Grade Credit Portfolio

Similar information is now available for the Investment Grade Credit portfolio as is available for the equity portfolios. It is important to note that while the availability and quality of ESG data has been improving in recent years, there can still be material gaps across the fixed income market. This is particularly prevalent where a debt-issuing entity does not also issue publicly listed equity, which, in most cases, the fixed income issuer maps to. The highlights from this report are set out below:

Weighted ESG score less than benchmark 7.0 v 7.4 - largely due to proportion of the portfolio not ESG rated, but AA rated overall

37.9% of portfolio ESG leaders compared to 54.5% in the benchmark

1.2% of portfolio ESG laggards compared to 1.7% In the benchmark

23.6% of portfolio not covered of which 18.5% is companies not covered and 5.1% collective vehicles

Lowest rated issuers represent 1.4% of the portfolio

Emissions below benchmark on two of the three metrics but somewhat above on carbon intensity

Materially below benchmark weight of companies with fossil fuel reserves.

2 of top 5 emitters being engaged by Climate Action 100+ and both rated 4 on the Transition Pathway

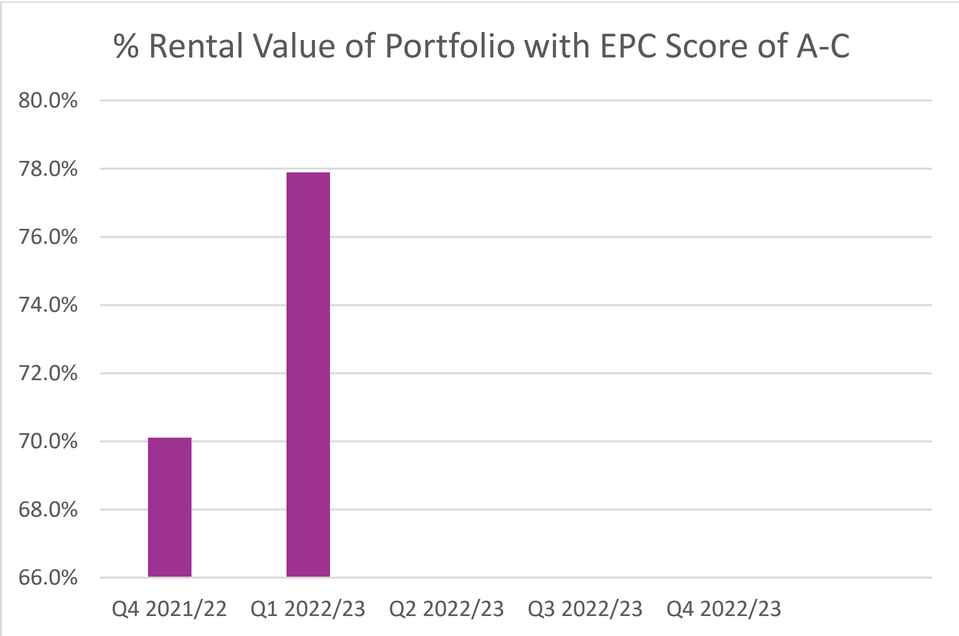
The ESG score was stable over the quarter and the below benchmark score is driven by the active positioning of the Fund holding “leader” stocks. Despite this the Fund is rated AA which is classed as Leader.

No one holding dominates emissions within the portfolio. The largest emitter is London Power Networks (a subsidiary of UK Power Networks) which transmits, generates and distributes electricity. Making it part of one of the core sectors in the transition to low carbon energy. The Company has had a “Green Action Plan” in place since 2019 focussing on waste, water usage and air and noise pollution and increasing biodiversity as well as carbon emissions. The company has become the first UK electricity network operator to achieve the Carbon Trust Standard for Carbon.

Exposure to companies owning fossil fuel reserves is lower than benchmark with the largest contributors including BP (via their financing vehicle), Equinor and Centrica.

Commercial Property Portfolio

The work being done by Aberdeen Standard to improve the ESG performance of the Commercial property portfolio is now leading to the availability of additional data for this portfolio. The restructuring of the portfolio to remove smaller units and units with less long-term potential has also had an impact on the overall energy performance of the portfolio as shown below:



This shows that the restructuring of the portfolio away from smaller units has resulted in a significant overachievement of the target of 70% of the rental value of the portfolio being rated A to C. Work is continuing to address the performance of the remaining assets to ensure that they are brought up to the same standard.

Progress continues to be made at individual properties with the installation of solar PV and EV charging. One solar PV installation is now complete as part of a refurbishment of a unit prior to occupation by a new tenant and 3 other schemes are under consideration with tenants while 2 EV charging schemes are being considered with tenants.

It is also the intention to introduce standard “green clauses” into new leases with these as a minimum requiring the provision of data by tenants to ensure that emissions can be comprehensively measured.

Another measure of the overall sustainability of the portfolio comes through sustainability certification. The most common type of certification is BREEAM and the Authority aspires through its agreed policy for its portfolio to achieve an overall level of Very Good or if built without certification which is often the case to be of an equivalent standard. Currently two properties representing 10.5% of the value of the portfolio are certified as BREEAM Very Good. This is likely to increase over time as further certified properties are added to the portfolio. There will remain a judgement for the Authority to make about whether it wishes to achieve “in use” certification for other buildings in the portfolio, but this is not currently a priority and would need to be cost justified.

The Authority is also, as previously reported, progressing the development of a significant addition to its holding in Edinburgh. This is aiming for BREEAM Excellent certification, which would make it a best-in-class industrial development and possibly the best example of such a development in Scotland. Negotiations of heads of terms and agreements for lease with 3 potential high-quality tenants are at an advanced stage and these tenants will all be signing up to “green leases” which place certain environmental requirements on tenants including the reporting of data to support the monitoring of emissions. Key environmentally positive aspects of the construction of the buildings is likely to include:

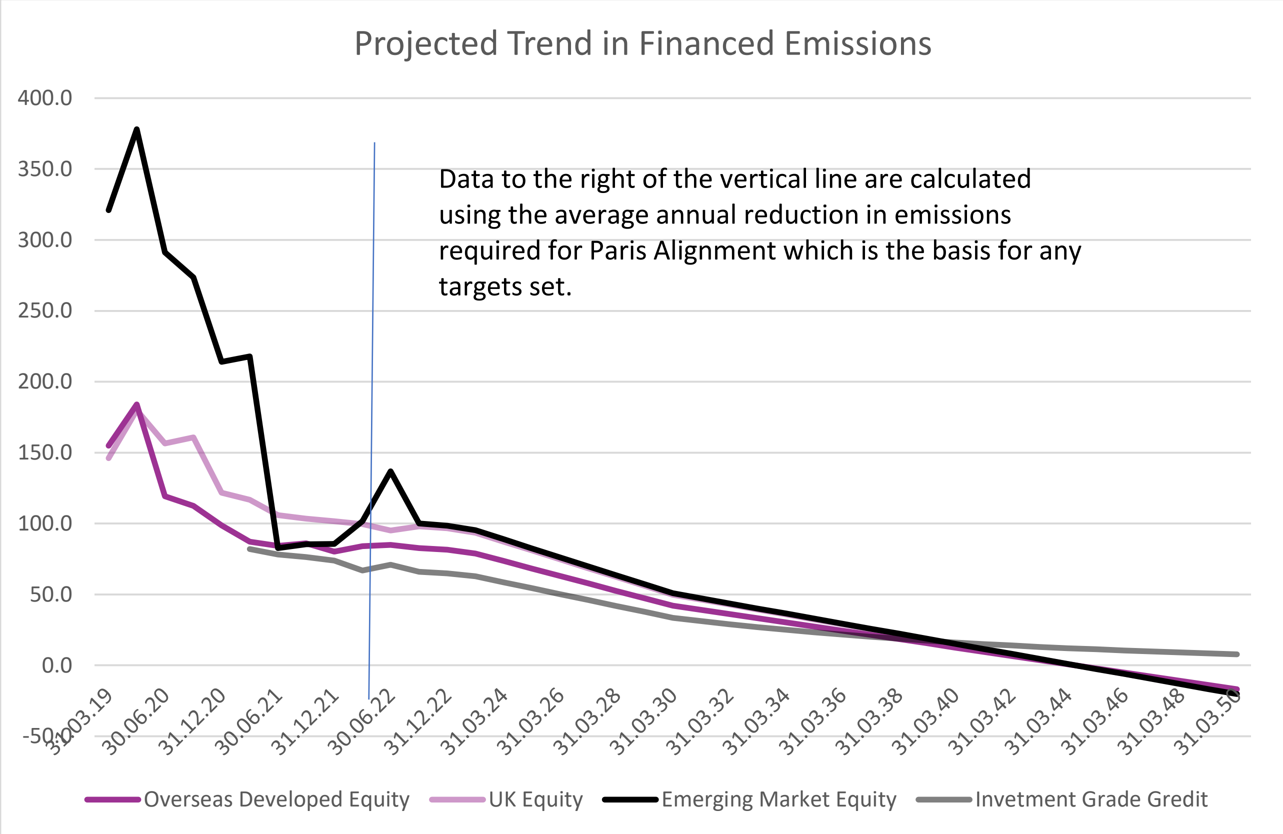
- Reducing embodied carbon through use of recycled content such as blast furnace slag in concrete, use of timber frame construction (as opposed to steel), use of suppliers with responsible sourcing certification, recycling of waste construction materials.
- Operational energy efficiency through a fossil free development with no gas supply, high efficiency building envelopes and lighting, roof mounted solar PV etc.
- Other measures including cycle storage and provision of EV charging. The site is in a highly sustainable location with access within 200 meters to high frequency bus routes including to a nearby suburban railway station.

This is a very significant development for the Authority and should set a benchmark for future developments by Border to Coast when their property fund launches.

Broadly progress is being made in this area in relation to the commercial property portfolio and these issues are taking a higher priority in terms of both ongoing asset management and the review of potential new investments.

Progress to Net Zero

This section of the report considers progress towards Net Zero using the emissions data provided on a quarterly basis by Border to Coast. The graph below shows the trend for what is now termed financed emissions (i.e. absolute carbon emissions) which is the main indicator for which targets have to be set. This covers the four portfolios for which emissions data are available.



In terms of broad progress towards the Net Zero Goal the trajectory implied here which conforms to the annual level of emissions reduction required by Paris alignment achieves zero emissions for the equity portfolios around 2045 with the Investment Grade Credit portfolio remaining marginally above zero in 2050. It should be emphasised that this is simply an arithmetic projection and not a real-world scenario.

In terms of the metrics for the individual portfolios there have been some adverse movements in the quarter particularly on the Overseas Developed and Emerging Market Funds. In part this is caused by the availability of more and more recent data and the impact of Covid-19 lockdowns gradually dropping out of the figures as economic activity has recovered.

This remains broadly positive in terms of the overall trend, As has been stated previously there is a high risk of non-achievement of the 2030 Net Zero Goal without other changes in the investment approach, which will be examined as part of the review of the investment strategy which will be undertaken over the course of 2022-23.

As part of SYPA’s commitment to the Paris Aligned Asset Owner Initiative we need to set targets for emission reduction for those portfolios for which we have emissions data 12 months after signing up to the initiative. Due to reporting cycles we have agreed a deferment with the IIGCC who run the initiative and the targets are included in the draft annual report. Given that these targets are for portfolios which are managed by Border to Coast who are aiming for a 2050 Net Zero Goal they reflect a trajectory which is achievable for the specific product given this. Further targets will be generated through the work on the investment strategy.

The targets are for the equity portfolios in aggregate and the Investment Grade Credit portfolio to deliver a reduction in financed emissions of **52% on 2019 levels by 2025**. This is significantly greater than implied in the International Energy Agency's Net Zero Emissions 2050 pathway. Given the reductions achieved to date this will require around a 2% p.a. year on year reduction for the remainder of the period to 2025. Thus, given previous performance there is a strong possibility of overachieving this goal.

While the Authority would wish to see these portfolios achieve Net Zero by 2030 this is, as explained above, not something that is entirely within our gift. Therefore, based on current information available these portfolios could achieve a **65% reduction in emissions by 2030** compared to 2019 compared to the 41% reduction implied in the pathway to 2050. This would require reductions of approximately 6% p.a., which is close to the reduction required by Paris aligned equity benchmarks.

For Real Estate the setting of targets is complicated by the likely transition of assets into a Border to Coast product during 2023. At this point SYPA's assets will become part of a much larger pool of assets, most of which we have no knowledge of, making the setting of targets difficult. It would therefore not be sensible to set a formal target for this portfolio at this stage. However, it is acknowledged that emissions will need to be reduced **by at least 50% on 2020 levels by 2025** to be aligned with the Authority's Net Zero goal. This implies ongoing reductions in emissions of at least 10% p.a.

The Paris Aligned Asset Owners Framework to which the Authority subscribes also requires the Authority to set targets for the proportion of emissions by:

- Companies which are achieving Net Zero
- Companies which are already aligned to Net Zero
- Companies which are in the process of aligning to Net Zero, and
- Companies which are being engaged with to encourage them to align to Net Zero.

Based on progress to date with the public market portfolios (both equity and fixed income) we would expect:

55% of financed emissions to be aligned to Net Zero **by 2025**, and **70% by 2030,** and
80% of financed emissions to be subject to engagement **by 2025** and **90% by 2030.**

All of these targets will be refined as part of the review of the Investment Strategy which will include an examination of the balance between the different types of investment held by the Fund, which can also have an impact on overall emissions.

Stakeholder Interaction

Over the quarter there has been a range of stakeholder interaction some funnelled through Authority members and some directly with officers. This has focussed on two issues.

1. **Investment in the Palestinian Territories** – As has been previously discussed by members this is an area where the Authority has a very limited exposure to companies appearing on the UN's list of 112 companies operating in the territories meaning that in simple terms this is not a financially material issue in terms of prioritising our resources in relation to engagement with companies. However, as indicated elsewhere both Robeco and LAPFF are undertaking work in this area. A petition has been received by Sheffield City Council asking the Council to seek divestment by the Authority of companies operating in the Territories. This has been referred to the Council's Strategy and Resources Committee and officers will, of course, co-operate with any requests for information or other input from the Council. As has been previously reported this is a particularly difficult area given the Government's proposals to legislate in relation to Disclosure, Boycotts and Sanctions and powers already in place within the Public Service Pensions and Judicial Offices Act. It should be emphasised that immediate divestment without any form of engagement with a company would not be in line either with the Authority's policy or best practice, and secondly that any holdings are within products provided by Border to Coast and therefore it is not directly in the Authority's gift to divest.

2. **Climate Issues** – There has been a range of correspondence to members and a question at Sheffield City Council's Full Council meeting focussing on "encouraging" the Authority to invest in some form of fossil free equity product either through Border to Coast or using an external provider if the Partnership is unable to launch such a product. The nature of the equity products in which we invest and their potential contribution to the achievement of the Net Zero Goal are properly matters for consideration within the review of the investment strategy and will be considered as part of that. However, it is important to emphasise that the primary goal of the investment strategy must be to arrive at a strategic asset allocation that gives a greater than 67% probability of achieving the returns necessary to meet the Fund's liabilities. This correspondence also referred to investment in local "green" businesses. As has been discussed by the Authority previously we do not have the resources or capability to make such investments directly. Whether such investments made through appropriate fund managers should form part of our response to the call for us to provide a "levelling up plan" will be something discussed by the Impact Investing Working Group and will need to reflect the Authority's overall appetite for risk.

3. **Local Investment –** A question was asked at the June meeting of the South Yorkshire Combined Authority on engagement between the Mayor and the Authority in this area. Officers have had an initial discussion with officers of the Combined Authority about local investment in the context of the need to produce a "levelling up plan" and a Combined Authority Officer will be asked to present to the Impact Investment Working Group as part of the process of developing agreed priorities within that plan. Further contact from the Mayor is expected in the coming months.

Continued campaigning by stakeholders on the first two issues is going on across the LGPS and is likely to continue locally. The Authority has always sought to maintain a positive relationship with local campaign groups involving our scheme members addressing these and other issues. However, the tenor of the debate is subtly changing and while continuing to be open to dialogue we may need to become slightly firmer in our responses as time goes on. In addition, the volume of activity of this sort is continuing to increase placing an increasing call on officer time, a factor which is being considered in work being carried out on future resource levels.

Collaborative Activity

This section focuses on the activity undertaken in the quarter through the various collaborations in which the Authority is either directly involved or indirectly involved through Border to Coast.

LAPFF again held a business meeting during the quarter which included discussion of items on the approach taken by companies to Joint Ventures where there is some evidence that companies are not fully exercising the responsibilities resulting from ownership with potentially significant negative impacts on people and planet. The meeting also discussed a report on Electric Vehicle Charging infrastructure and how investors might influence companies in this area. Unfortunately, a meeting of the All-Party Parliamentary Group on Local Government Pensions covering the Levelling Up Agenda had to be postponed until October.

The Taskforce on Nature -related Financial Disclosures ('TNFD') is a global initiative, with the aim of developing a risk management and disclosure framework for reporting and acting on nature - related risks and opportunities . June saw the release of the second beta version of its framework . This builds on the first iteration, released in March, and features additional guidance for pilot testing . Ongoing market feedback will support the further design and development of the TNFD recommendations due in September 2023 . Border to Coast has supported this initiative and will continue to monitor progress throughout the testing period .

The Institutional Investors Group on Climate Change (IIGCC) has now a Net Zero Investment Framework for the Infrastructure Asset Class which forms part of the supporting framework for the Paris Aligned Asset Owner Initiative to which the Authority subscribes. Given the importance of investment in this asset class to transition ambitions this is an important development which will support the Authority both in its strategy within the asset class and in setting emissions targets for infrastructure when the time comes.

During the quarter IIGCC also announced that the number of asset managers signing up to the Net Zero Asset Manager Initiative has reached 273 managing $61.3tn of assets. This is a significant step in terms of achieving a critical mass of assets targeting Net Zero and will mean that it is much easier for Border to Coast to identify external managers aligned with their objectives in this area than might otherwise have been the case.

Policy Development

This section of the report highlights a number of the key pieces of policy related activity which have taken place during the quarter.

Paris alignment reporting in occupational pension schemes

The Department for Work and Pensions published its response to its October 2021 consultation in June. The consultation sought views on proposals to require trustees of large occupational pension schemes to measure and report on the degree of alignment of their investment portfolios with the goals of the Paris agreement, in addition to the other TCFD reporting requirements already included in the regulations for private sector schemes.

The result of the consultation is that the Government will make regulations so that with effect from October 2022, trustees of occupational pension schemes with assets in excess of £1bn will be required to calculate and report metrics setting out the extent to which their investments are aligned with the goals. While not directly relevant to LGPS it is expected that the regulations in relation to carbon reporting for LGPS when they are eventually made will closely follow those for private sector schemes. Consequently, the Authority will need to make preparations, including contracting with relevant specialist advisers, to be able to meet these requirements.

UK Transition Plan Taskforce

An increasing number of companies are making commitments to decarbonise their operations and reach net zero emissions . The detail provided in transition plans can vary significantly making it challenging for stakeholders to assess them . In April, HM Treasury formally launched a new UK Transition Plan Taskforce, to develop a standard for climate transition plans in the UK . The aim is for UK financial institutions and listed companies to develop and publish science -based transition plans that are credible, robust and “investable”, providing detail on how they will adapt and decarbonise as the UK moves towards net zero .

Science -based targets in financials

Recognising that financial institutions are key to enabling the systematic change needed to reach net zero, the Science Based Targets initiative (‘SBTi’) recently published a paper outlining a variety of new concepts for setting net zero targets for banks, asset owners, asset managers and other financial institutions on a science -based basis.

The paper looks to address a number of key issues, including defining net zero, the use of offsets, and fossil fuel phase -out approaches . It also paves the way for the SBTi’s Net -Zero Standard for Financial Institutions, due to be launched in early 2023. Given the importance of financial institutions to the transition process the availability of a standard against which to assess their transition plans is an important development.

Embedding stewardship in the asset manager and asset owner relationship

The steering group combining the Investment Association (IA) and Pensions and Lifetime Savings Association (PLSA) recently published a report on strengthening the relationship between pension funds and investment managers. The report seeks to address issues including a lack of clarity on stewardship expectations, and an overemphasis on short -term performance by setting out several recommendations for each stage of the relationship, from the appointment process, through to the ongoing monitoring of established relationships. Given SYPA’s position within Border to Coast this is of indirect relevance, but it provides a benchmark for assessing Border to Coast’s relationship with external managers.

SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Decisions taken Between Meetings of the Authority**	**Status**	For Publication
Report to	Authority	**Date**	8th September 2022
Report of	Corporate Manager - Governance		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Garrison Corporate Manager - Governance	**Phone**	01226 666418
E Mail	jgarrison@sypa.org.uk		

1 Purpose of the Report

1.1 To report on decisions taken as a matter of urgency between meetings of the Authority.

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2 Recommendations

2.1 Members are recommended to:

a. **Note the decisions taken between meetings of the Authority using the appropriate urgency procedures.**

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3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

4 Implications for the Corporate Risk Register

4.1 One of the decisions taken relates to the identified risks around the ability of Border to Coast to deliver effectively.

5 Background and Options

5.1 It is often necessary for decisions to be taken between meetings of the Authority due to the time sensitive nature of the matters involved. These decisions are taken by the Chair in consultation with the s41 members and the Director and while published on the Authority's website are also reported to the next Authority meeting for transparency.

5.2 Two decisions have been required since the previous meeting of the Authority. Border to Coast have circulated a number of shareholder resolutions for approval at the forthcoming Annual Meeting of shareholders. These cover:

1. The approval of the Annual Report and Accounts.
2. The reappointment of KPMG as auditors.
3. The approval of the annual review of conflicts of interest for Board members
4. The reappointment of Andrew November as a Non-Executive Director.
5. The making of provision for the appointment of an additional Non-Executive Director following the Board Effectiveness Review.

The first three are routine resolutions and given KPMG are currently within the timescale for which we would regard their independence as not being impaired there is no objection to their reappointment which is being recommended by the Company following a market testing exercise.

The fourth resolution would be strongly supported by officers. Mr November has added greatly to the depth of knowledge of the Board which has been helpful to partner funds in discussions over the development of the real estate proposition.

The final resolution makes sense in terms of both adding additional knowledge of financial markets and regulated businesses as well as providing the opportunity to add greater diversity to the Board in line with both the Authority's and Partnership's policies.

5.3 Having considered the advice of the Director, the Chair agreed that the Authority's vote should be cast in favour of all five resolutions.

5.4 The Director has, under delegated powers, approved the use of a market supplement to assist in recruiting to a vacant post in the Finance Team. Three attempts had been made to fill this key role with the support of specialist recruitment agencies who advised that the salary range for the role was significantly "off market". The market supplement is subject to review following the outcomes of the wider pay and benefits review which will be concluded later in the year.

6 Implications

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

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jo Garrison

Corporate Manager - Governance

Background Papers	
Document	**Place of Inspection**
Published Decision Records	Governance (sypensions.org.uk)

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

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

Appendix A

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of the Local Government Act 1972.

Agenda Item 16

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