Pubilc Document Pack

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, 9 February 2023 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
Email	grichards@sypa.org.uk	

WEBCASTING NOTICE

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

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

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

Distribution

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

Contact Details

For further information please contact:

Gill Richards
South Yorkshire Pensions Authority
Oakwell House
2 Beevor Court
Pontefract Road
Barnsley,
S71 1HG

Tel: 01226 666412
grichards@sypa.org.uk

SOUTH YORKSHIRE PENSIONS AUTHORITY

THURSDAY, 9 FEBRUARY 2023 AT 10.00 AM - OAKWELL HOUSE, 2 BEEVOR COURT, PONTEFRACT ROAD, BARNSLEY, S71 1HG

Agenda: Reports attached unless stated otherwise

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

8 DECEMBER 2022

PRESENT: Councillor J Mounsey (Chair)

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

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

Investment Advisors: A Devitt and T Castledine

Officers: J Bailey (Head of Pensions Administration), J Stone (Corporate Manager - Governance), G Graham (Director), S Smith (Head of Investments Strategy), G Taberner (Head of Finance and Corporate Services) and R Green (Business Support Officer)

Jane Firth (Border to Coast Pensions Partnership Ltd)

Apologies for absence were received from Councillor M Havard, G Warwick and G Richards

1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

None

3 URGENT ITEMS

Two members of the public, Mr Henshaw and Mr Ashton were present to ask questions directly to the Authority. A copy of the question and the written response is available in the appendixes of the minutes.

Mr Ashton asked a supplementary question: With the Government opening a new coal mine, how can the Authority claim that engagement with companies is an effective course of action?

G. Graham replied: The Authority’s Annual Report shows the progress that has been made via engaging with companies, but clearly there is more to do. In addition all of this activity has to be set in the context of the primary duty of the Authority to ensure the fund has funds available to pay pensions when due.

The Chair reiterated the Authority will ensure its voice is heard in Border to Coast discussions on these issues.

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

RESOLVED – That item 16 ‘Border to Coast Governance Review’ and item 17 ‘Debt Write Offs’ be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

G. Graham declared an interest on behalf of J. Stone in regards to agenda item 14.

6 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None

7 MINUTES OF THE MEETING HELD ON

RESOLVED – That the minutes of the meeting held on 8th September 2022 be agreed as a true record.

8 CORPORATE PERFORMANCE REPORT - Q2

Members considered the Corporate Performance Report for Quarter 2, 2022/23.

Headlines included:

- The fund maintained a strong funding level despite market conditions.
- Customer feedback positive review ratings have fallen below 90%.
- Costs, including pay pressure, is being maintained within budget.
- Increase in sickness levels
- Delays to a small number of Corporate Strategy projects that need to be rephased.
- The review of the Risk Register has provided assurance of mitigation actions being effective and resulted in reduced current score on some risks.

A. Dimond asked about the current funding level showing as over 150% of requirement.

G. Graham replied this was something of a statistical anomaly due to the timing of recording of the figures and the impact of gilt yields on the liability valuation, while subsequent events have reduced the level back to between 119% - 150%. The key message being that the funding level is strong

D. Nevett asked about the review of assets held in the legacy portfolio. What is the trajectory of pooling the assets?

S. Smith advised the this will be a medium-term project. The properties are projected to move over in the next couple of years. The infrastructure assets could take up to 10 years.

G. Graham added that some assets held by the fund have no pooling option and up to 5% of the total fund assets can be held outside of the pool.

9 APPROVAL OF THE LEVY

G Taberner introduced the annual report seeking approval of the Levy for 2023/24 under the Levying Bodies (General) Regulations 1992.

It was noted that the 2023/24 Levy had been calculated as £353,000 minus a forecast balance of £28,388 leaving a balance of £324,612.

D. Nevett asked if the levy had a specific end date when it would no longer be needed?

G. Taberner replied it will decrease as more members die but will obviously be a gradual process.

A. Dimond asked if the funding level was impacted the levy?

G. Graham confirmed these are unfunded legacy liabilities so are not affected by current funding levels.

RESOLVED: Approve a total levy of £324,612 for 2023/24 in accordance with The Levying Bodies (General) Regulations 1992, to be allocated to the District Councils in proportion to their approved council tax base shares.

10 ADVISERS COMMENTARY

A Devitt provided a market commentary on recent events.

Highlights since the last update included:

- **Inflation remains at the front and centre of government and household concerns**, and in September rose to a 40 year high, rising 10.1% (CPI). As levels stay around high single digits or even double digits in Europe and the US, there are nevertheless some signs of it faltering.

These are signs that the unemployment rate in the US rose slightly (although is still historically low) while supply shocks seem to have played out and there is evidence that the supply of goods is not still seeing price hikes.

- **Interest rates continued to rise,** with the US Fed raising rates for the sixth time this year (75 bps) in November while the Bank of England raised its rates to 3%, its eighth consecutive rate rise and the largest (75 bps) since 1989. As noted earlier, some central banks are “blinking” in the lights of economic strains and not raising by as much as expected.

- **UK employment figures remain robust,** with unemployment numbers at multi-decade lows and at numbers not seen since 1974. This was partially driven by a lower participation rate, particularly as older workers stayed out of the work force and students choosing not to work.

- **GDP growth in the UK has been flatlining** – falling by 0.6% in September and 1% in August but after growth of only 0.1% in July.

- **The political environment remains fraught,** although the new Conservative government seems less wracked with drama than the previous one and there is clearly a strong desire for stability, from fellow politicians, the general public and market participants.

The following would be watched in the coming months.

- **A Measure of Winter Cheer.** As we noted last quarter, it is critical to see what the winter brings in terms of energy pricing and consumer sentiment. With mortgage rates in the UK set to rise sharply, this will place extreme stress on certain consumer segments, and the pending more austere fiscal climate will also present challenges. How this translates into retail sales, real estate demand and corporate health will be critical.

  Tech as a Canary in the Coal Mine? During the recent layoffs, may tech executives noted with chagrin their recent overly exuberant hiring and growth expectations. It is true that they did contribute to a particularly frothy employment climate.

  It will be key to see if they have over-steered now, or only scratched the surface, and whether other industries follow suit. With the apparent shortage of labour in some areas and a challenge in hiring, how this all settles with respect to employment will be very interesting to watch.

- **The end of zero-Covid?** As we discussed in the spotlight on China section, there is so much still pending on the direction that Xi Jinping's united front of a government takes with respect to opening up China's economy and relaxing some of the zero-Covid restrictions that are incompatible with that. Visibility as to this, their position on trade and their aspirations with respect to Taiwan will be key to seeing how one of the world's largest economies plays its part in the years ahead.

The Chair thanked A Devitt for an interesting and informative report.

11 INVESTMENT PERFORMANCE REPORT - Q2

S Smith presented the Quarter One Investment Performance report.

This quarter was another difficult quarter for markets. 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.

The overall total of the fund dropped below £10billion at the end of September but had recovered by the end of November.

The overweight position to listed equity holdings reduced as part of the asset rebalancing requirement.

Within the commercial property portfolio two small holdings were sold.

There was also a liquidating redemption made from the SL Retail Property Unit Trust. This was offset by drawdowns on the CBRE loans that we have and into the residential funds.

After the trades mentioned above only one category is outside its tactical range and this is private equity.

Changes in net investment for the categories were included in the report and showed that the Fund was being de-risked in line with the strategic benchmark.

For the quarter to the end of September, the Fund returned -1.1% against the expected benchmark return of -2.5%.

The report also contained details of the performance of 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 Overseas Developed Market portfolio continued its steady outperformance.

The Emerging Market portfolio outperformed the benchmark this quarter by 1.4%, with all three managers outperforming their target index, but is still behind the benchmark since inception.

In respect to future outlook, risks of a global recession have intensified. High inflation and monetary tightening by central banks are leading to slowing growth.

The UK market has performed relatively better than other developed equity markets due to relatively high exposure to defensive stocks and commodities. It is accepted that we are already in recession and the fund will be looking to take profits as necessary.

For Overseas Equities, expect market conditions to remain volatile. Currently moderately overweight overseas equities although we are underweight emerging markets relative to benchmark.

Bonds are looking more attractive than in recent months. The fund has benefited from being underweight in bonds as rates have been increasing but there is now better value in them so will be rebalancing, with preference for index-linked bonds given our very underweight position.

The Chair thanked S Smith for the report.

12 RESPONSIBLE INVESTMENT UPDATE - Q2

G. Graham advised this was a much quieter quarter due to reduction of voting events at AGMs. The submitted report highlights the key votes Border to Coast have taken.

The funds property portfolio increased in rating to 3 stars on the benchmarking for Environmental Performance. This is a significant improvement.

Members sought further information on the process of engagement undertaken and how its effectiveness might be judged to which Mr Graham and Jane Firth from Border to Coast responded.

13 ANNUAL REVIEW OF BORDER TO COAST RESPONSIBLE INVESTMENT POLICIES.

Each year Border to Coast conducts a review of its Responsible Investment Policy and Voting Guidelines so that they can be updated for the following voting season. It is important to recognise these are all collective documents which represent the consensus position of the partner funds.

Inevitably, a degree of compromise is required in relation to the positions of the individual partner funds.

Jane Firth Head of Responsible Investment at Border to Coast presented the key changes to the various policies and explained the rationale for them.

Members in discussing the policies highlighted the potential issues arising from the fact that Border to Coast and the Authority have differing Net Zero goals, and the effectiveness of continued engagement with some companies. In addition the specific identification of human rights issues within the policies was welcomed.

RESOLVED:

a) Endorse the various Border to Coast policies at Appendices A to C

b) Note the publication by the Company of its Net Zero Road Map.

Councillor Dimond and Councillor Curran dissented and asked that this be minuted.

Chair thanked J. Firth for the work undertaken by her team in this area.

14 APPOINTMENT OF MONITORING OFFICER

A report was presented recommending an appointment to the statutory role of Monitoring Officer following the departure of the current incumbent. In addition the report recommended the designation of an officer as Secretary to the Border to Coast Joint Committee.

RESOLVED:

a) Approve the appointment of Joanne Stone (Corporate Manager Governance) as the Authority's Monitoring Officer with effect from 1st January 2023.

b) Approve the designation of Joanne Stone (Corporate Manager - Governance) as the Secretary to the Border to Coast Joint Committee with immediate effect.

15 GOVERNANCE UPDATE REPORT

A report for information only was presented updating members on various governance developments.

RESOLVED: The report was noted.

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.

16 BORDER TO COAST GOVERNANCE REVIEW

G. Graham presented a report to secure approval for revised governing documents for the Border to Coast Pensions Partnership following the completion of a governance review.

The proposed changes have all previously been supported by the Authority. Members to note Appendix D of the report, confirming there is no legal reason not to sign the documents.

RESOLVED:

a) Authorise the Director to agree further amendments to the draft documents set out at appendices A to C to accommodate any further requirements of the Financial Conduct Authority or drafting issues.

b) Subject to resolution a) above, to authorise the signing and sealing of the governance documents at appendices A to C on behalf of the Authority.

17 DEBT WRITE OFFS

G. Taberner presented a report to request the Authority’s approval to write off irrecoverable debts relating to the Pension Fund’s commercial property portfolio and Pension Member overpayments.

RESOLVED: Approve the write-off of debts amounting up to £52,650.03 including VAT.

Chair concluded the meeting.

18 APPENDIX A

This page is intentionally left blank

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	**Annual Update of the Corporate Planning Framework**	**Status**	For Publication
Report to	Authority	**Date**	9th February 2023
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Director	**Phone**	01226 666439
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

1.1 To approve the annual updates to the Corporate Strategy and Medium Term Financial Strategy.

---

2 Recommendations

2.1 Members are recommended to:

a. Approve the updated Corporate Strategy (at item 8a) and Medium Term Financial Strategy (at item 8b).

---

3 Link to Corporate Objectives

3.1 This content of the Corporate Strategy is influenced by all of the corporate objectives , but this report particularly links to the delivery of the following corporate objective:

Effective and Transparent Governance

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

4 Implications for the Corporate Risk Register

4.1 The various actions outlined in the Corporate Strategy are intended to positively impact on the level of risk exposure as set out in the Corporate Risk Register, which his contained in the updated Corporate Strategy at Appendix A.

5 Background and Options

5.1 Each year alongside the budget the Authority updates its Corporate and Medium-Term Financial Strategies to take account of the actual delivery of projects and the emergence of new priorities. This report presents these updated strategies for approval.

Corporate Strategy

5.2 The key updates when compared to the Strategy approved this time last year are:

- The completion of a number of tasks.
- The revision of timelines for some tasks
- Some additional focus on people issues.

5.3 As in previous years there is a fair amount of slippage in terms of delivery. This reflects the ongoing effect of the capacity issues which the Resources and Resilience Review approved by the Staffing, Appointments and Appeals Committee in October and reflected in the budget elsewhere on the agenda for this meeting seeks to address. To date none of this slippage has proved critical, but it does reflect the weakness in project planning and management which the new Programmes and Performance Team is seeking to address.

Medium Term Financial Strategy

5.4 The key changes reflected in the Strategy are:

- The inclusion within the Strategy of the investment agreed as part of the Resources and Resilience Review.
- The continuing cashflow negative position of the Pension Fund which means that there is an ever-increasing focus on harvesting investment income and is a key factor in the review of the Investment Strategy.

5.5 The Medium-Term Financial Strategy also includes some information on comparative costs. Broadly the Authority has maintained its position relative to others although investment costs in 2021/22 do stick out as out of line. However, this is due to the fact that around 50% of the costs reflected here represent performance fees paid to managers within the Alternatives portfolios whose strong performance has been a key driver of the improvement in the overall funding level over recent years.

5.6 The Strategy also highlights the increasingly volatile and uncertain environment in which the Authority operates and recommends an increase in the allowed level of reserve holdings to manage this level of risk.

5.7 The deployment over the coming year of a new risk and performance management system should improve both the reporting and monitoring of progress in delivering the Corporate and other strategies.

6 Implications

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

Financial	The Medium-Term Financial Strategy outlines the likely trajectory of income and expenditure for both the Operating Budget and the Pension Fund over the coming years. These forecasts indicate an increasing need to rely on investment income to meet the cost of benefits which is reflected in the review of the investment strategy while the operating budget forecast indicates that while inancial stability is maintained the demands being placed on the organisation and the wider operating environment continue to place upward pressure on costs.

Human Resources	The Corporate Strategy and Medium-Term Financial Strategy in combination reflect the already approved need to increase the Authority's staffing significantly in order to address the increasing demands being placed on the organisation. In addition, there remain a number of key HR related deliverables within the Corporate Strategy which will contribute to overall organisational sustainability.
ICT	The Corporate Strategy contains a number of significant ICT projects and developments which will support improvements in both efficiency and effectiveness.
Legal	None directly
Procurement	Procurements identified in the Corporate Strategy will be undertaken in line with the relevant procurement legislation.

George Graham

Director

Background Papers	
Document	**Place of Inspection**

This page is intentionally left blank

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Corporate Strategy

2022 to 2025

Update Feb 2023

Commitment to Excellence

Contents

1. Foreword

South Yorkshire Pensions Authority exists solely to meet the needs of its customers, whether they are scheme members or scheme employers. The purpose of our corporate strategy is to set out how we are going to approach that task during a 3 year timeframe from April 2022 until the end of March 2025.

This update is a look back at our achievements to date and a look forward to our continuing ambitions in the years ahead. It marks our ongoing commitment to continuing our journey to build a stronger more resilient organisation focussed on delivering for our customers.

To support this ambition, not only have we recruited to new posts over the past year, we are in the midst of recruiting to additional posts approved by our Staffing Appointments and Appeals Committee in October 2022 that are designed to strengthen our future organisational resilience and sustainability. We remain vigilant in achieving ‘right sized’ resourcing to support the realisation of our ambitions whilst improving productivity through more efficient and effective processes, systems and ways of working, conscious that those employers with whom we work face not insignificant resourcing pressures themselves.

Whilst we are now on the other side of the Covid-19 pandemic, like many other organisations, we are still learning how to work together well in a ‘hybrid’ environment, negotiating new norms and expectations with all our people, and maximising the use of technology for collaborative working.

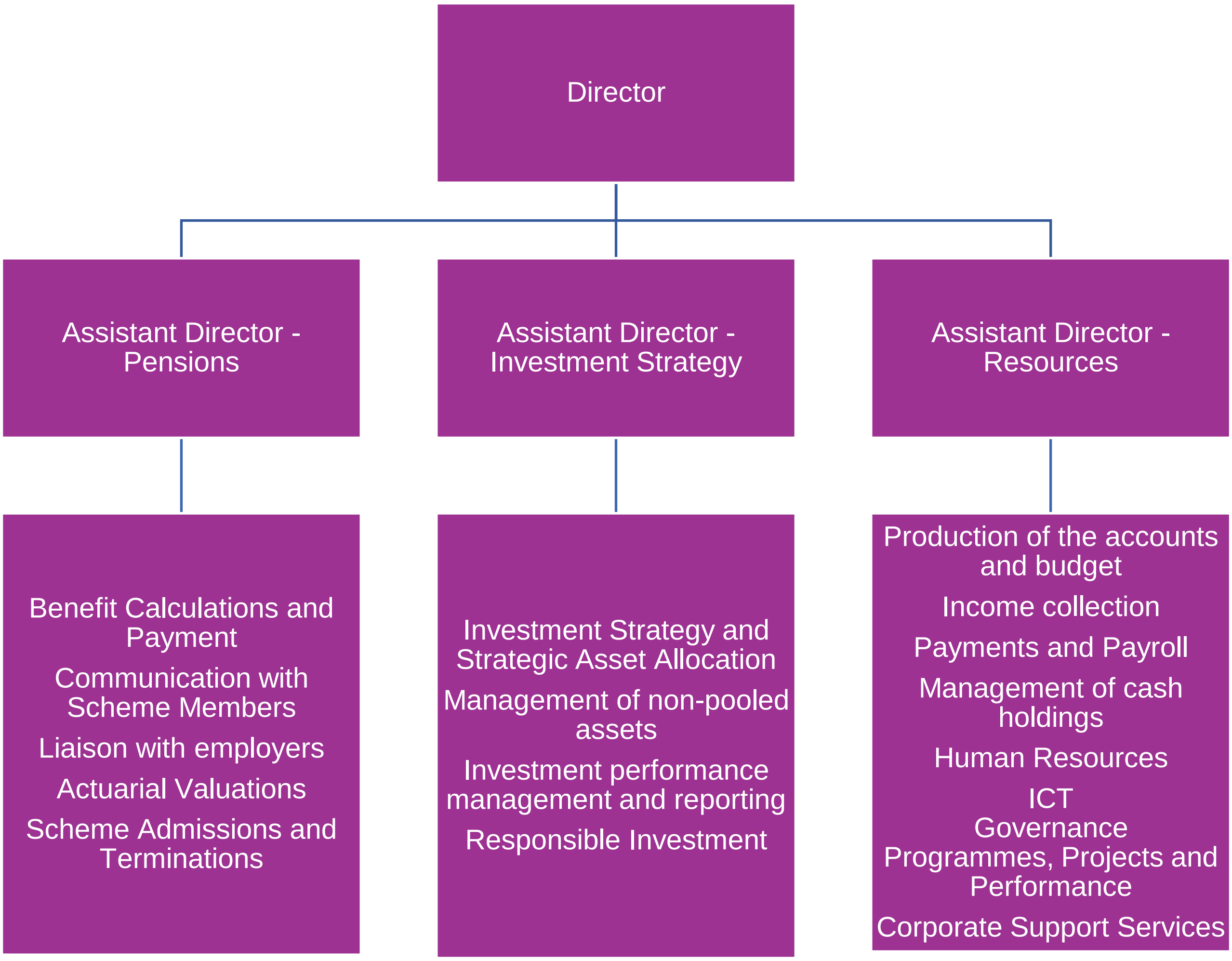
Our agenda remains ambitious as we continue to move to the next level in meeting the needs of our customers and creating an organisation in which our people can realise their own career ambitions.

Cllr John Mounsey
Chair
South Yorkshire Pensions Authority

2. Background

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

The Authority has 12 members drawn from the four South Yorkshire districts (Barnsley, Rotherham and the cities of Doncaster Sheffield) roughly in proportion to their population. The Authority is organised fairly conventionally for a pension fund as set out in the diagram below:



As at January 2023, the Authority directly employs 110 people (or 94 FTE), excluding vacancies. From April 2023, the total staffing establishment will increase from 103 FTE to 115 FTE by March 2024 as a result of the outcomes of an organisational resourcing and resilience review undertaken during 2022. For further details, see the 2023/24 Budget report.

Full-time employees are required to be office based for a minimum of 2 days a week and part-time employees for a minimum of 1 day a week. Our hybrid working policy is currently under review.

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

Number of Scheme Members (at 31/03/2022)	171,108
Number of Pensioners Paid (at 31/03/2022)	59,755
Number of Scheme Employers with active members (at 31/03/2021)	548
Proportion of employers that are local authorities Total number of employers	1.3%
Value of Assets under Management (at 31/03/2022)	£10.673bn
Annual Value of Investment Income including reinvested income (2021/22)	£223m
Annual Value of Contributions to the Fund (2021/22)	£192m
Annual Value of Benefits Paid from the Fund (2021/22)	**£321m**

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

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

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

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

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

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

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

Customer focus	• *to design our services around the needs of our customers (whether scheme members or employers).*
Listening to stakeholders	• *to ensure that stakeholders’ views are heard within our decision-making processes.*
Investment returns	• *to maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long-term liabilities.*
Responsible investment	• *to develop our investment options within the context of a sustainable and responsible investment strategy.*
Scheme funding	• *to maintain a position of full funding (for the fund as a whole) combined with stable and affordable employer contributions on an ongoing basis.*
Effective governance	• *to uphold effective governance showing prudence and propriety at all times.*
Valuing employees	• *to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.*

4. How are we going to go about fulfilling our objectives?

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

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

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

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

Management Behaviours	***Demonstrated by:***
We model positive behaviours to each other and to all staff	• We regularly offer encouragement and praise for positive behaviours • We challenge inappropriate and unacceptable behaviour • We give and receive authentic feedback • We hold staff to account for their performance
We take responsibility for improvement - within a clear framework	• We get on with making improvements and changes rather than wait for permission (within a clear advice frame that sets out what we can get on with and what we can't). • We trust people to do their job, we don't micromanage. • We give a heads up when we plan something new, we speak up early when there is a problem or when things aren't going well. • When something doesn't go well, we look for what we can learn and what we can do differently next time.

Management Behaviours	*Demonstrated by:*
We all get behind a common goal	• We have a clear vision that sets out what our goals are and clear priorities which set out what our most important changes are. • We make the time to understand what we need to do to contribute to that vision. • We work together across the organisation and contribute to the organisation as a whole. • We challenge and question rumours and use discretion in sharing what gets discussed amongst managers.
We involve and engage people in decisions that will affect them	• We keep people in the loop about things that will affect them. • We seek and value the opinion of the people we manage and of other teams. • We take the time to set out plans, then listen to the concerns and recommendations of those involved as to how we can strengthen those plans. • We communicate regularly and clearly to all staff.

5. What we are going to do over the next two years?

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

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

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

As part of our three year strategy, we are making a range of changes and improvements over the whole range of the Authority's activities. In order to manage these more easily and provide clear accountability we have divided these up into programmes of work covering:

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

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

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

The pages that follow set out for each of these:
- The specific things we want to do;
- The timescale for delivering each task.
- Who the lead officer is for each task.
- An update on progress.

We have now appointed a 'Service Manager – Programmes and Performance' and a 'Projects and Performance Officer' who will be developing arrangements for managing and reporting on progress with delivering projects. This will ensure that the scope and objectives of projects are clearly defined at the start and that a monthly update on the progress of each project is provided to the Senior Management Team so that necessary actions can be taken to ensure that projects are completed to the intended timescale.

This will be further facilitated by the procurement and implementation of Pentana software to manage, monitor and report on risks, performance and projects and offer improved visibility and transparency, providing 'a single version of the truth' to our Senior Management Team and Middle Managers, enhancing our governance arrangements.

Ref	Project / Action	Timescale		Responsible Manager	Updates February 2023
		Start	Finish		
	Data				
D01	Complete Valuation 2022 – *Data Submission* *Employer Engagement* *Funding Strategy*	11/21 *04/22* *02/22* *11/21*	03/23 *05/22* *03/23* *03/23*	Dir TA S&E Dir / ADP	 Completed. Employers have received results and the final Rates and Adjustments Certificate will be approved at the Mar 2023 Authority meeting. Consultation has taken place and the revised Funding Strategy Statement will be approved in Mar 2023.
D02	Guaranteed Minimum Pension – Completion of Rectification process	11/21	06/23	ADP	This work has slipped and the final rectification process needs to be undertaken after the annual pensions increase process in order to reduce the risk of key processes failing. Finish date changed from 05/22 to 06/23.

D03	McCloud Remedy-	03/22	04/24	ADP	This project need to be replanned to reflect the revised timescales for the issuing of regulations.
	System Upgrades	*04/23*	*10/23*	Sys	This work has slipped due to delays in the issuing of regulations. Ongoing dialogue taking place with software supplier. Start date changed from 9/22 to 04/23 and finish date changed from 03/23 to 10/23.
	Processing and Case Reviews	*04/23*	*03/24*	Ben	Ongoing.
	Member Communications	*04/22*	*03/24*	Cus	Ongoing. Some general communications have appeared in newsletters and on Annual Benefits Statements.
	Employer Communications	*10/21*	*03/24*	S&E	Ongoing. Employers kept informed via newsletter every quarter.
D04	Complaints – Undertake root cause analysis of complaints which occur on multiple occasions	06/23	12/23	Ben	Start date changed from 04/22 to 06/23 and finish date changed from 07/22 to 12/23.
D05	Pensions Dashboard – Provision of data in line with regulatory requirements	04/23	03/25	Sys	Demonstrations received from suppliers who provide data transfer. Decision to be made on which provider to contract with.
D06	Deliver annual data improvement plan	04/22	03/25	TA	Ongoing.
	Process Improvement				

P01	Implement contractual improvements to the Core UPM Pension Administration System –	02/22	03/25	ADP	
	Review of compliance with the new contract and effectiveness of delivery	*12/22*	*06/23*	ADP	Work to review compliance with contract deliverables is ongoing. A report will be provided to the Pensions Authority in Jun 2023. Finish date changed from 03/23 to 06/23.
	Review and updating of processes	*04/22*	*03/24*	Ben / Sys	Processes for updating identified and being prioritised by new UPM Oversight Group led by Service Manager – Pensions Systems
	Retire Online	*01/21*	*04/22*	Sys	Completed. Deferred Retire Online went live in Feb 2022. Phase 2 improvements being made as part of business as usual/continuous improvement. Now working on 'Retire Online'. To be completed by end of Q1 23/24.
	Automation of Joiners	*09/21*	*04/24*	Sys	We have automated some actions. Finish date changed from 04/23 to 04/24.
	Automation of leavers / deferred members	*06/21*	*06/24*	Sys	Project group established. Partially complete and awaiting input from Benefits and ICT teams. On priority list for the new UPM Oversight Group. Finish date changed from 06/23 to 06/24.
	Implement dynamic homepage and improve the log in / sign up process for mypension	*04/22*	*03/23*	ICT	Dynamic homepage implemented. Login/sign up process for mypension is outstanding.
	mypension App	*04/24*	*03/25*	ICT	Civica driven.
	Feasibility/Pilot of Chatbots	*04/24*	*03/25*	Sys / Cus	Civica driven.

	Online ID Verification for pension claims *Improve functionality of employer hub*	*04/24* *04/23*	*03/25* *03/24*	Sys / Ben Sys	Civica driven. Improvements not yet defined. Received demonstration of a new employer hub from Civica.
P02	Monthly Data Collection- Validator App enhancements Automate the processing of direct debit instructions from data submissions	03/22 03/22 01/24	03/25 03/25 08/24	ICT ICT ICT / Fin	 Ongoing. No outstanding requests. This may change now that a new MDC Team Leader and Senior Practitioner are in post. Start date changed from 11/21 to 01/24 and finish date changed from 06/22 to 08/24.

P03	Reporting – Implement improvements to the completeness and degree of automating of reporting across the organisation –	04/22	03/25	Dir	
	Statutory Disclosures	04/22	03/23	Ben	Completed.
	Pension Administration Regular Management Information	03/23	03/24	Ben/Sys/ICT	Start date changed from 04/22 to 03/23. This is a priority for 2023/24.
	UPM Finance Reports	04/22	03/24	Fin / Sys	New finance system procured in 2021 and went live 15 Aug 2022. Reporting functionality training still outstanding.
	Customer Centre Management Information	04/22	03/23	Cus	Completed. Running reports on a monthly basis for analysis by Service Manager – Customer Services and Team Leader to identify patterns, busy times, dropped calls etc. Also used for a Benchmarking survey we participate in.
	Employer Performance	04/22	03/24	S&E	On Engagement Officers' objectives. Need to work with ICT and Systems teams to obtain data and enable employers to view.
	Financial Reporting	04/22	03/25	ADR / Fin	On Service Manager – Financial Services' objectives. New Finance Team Leader in place to support.
	HR Reporting	10/22	09/23	ADR / HR	Will be addressed by new HR system.

P04	Financial Processes	04/22	03/24	ADR	
	Review debt recovery processes	*04/23*	*03/24*	Fin	Debt recovery agent in place from end Jan 2023. Need to agree debt recovery protocols.
	Review of processes following implementation of new financial systems to capture benefits	*04/22*	*03/23*	ADR / Fin	Already capturing benefits in new finance system, e.g. 2 Business Support Officer posts in structure now removed. Benefits realisation exercise to be conducted Q2 23/24 by Projects and Performance Officer.
	Complete the review of the VAT Special Method	*03/23*	*12/23*	Fin	Completed framework documentation. PwC to be awarded the contract. Start date changed from 06/22 to 03/23 and finish date changed from 12/22 to 12/23.
	Review custodian arrangements and procure as necessary	*02/22*	*03/24*	ADR	Research phase now complete. Finish date changed from 09/22 to 03/24
	Review banking arrangements and procure as necessary	*04/22*	*03/24*	Fin	Almost fInished research. Compiling feedback for presenting to SMT in Mar 2023. Finish date changed from 09/22 to 03/24.
	Review arrangements for Treasury Management advice and procure as necessary	*09/22*	*03/23*	ADR	Completed. Reviewed and reawarded to existing suppliers.
	Reprocure commercial property insurance if required	*07/24*	*03/25*	Fin	To be confirmed in 2024/2025.

Page 33

P05	Certifications aimed at embedding process improvements across the organisation –				
	Maintain Customer Services Excellence	*04/22*	*03/24*	Cus	Full review due Mar 2023. Will require a 2 day onsite visit by assessor.
	Achieve initial Investors in People accreditation	*04/23*	*03/25*	HR	Need to review and decide if going to pursue. SMT to review during 2023
	Achieve initial Pensions Administration Standards Association (PASA) accreditation	*04/22*	*03/25*	Ben	Not yet started. Priority for 2023/24. This will effectively be a Quality Assurance framework.
	Investment				
I01	Strategic Issues – *Conduct an Investment Strategy review following the 2022 Valuation and update the Investment Strategy Statement*	*04/22*	*03/23*	ADIS	The Investment Strategy will be completed and a report taken to the Mar 2023 Authority meeting.
	Address systemic risks to the fund's investments resulting from climate change through progressing annual updates to the Net Zero action plan	*03/22*	*03/25*	Dir	Annual update to the Net Zero Action Plan prepared for Mar 2023 Authority meeting.
	Implement new requirements related to TCFD Reporting	*04/22*	*Ongoing*	Dir / ADIS	Requirements reflected in the Investment Strategy Review and updated Net Zero Action Plan and also in Border to Coast's workplan. Border to Coast are setting up a working group to ensure that they can supply the necessary data to partner funds.

I02	Tactical and Transactional Issues –				
	Implement revisions to the Strategic Asset allocation	*04/23*	*Ongoi ng*	ADIS	Implementation will begin from Apr 2023 but some of the expected changes will have to be phased in. Start date changed from Apr 2022 to Apr 2023.
	Determine the approach to the Border to Coast property proposition and transition assets as necessary	*03/22*	*12/24*	Dir / ADIS	Commitment made to the global product subject to final due diligence. Launch likely Q1 of 2023/24 Final commitment to UK product not yet required and will await an update to the Border to Coast Business Case. Launch likely in first half of 2024
	Conclude Project Chip	*09/21*	*06/23*	Dir	Agreement now reached on legal structuring and a substantial commercial due diligence process has commenced. Due to the governance timelines for partner organisations the finish date has changed from 09/22 to 06/23.
	Review legacy portfolios and determine the ultimate exit routes in each case	*04/22*	*12/22*	ADIS	Listed legacy assets have been sold down from overseas portfolios where possible. Remaining alternative assets will run off and we are seeing the final liquidation of our older assets.
	Continue to develop stewardship reporting in response to regulatory feedback	*04/22*	*Ongoi ng*	ADIS	This is an ongoing process.
	Organisation				

O01	Governance –				
	Review and update information governance arrangements	*06/22*	*03/24*	Gov	Information sharing agreement and DPIA revised and appoved by SMT. Work continues on reviewing the data protection policy, the Data Subject Access Request (DSAR) and data breach proccess by end Mar 2023. These will form a suite of documentation to be rolled out the the organisation and published on the website from Apr 2023. Training needs analysis will be conducted and training delivered during Q2 2023/24. Explore Phase 2 of improvements to information governance arrangements, e.g. asset registers, retention regulations, archiving and disposal of data and identification of data protection software to be undertaken in Q3 2023/24 for procurement within Q4 2023/24. Finish date changed from 03/23 to 03/24.
	Complete roll out of workflows etc within Modern.gov and implement paperless meetings	*04/22*	*09/23*	Gov	Progress has been made on workflows and the report writing element is the final test phase and close to being completed. A guide to report writers is scheduled to be completed by end Feb 2023. Discussions taking place between Governance and ICT Teams to identify appropriate solutions to overcome security issues with members' devices. Options appraisal being produced. Finish date changed from 06/22 to 09/23.
	Implement new statutory officer arrangements and internalise	*04/22*	*03/23*	Dir / ADR	Completed. As of 1st Jan 2023, the Head of Governance has taken on the statutory role of

Page 36

	committee and member support activity				monitoring officer which was approved by the Authority on 8th Dec 2022. The Assistant Director - Resources will take on the statutory role of Treasurer from 1st Apr 2023.
	Update procurement arrangements processes and systems including the implementation of the Yortender replacement	*12/21*	*06/23*	Gov	Yortender replacement implemented Apr 2022 and all relevant procurements are captured on the new system. In addition, the gateway approval document has been drafted and is with internal audit for review before formal approval by SMT. Once approved formal procurement training for appropriate officers will be delivered. The review of the contitution will include a full review of SYPA's 'contracts and standing orders'. This will be at a later date dependent on progress through Parliament of The Procurement Bill.
	Update process and procedure documentation across all aspects of Pension Administration to allow regulatory compliance to be demonstrated through the Portal	*04/22*	*03/25*	S&E	Completed deferred benefits. New interfund guide will go live Q4 2022/23. Working on a plan to update other process and procedure documentation.
	Demonstrate compliance with the relevant TPR codes	*09/22*	*08/23*	Gov	Legal team procured to conduct full review to ensure SYPA is fully compliant.
New	Commission full review of the constitution using legal advisors	12/22	5/23	Gov	Legal team procured to conduct full review to ensure SYPA is fully compliant.

O02	People –				
	Procure and implement a new HR and Payroll System	*01/22*	09/23	ADR / HR / Fin	Procurement specification produced and to be sent to BMBC in Feb 23. Finish date changed from 03/23 to 09/23.
	Consolidate the new finance team structure and capture benefits.	*04/22*	*Ongoing*	ADR / Fin	Benefits realisation exercise to be conducted Q3 23/24 by Projects and Performance Officer.
	Address currently identified recruitment and retention risks	*01/22*	*12/22*	Dir / HR	Superseded. See new objective **O**06 re Pay and benefits review.
	Develop a staff Health and Wellbeing Strategy	*01/23*	*04/24*	ADR / HR	Not yet started. Health, Safety and Wellbeing is now well established. Assistant Director – Resources is leading on developing the strategy.
	Develop an Apprenticeship framework to support existing and future apprentices	*01/22*	*04/23*	HR	Apprenticeship framework in place. More work to be done on developing how we use apprentices more widely across the organisation.
	Create structured learning paths for different job roles using the different learning support technologies available	*01/22*	*12/23*	HR	Some work done on pathways but not embedded. HR Business Support Officer to support learning and development to be appointed beginning of Mar 2023 and will support this work. Finish date changed from 12/22 to 12/23.
	Implement actions from the 2020 staff survey	*Ongoing*	*Ongoing*	SMT / HR	Work is ongoing on responding to staff feedback. As a result of additional feedback received following a Unison survey in Nov 2021, staff focus groups held in May 2022 and SYPA's first away day in July, the decision was made to postpone the 2022 survey until the summer of

					2023. All feedback has been collated and worked through, e.g. work is being undertaken to develop a means of our people to submit (anonymously or otherwise) ideas and concerns for consideration by appropriate leaders and managers.
	Undertake 2023 staff survey and identify appropriate responses to the results	*Ongoing*	Ongoing	SMT / HR	The 2023 survey will be conducted during the Summer 2023 before the next away day that will be scheduled in Sep 2023.
	Enhance collaborative working across the organisation	*01/22*	*Ongoing*	All Managers	A Middle Managers Group was established in Nov 2022 and is meeting on a monthly basis to enhance cross organisational collaboration and report back the SMT on any issues that need decision or direction. A cross departmenta/functional UPM Oversight Group was established in Nov 2022 to oversee and prioritise pensions administration systems changes and developments. A procedures working group meets monthly. An Equality and Diversity Group with representatives from a number of teams was established in Jan 2023 and will meet monthly.

O03	ICT –	06/21	03/25	ICT	
	Complete the roll out of Microsoft 365 tools and the migration to 365 infrastructure	*06/21*	12/23	ICT	5 elements implemented, e.g. solution for backups May/Jun 2022; migrated telephony in Q3 2022/23; migrated 90% of all user mailboxes (sytems that inreact with email e.g UPM); End date changed from 09/22 to 12/23.
	Agree and implement a revised hardware replacement programme	*04/22*	*06/23*	Inf	Need to create a hardware replacement policy. Finish date changed from 04/23 to 06/23.
	Implement the updated corporate website	*11/21*	*Ongoing*	ICT	Completed. The website went live in Jan 2022.
	Review and update ICT policies, including specifically a review of password management arrangements	*04/22*	*Ongoing*	ICT	Updated password policy. Other policies still to do.
	Strengthen cyber security.	*04/22*	*Ongoing*	ICT	Wording changed from ‘Undertake annual ICT security health checks’ to ‘Strengthen cyber security’. Cyber security has been strengthened and SYPA is ‘Cyber essentials’ compliant. Mandatory cyber security training introduced for all employees..

O04	Project and Programme Management – *Determine a stripped down and appropriately scale project management process* *Initiate a clearly defined process for prioritising and agreeing development and other system change requests*	*11/22* *06/22*	*05/23* *03/23*	PP ADP	Service Manager – Programmes and Performance and Projects and Performance Officer posts now in place to focus on this work. Start date changed from 06/22 to 11/22 and finish date changed from 03/23 to 05/23. Completed. We have changed the way projects and improvements are started to take a more systemic view rather than responding to ad hoc change requests. Change requests are now made through a new channel on SharePoint and our UPM Oversight Group prioritises and agrees development and other system change requests.
O05	Business Continuity – *Produce revised corporate ICT business continuity plan* *Reinstate annual testing of ICT Disaster Recovery arrangements*	*04/22* *09/22*	*09/22* *Ongoing*	Inf Inf	Wording changed from 'Produce revised corporate business continuity plan' to 'Produce revised corporate ICT business continuity plan' Ongoing local testing has happened. Remote testing outstanding.
O06	Commission an independent review of the organisation's pay and benefits	*10/22*	*12/22*	ADR	This is a new objective. Consultancy+ HR commissioned. Research conducted and a report present to SMT/HR Dec 2022. SMT/HR meeting in February to discuss the results from the review and recommendations.

Page 40

Key to Responsible Managers:

ADIS	Assistant Director – Investment Strategy
ADP	Assistant Director – Pensions
ADR	Assistant Director – Resources
Ben	Service Manager – Benefits
Cus	Service Manager – Customer Services
Dir	Director
Fin	Service Manager – Financial Services
Gov	Team Manager – Governance
HG	Head of Governance
ICT	Head of ICT
Inf	Service Manager – ICT Infrastructure
PP	Service Manager – Programmes and Performance
S&E	Service Manager – Support and Engagement
Sys	Service Manager – Pensions Systems
TA	Technical Adviser

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

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

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

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

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

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

- Achieve a rising trend in the actuarial funding level.
  This was achieved at the 2019 valuation with a funding level of close to 100%. Subsequent estimates indicate that full funding has been achieved and is being maintained.
- Achievement of stability in employer future service contribution rates.

This was measured at the 2022 valuation. However, measurement is complicated by the impact of scheme changes on the valuation process and setting of contribution rates.

Investment Returns

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

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

Responsible Investment

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

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

Scheme Funding

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

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

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

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

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

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

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

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

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

We use four categories to classify risks:

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

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

The Risk Register has been comprehensively rebased as part of the work to prepare the Corporate Strategy. A summary of the register as at November 2023 is shown below. The full risk register is available with the quarterly performance reports on the Authority's website.

South Yorkshire Pensions Authority - Corporate Risk Register Matrix

Impact		Very Low	Low	Medium	High	Very High
	Very High	- Imbalance in cashflows resulting in inability to pay pensions without resorting to borrowing or "fire sale" liquidation of investments.			- Impact of climate change on investment assets and liabilities	
	High			- Material changes to the value of investment assets / liabilities due to major market movements'- '- Weak or ineffective project management arrangements Impact of poor data quality on operations - Data protection / GDPR risks - Failure to achieve regulatory compliance - Failure of Authority members to maintain adequate levels of knowledge & understanding	- Failure to maintain effective cyber defences	
Impact	**Medium**		Breakdown of control environment	- Affordability of contributions; negative impact on employer financial viability. Potential default on the making of contributions by employers. - Failure of Local Pension Board members to maintain adequate levels of knowledge & understanding - Failure to manage key risks in Border to Coast strategic plan	- Ability to recruit and retain a skilled & qualified workforce	
	Low					
	Very Low					
		Very Low	**Low**	**Medium**	**High**	**Very High**
		Probability				

The external environment remains highly uncertain and consequently while over the last 12 months some risk exposures have reduced, there remain more red risks than we would like to be dealing with in an ideal world.

8. What's it all going to cost?

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

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

Operating Budget

The Operating Budget represents the cost of running the Authority's activities including Pension Administration, oversight of the investment strategy and the costs of governance. These costs, like a council budget, are controllable and the Director is accountable to the members of the Authority for spending within the budget. The table below provides a summary of the budget for 2023/24 and forecasts for future years.

South Yorkshire Pensions Authority Operating Budget	2022/23 Forecast Outturn £	2023/24 Budget £	2024/25 Estimate £	2025/26 Estimate £
Pensions Administration	2,621,490	3,077,530	3,250,850	3,315,880
Investment Strategy	528,180	635,770	653,640	651,180
Finance & Corporate Services	873,080	1,072,230	1,108,440	1,130,370
ICT	713,370	934,470	1,026,800	1,047,180
Management & Corporate	714,120	869,650	869,780	859,570
Democratic Representation	136,180	145,920	149,290	152,290
Unfunded Liabilities	321,600	353,000	365,360	378,150
Subtotal Revenue Expenditure:	**5,908,020**	**7,088,570**	**7,424,160**	**7,534,620**
Capital Expenditure	64,720	72,000	0	0
Contribution to Reserves	178,860	(150,000)	(80,000)	70,000
Levy on District Councils	(321,600)	(353,000)	(365,360)	(378,150)
Total Charge to Pension Fund	**5,830,000**	**6,657,570**	**6,978,800**	**7,226,470**

Table for MTFS:

Operating Budget	2022/23 Forecast Outturn £	2023/24 Budget £	2024/25 Estimate £	2025/26 Estimate £
Employees	3,960,320	4,648,120	4,870,170	4,952,520
Premises	302,670	397,450	412,130	419,770
Other Running Costs	1,459,360	1,846,260	1,939,010	1,949,940
Subtotal: Gross Expenditure	**5,722,350**	**6,891,830**	**7,221,310**	**7,322,230**
Income	(135,930)	(156,260)	(162,510)	(165,760)
Subtotal: Net Expenditure	**5,586,420**	**6,735,570**	**7,058,800**	**7,156,470**
Capital Expenditure	64,720	72,000	0	0
Contribution to Reserves	178,860	(150,000)	(80,000)	70,000
Total Charge to Pension Fund	**5,830,000**	**6,657,570**	**6,978,800**	**7,226,470**
Membership	172,952	174,680	176,430	178,190
Cost Per Member	**£33.71**	**£38.11**	**£39.56**	**£40.55**

There is a significant increase in the budget for 2023/24 which reflects the Authority's decision to make a substantial investment to increase the level of resources available to the organisation to ensure that it is able to deliver the activities outlined in this Corporate Strategy and meet the increasing demands of customers and regulators in relation to the quality of service which we deliver. In addition of course, the Authority, like every other organisation and individual is affected by the impact of inflation on our costs. More detail is available in the Medium Term Financial Strategy and the Budget report presented to the January Authority meeting each year.

The Pension Fund

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

South Yorkshire Pension Fund Financial Forecast	Actual 2021/22 £m	Forecast 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m
Dealings with members, employers and others directly involved in the scheme:					
Contributions receivable & transfers in from other pension funds	-211	-215	-256	-266	-277
Benefits payable and payments to or on account of leavers	338	361	358	345	355
Net (additions) / withdrawals from dealings with members	**127**	**146**	**102**	**79**	**78**
Management expenses	106	81	87	90	93
Net returns on investments	-1,045	-643	-682	-685	-709
Net (increase)/decrease in the Fund during the year	**-812**	**-416**	**-493**	**-516**	**-538**
Net Assets of the Fund at 1 April	-9,862	-10,674	-11,090	-11,583	-12,099
Net Assets of the Fund at 31-Mar	**-10,674**	**-11,090**	**-11,583**	**-12,099**	**-12,637**
Management Expenses as Percentage of Average Net Assets	0.99%	0.68%	0.71%	0.75%	0.79%

This forecast reflects the Fund's historically strong performance and the increasing maturity of the membership which is reflected in the continuing need for investment income to meet the cost of paying benefits. The change in the Strategic Asset Allocation tends to increase investment management costs and in particular performance fees, although the impact of these is also reflected in strong performance. Based on current estimates of the funding level, this forecast indicates that based on the underlying assumptions it should be possible to maintain full funding at whole fund level and continue to reduce the deficit for those employers who continue to be in a deficit position.

9. What about our people?

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

As at January 2023, we directly employ 94 full time equivalents (equating to around 110 people). excluding vacancies. This will increase from April 2023 from 103 FTE to 115 FTE by April 2024 as a result of the outcomes of an organisational resourcing and resilience review undertaken during 2022.

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

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

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

Due to other feedback received tin 2022 through focus groups and our first away day held in July 2022, we decided to work on actions arising from those sessions and postpone running our staff survey until the Summer of 2023. Fortuitously, this will tie in well with running our second away day in Sepember 2023. We have also decided to run a regular 'Town Hall' event so our people can ask questions to our Senior Management Team. This will be supported by a 'Look back / Look forward' update every March and September to highlight and celebrate achievements in the previous 6 months and outline oals for the next 6 months.

Our approach to internal communications has been boosted by the appointment of a Communications Officer who has brought fresh insight and thinking and improved our internal communications on a number of fronts including our social media presence which has given a higher profile to our recruitment efforts. That role will be strengthened in 2023/24 by the appointment of a communications assistant with a particular focus on digital communications.

We have now established a Middle Managers Group to improve communication and collaboration across departments and functions. This group meet bi-monthly and report into the Senior Management Team meeting following with a summary of discussions, actions and decision requests.

A number of Middle Managers and Team Leaders participated in a Management Development Programme. This consisted of 10 modules that ran from June 2021 and was completed in a 'Bringing it all together' session in July 2022. The programme is currently being evaluated to guage impact using a survey sent to all participants.

We continue to face changes over the planning period and our investment in our people and their development remain an extremely high priority. We continue to recognise that, if we are to successfully achieve the broader objectives set out in our Corporate Strategy, an engaged and motivated workforce is a must in ensuring we deliver better services for our customers.

Subject	Pensions Authority Budget 2023/24	Status	For Publication
Report to	Authority	Date	09 February 2023
Report of	Treasurer		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Gillian Taberner Assistant Director - Resources	Phone	01226 666420
E Mail	gtaberner@sypa.org.uk		

1 Purpose of the Report

1.1 To present the Authority budget proposals for 2023/24 for approval.

2 Recommendations

2.1 Members are recommended to:

a. Approve the 2023/24 budget for the Authority, a total of £6,657,570.

3 Link to Corporate Objectives

3.1 This report sets out the budget for 2023/24 and the proposals are prepared on the basis of providing sufficient resources to support the delivery of all the corporate objectives set out below.

3.2 The budget preparation and approval process itself links to the 'Effective and Transparent Governance' objective by ensuring that the financial plans are transparent, are subject to proper scrutiny and oversight, and that the Authority is accountable for its use of resources.

Customer Focus

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

Listening to our stakeholders

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

Investment Returns

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

Responsible Investment

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

Scheme Funding

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

Effective and Transparent Governance

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

Valuing and engaging our Employees

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

4 Implications for the Corporate Risk Register

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

5 Background and Options

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

Financial Context

5.2 The running costs of the Authority are met from the Pension Fund in accordance with regulations and do not therefore fall on Council Tax, nor is the Authority reliant upon Government grant funding. As such, the Authority is less exposed to the wider constraints on the public sector financial environment than our colleagues in the major employing organisations within the Pension Fund. There is, however, an imperative to manage the resources for which we are responsible in such a way that our expenditure does not negatively impact on the overall performance of the Pension Fund.

5.3 Members will be aware that after three years of maintaining the budget at the same level in cash terms, the budget for 2022/23 included growth for the first time since 2018/19. During 2022/23, the Director completed a review and plan for a medium-term approach to building organisational resilience and sustainability. The resulting report included a range of proposals involving growth in the staffing establishment to be implemented over the course of 2022/23 to 2024/25 and estimated cost implications of £500k in 2023/24. The proposals were approved by the Staffing, Appointments and Appeals Committee in October 2022 and are included in the budget for 2023/24 presented below.

5.4 The budget for the year ahead reflects continued emphasis on equipping the organisation for meeting the challenges expected in the next three years as detailed in the Corporate Strategy. Budget 2022/23

5.5 The table on the following page shows the proposed budget for 2023/24 and the main changes within this when compared to the budget for the 2022/23 year.

Table 1: South Yorkshire Pensions Authority – Operating Budget 2023/24

Operational Budget	2022/23 Budget £	Salaries Budget Movement £	Other Budget Movements £	2023/24 Budget for Approval £
Cost of Services				
1) Pensions Administration	2,717,850	302,810	56,870	3,077,530
2) Investment Strategy	537,340	98,500	(70)	635,770
3) Finance & Corporate Services	858,800	199,710	13,720	1,072,230
4) ICT	738,710	127,610	68,150	934,470
5) Management & Corporate	906,570	(114,340)	77,420	869,650
6) Democratic Representation	137,090	8,840	(10)	145,920
Residual Unfunded Liabilities of South Yorkshire County Council	350,000	0	3,000	353,000
Subtotal Revenue Expenditure	**6,246,360**	**623,130**	**219,080**	**7,088,570**
Capital Expenditure	0	0	72,000	72,000
Levy on District Councils for Residual Liabilities	(350,000)	0	(3,000)	(353,000)
Subtotal before transfers to / (from) reserves	**5,896,360**	**623,130**	**288,080**	**6,807,570**
Appropriations to / (from) Reserves Total	(66,360)	0	(83,640)	(150,000)
Grand Total	**5,830,000**	**623,130**	**204,440**	**6,657,570**

2022/23 Budget £	Total Charge to the Pension Fund comprises:	2023/24 Budget £
3,962,670	Administration Expenses	4,470,733
372,630	Investment Management Expenses	544,176
1,494,700	Oversight & Governance Expenses	1,642,661
5,830,000		**6,657,570**

5.6 The overall budget requirement is for a total of £6,657,570 representing a total increase of £827,570 on the previous annual budget of £5,830,000. This total increase comprises:

a. £472,270 – relating to the previously approved proposals for Organisational Resilience and Sustainability; and

b. £355,300 – relating to the annual increase required for operational running costs.

5.7 In assessing this level of budget increase, £355,300 represents a 6% uplift compared to 2022/23.

5.8 The total proposed increase in the budget for 2023/24 and how this translates into Cost Per Member, split by the two elements comprising the budget uplift shown above, is analysed in the tables below.

Actual Budget Increase	2022/23	2023/24	Increase
Budget Total	£5,830,000	£6,657,570	£827,570
	Estimated 31/03/2023	Estimated 31/03/2024	
Membership Totals	172,952	174,680	1,728
Total Cost Per Member	£33.71	£38.11	£4.40
Increase / (Decrease) as %			**13.1%**

Increase Analysed:	Increase in Cost Per Member	Increase as a Percentage
Increase Due to Organisational Resilience and Sustainability Growth	£2.38	**7.1%**
Remaining Budget Increase for 2023/24	£2.01	**6.0%**
Total Increase	**£4.40**	**13.1%**

5.9 The table above shows that the increase in the proposed budget for 203/24 – excluding the increase from the separate piece of work on Organisational Sustainability and Resilience – is equivalent to a 6% increase in cost per member. The cash limit for the budget increase – based on our own self-imposed guideline (set out in the Medium Term Financial Strategy) of the weighted average of pay inflation (at 4.04% in 2022/23) and CPI inflation (at 10.1%) – would equate to 5.9%. Therefore, the increase proposed in this budget is consistent with this guideline, albeit marginally higher.

Salaries Budget Movement

5.10 The total increase of £623,130 on salaries budgets is analysed in the table below:

Employee Budget (Salary + On-costs)	Budget £	Comments
2022/23 Budget	**3,830,420**	
Organisation Resilience and Sustainability Review Newly Established Posts:		
2 x Benefits Team Leaders	93,420	These are all the proposals approved in October 2022. The budgetary impact shown here is based on confirmed grades for some posts following job evaluations and also takes into account phasing of recruitment activity expected during 2023/24 as some posts will be advertised part way through the year.
Benefits Senior Practitioner	38,620	
Customer Services Senior Practitioner	30,650	
Customer Services Officer	31,930	
Systems Team Leader	46,710	
Investment Manager	74,520	
HR Adviser	22,570	
HR Business Support Officer	23,990	
Executive Management Support Officer	36,180	
ICT Development Team Leader	39,720	
Operations Management Officer	38,500	
Other Changes from Resilience & Sustainability Review		
Create 'Experts' Pensions Officers progression for 3 posts	3,240	
Removal of 1 x Business Support Officer Finance	(22,810)	
Total Increase from other minor changes	15,030	
Subtotal - Resilience & Sustainability Changes	**472,270**	
Other Changes to Budget:		
Cost of 2023/24 pay award estimated at 2%	89,810	An assumption of 2% has been used for budgeting purposes. No formal offer from the employer side of the NJC has yet been made.
Total Increase from job evaluations / market supplements on a small number of existing roles	33,900	
Other Changes (Career grade and incremental progression, hours, Employer on-costs etc.)	105,700	
Increase in Vacancy / Turnover Allowance from 1% to 2.5% of Salary Budget	(78,550)	This has been increased to reflect actual experience in the last two years.
Subtotal - Other Changes	**150,860**	
Total Movement	**623,130**	
2023/24 Budget	**4,453,550**	

Workforce and Pay Policy

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

	2022/23 Funded Establishment FTE	Miscellaneous Changes FTE	Growth FTE	2023/24 Funded Establishment FTE
Pensions Administration	67.4	-1.2	6.0	72.2
Investment Strategy	3.3	0.0	1.0	4.3
Finance and Corporate Services	19.3	2.3	2.0	23.6
ICT	8.3	0.0	2.0	10.3
Management and Corporate Costs	2.4	2.0	0.0	4.4
Democratic Representation	0.3	0.0	0.0	0.3
Total	**101.0**	**3.1**	**11.0**	**115.1**

5.12 The miscellaneous changes shown above include the transfer of 2.0 FTE from Pensions Administration to Management & Corporate – this is to reflect planned changes to reporting lines taking effect from April. The other changes in this column reflect changes that have been approved at different stages during the 2022/23 year so were not included in the original budget establishment.

5.13 The changes shown in the column as 'Growth' represent the increases in 2023/24 to the total established FTE arising from the Organisational Resilience and Sustainability review.

5.14 The Authority produces a Pay Policy Statement which sets out its arrangements for pay and reward. This is elsewhere on the agenda.

Other Budget Movements

5.15 This column in Table 1 at paragraph 5.5 sets out the net budget impact of various specific changes to individual budget items. The total shown (before transfers to / from reserves) in this column of £288,080 is analysed with explanations in the following table.

Budget Head	Item of Expense	Detail	Total £
Pensions Administration	Professional Services / Consultancy	There is a net reduction to the various budgets for consultancy and other professional services - mainly due to removal of some one-off items from last year that are not required on a recurrent basis.	(11,380)

Budget Head	Item of Expense	Detail	Total £
Pensions Administration	Actuarial Fees	The budget for 2022/23 was set based on anticipated costs and included a large reduction on the previous year due to a change of contract. For 2023/24, the budget is being increased. This is partly for additional cost relating to work required on the triennial valuation, which is expected. In addition, part of this increase will meet the estimated costs of several new enhancements available to us now - that will result in greater efficiency and effectiveness, supporting more opportunities for self-service and will result in savings elsewhere in the medium term.	93,500
Pensions Administration	Other Expenditure	Net total reduction following review of a number of smaller budgets for items such as catering, travel, hotel, stationery.	(8,990)
Pensions Administration	Income from Fees and Charges	Total increase on budgeted income expected from fees charged to members and employers, and from payroll administration fees - reflecting growth in volume of transactions (not the rate of fees charged).	(16,260)
Investment Strategy	-	No significant change overall. The budget last year included an increase relating to the costs of undertaking the triennial strategy review. The total has not been reduced this year because a similar amount will be required for support on work around additional reporting requirements in respect of TCFD and also relating to impact investing.	(70)
Finance & Corporate Services	Training	An increase of £5,000 to the professional qualification budget to enable further studying of AAT and CIPFA qualifications, and an increase to the budget for short courses and conferences for growing need relating to supporting the team members to maintain CPD.	7,200
Finance & Corporate Services	Memberships, Professional Services, Consultancy	Inflationary increase to budgets for corporate subscriptions, TM advice, CIPFA networks membership and running costs	6,520
ICT	Pensions Administration System	This budget in 2022/23 included a number of items / modules that have not gone ahead in the planned timescale. For 2023/24 therefore, the budget is being reduced to remove these items. There are funds available in the ICT Reserve that may be drawn down as necessary to meet any one-off costs for enhancements, upgrades if required.	(71,060)
ICT	HR / Payroll System	The 2023/24 budget includes an additional amount for consultancy and implementation costs estimated in relation to a new HR and Staff Payroll system - due to be procured in the next couple of months.	49,420
ICT	Hardware	Additional budget for estimated costs of hardware - desktop monitors replacement for office working and potential purchasing of additional mobile devices if required as part of the drive to paperless meetings.	36,250

Budget Head	Item of Expense	Detail	Total £
ICT	Other Expenditure	Total increase relating to various other ICT infrastructure costs - reflecting inflationary increases, and the increasing complexity of systems required, growth in the number and types of software licences etc.	53,540
Management & Corporate	Corporate Contingency	This budget was introduced in the previous year for costs unknown at the time relating to pay awards, resilience and sustainability review, and pay & benefits review. For 2023/24, this is being reduced - as the only costs remaining unknown relate to the pay and benefits review for which a separate reserve is being proposed.	(153,410)
Management & Corporate	Premises	An increase to the various budgets relating to premises costs - including a new annual budget for repairs and maintenance, a significant increase to the utilities budget reflecting the impact of inflation on these costs, and an increase to the rent budget to reflect the lease rent accounting adjustment required to charge rent on a straight-line basis - essentially a smoothing of the payments profile over the lease term rather than any actual cost increase.	114,580
Management & Corporate	Legal Fees	The budget for legal fees has been increased to meet the estimated costs of undertaking a full review of the Constitution in 2023/24.	45,000
Management & Corporate	External Audit Fee	Public Sector Audit Appointments Ltd have confirmed the new 5-year audit contracts for audits relating to the 2023/24 year onwards and advised all audited bodies to budget for a substantial increase to scale fees - by applying a 150% increase to the actual fees paid in the current year. This results in an increase from £47k to £118k for our budget.	71,250
Democratic Representation	-	There are no significant changes to the budgets for democratic representation; inflationary increases are offset by reductions on running costs based on experience in the last year.	(10)
Capital Expenditure	Laptop Replacement Programme	There is a rolling programme for replacing laptops for staff, which we provide for each year by adding to the ICT reserve. The purchase of replacement laptops and also a number of new laptops for additional staff numbers will take place - and funds will be drawn down from the capital reserve to finance.	72,000
Total Other Budget Movements			**288,080**

Reserves

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

Reserve	Balance 1 April 2023	Contributions to Reserves £	Contributions from Reserves £	Balance 31 March 2024
Corporate Strategy Reserve	147,270	24,000	(64,000)	107,270
ICT Reserve	201,160	10,000	(85,000)	126,160
Proposed Pay and Benefits Reserve[1]	200,000	0	0	200,000
Subtotal Revenue Reserves	**548,430**	**34,000**	**(149,000)**	**433,430**
Capital Projects Reserve	119,330	65,000	(100,000)	84,330
Total Earmarked Reserves	**667,760**	**99,000**	**(249,000)**	**517,760**
Net total transfer (from) reserves:		**(150,000)**		

Notes
1. The proposed 'Pay and Benefits' reserve is planned to be used in 2023/24 to contribute to costs required for implementation of any changes arising from the pay and benefits review undertaken in 2022/23. At this stage, it is not possible to provide a reasonable estimate for this, which is why no movements on this reserve can be shown here at this time.

5.17 The corporate strategy reserve is held for providing additional funds required for one-off corporate plan projects and to mitigate risk. The planned transfers to and from this reserve in 2023/24 relate to draw downs for items such as retention payments and setting aside of funds required for future years such as the triennial investment strategy review.

5.18 The ICT reserve holds funds from the income generated from the sales of internally developed software to other pension funds. The reserve is used to provide funding for the enhancement of ICT systems and infrastructure as required to support the delivery of corporate objectives. The planned transfers from this reserve in 2023/24 will include funding one-off costs associated with developments on the pensions administration system in relation to McCloud and Pensions Dashboard, and with the purchase and implementation of a new HR system.

5.19 It is proposed to establish a new reserve in the current year, 2022/23, in order to earmark the unspent contingency budget for the as yet undetermined costs that will be required following the pay and benefits review carried out at the end of 2022. Due to the uncertainty of the extent and timing of this, specific transfers are not yet shown in the planned 2023/24 movements above. When further work has been completed and costs can be more reliably estimated, we will provide an update and request approval for any budget virements required.

5.20 The capital projects reserve holds funds required for one-off costs of large capital projects. This reserve was previously used for financing the costs associated with the Oakwell House refurbishment and the implementation of the new contract for the pensions administration system. The current plans for this reserve and transfers included in the table above, relate to setting aside and drawing down of funds as appropriate for meeting costs of various ICT Hardware replacement and purchasing programmes, as well as for larger maintenance and/or upgrade projects that may be required in future years on the Oakwell House office.

Local Pension Board

5.21 Included within the Democratic Representation budget shown above is the budget for the Local Pension Board, a total of £15,130.

5.22 A draft budget for the Board totalling £14,400 was considered at their meeting on 3 November 2022 and the Board recommended this to the Authority for approval. Since that meeting, a further £730 has been added to the proposed budget for the Board for additional impact of inflation on running costs identified as part of the process of preparing the overall budget for the Authority.

Report Under Section 25 of the Local Government Act 2003

5.23 Part 2 of the Local Government Act 2003 contains a series of duties and powers that give statutory support to aspects of good financial management within local government.

5.24 Section 25 requires the statutory chief finance officer to report to an Authority on the robustness of the estimates included in the budget and the adequacy of the proposed reserves when it is making its decision on determining the council tax. Whilst the Pensions Authority budget does not have any direct impact on council tax, it is nevertheless good practice to apply the same requirement here.

5.25 In considering the robustness of any estimates, the following issues are taken into account:

a. The reasonableness of the underlying budget assumptions;
b. The extent to which known costs and pressures have been recognised in the proposed budget;
c. A review of risks associated with the budget;
d. The alignment of resources with the Authority's service and organisational priorities; and
e. The strength of financial management and reporting arrangements.

5.26 The preparation of the 2023/24 budget builds on the comprehensive review of resourcing requirements carried out in 2022 by the Director and approved by members, as well as continued review of the Authority's needs relating to delivery of day-to-day operations and the planned requirements for delivering the corporate plan and addressing the risks facing the organisation as detailed in the corporate risk register. Detailed budget monitoring is carried out throughout the year and reported on quarterly. This ensures that budgeted resources going forward are determined and allocated to reflect the actual needs of the organisation.

5.27 Employee costs make up approximately two thirds of the overall budget. The budget estimates for employee costs have been prepared based on a detailed line-by-line analysis, taking account of career grade progression, individual incremental progression, and the estimates include additional staffing resources as set out in the relevant section above.

5.28 Based on experience over the last two years in particular, the vacancy allowance has been increased from 1% to 2.5% of the salary and on-costs budget for 2023/24 to allow for time-lag in filling vacancies, and now reflecting the current challenging recruitment environment.

5.29 As outlined in the table at para 5.11 above, an assumption of 2% has been set for pay award inflation. The actual pay award is not yet known and will be determined by the National Joint Council for Local Government Services. We have not received any indication of what the employer side will offer. In 2022/23 the pay award was based on adding £1,925 to each spinal column point, representing an increase of almost 10% at the lowest grades and a headline, average increase of 4.04%. The assumption of 2% for the 2023/24 budget is considered to be appropriate and prudent based on the best information available at this time. In light of the higher than expected increase in 2022/23, the wider public sector pay policy and the pressures on Local Government finances, the risk that the pay award will be higher than this is considered minimal. Should this risk transpire, the additional costs could be met from the proposed pay & benefits reserve. There is a risk that it could be lower, in which case this would result in an under-spend.

5.30 The budget estimates have been developed specifically to align with the Authority's corporate strategy and priorities.

5.31 The budget is monitored regularly throughout the year and forecast outturn and variances reported to the Authority every quarter.

5.32 The Treasurer therefore considers that the estimates included in the budget are robust.

5.33 The reserves held by the Authority are required to fund specific expenditure in future years or are required to provide risk finance. As set out in the Medium Term Financial Strategy, our policy is to limit the total amount held in the revenue earmarked reserves to no more than 10% of the total budget. The proposed revenue reserves total of £443k at 31 March 2024 as set out in paragraph 5.17 above represents 6.5% of the total budget for 2023/24 and is therefore well within this self-imposed limit, and it is considered to be adequate for the purposes outlined and to meet needs arising from any unforeseen events during the year.

5.34 Additionally, the Capital Projects Reserve will provide adequate level of resources required for the ICT equipment replacement programme and for Oakwell House office upgrades in future as set out in paragraph 5.21.

Conclusion

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

6 Implications

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

Financial	As set out in the body of the report.
Human Resources	The budget proposals include the addition of staff resources in certain areas as set out in the tables at paragraphs 5.11 and 5.12.
ICT	The budget proposals include specific resources for the development of the ICT infrastructure and systems available as set out in the main body of the report.
Legal	The setting and monitoring of the budget requirement ensures that the Authority complies with the Local Government Act 2003.
Procurement	The budget proposals include resources to support any procurement activity that will need to be undertaken.

Neil Copley **Gillian Taberner**

Treasurer **Assistant Director – Resources & Deputy Treasurer**

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

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

Medium Term Financial Strategy

2023/24 to 2025/26

Contents

1. Foreword

1.1 Foreword to the Medium-Term Financial Strategy 2023/24 to 2025/26

1.1.1 This Medium-Term Financial Strategy (MTFS) has been produced by the South Yorkshire Pensions Authority to cover the period from April 2023 to March 2026. This period will see the continued emphasis on supporting the overall Corporate Strategy in building on the continuing improvement journey for the organisation, as well as continuing the transition of the Authority's remaining investment assets into the pooling structures provided by the Border to Coast Pensions Partnership.

1.1.2 The strategy covers both the costs of running the Authority's operations and the income and expenditure of the pension fund, although this is significantly more difficult to forecast than routine running costs such as staff salaries.

1.1.3 Any financial strategy is based on a series of key assumptions and throughout this document these assumptions are identified and are subject to ongoing review as part of the process of regular budget monitoring and producing updates to this strategy.

1.1.4 The financial strategy (and the budget which is the annual expression of the strategy) is, put simply, the financial expression of the policy position set out in the corporate strategy. Hence this strategy is updated each year as the Corporate Strategy is updated to reflect changed circumstances.

1.1.5 While SYPA is less exposed to the wider constraints on the public sector financial environment than our colleagues in the major employing organisations within the Pension Fund, we still have a responsibility to manage the resources for which we are responsible in such a way that our expenditure does not negatively impact on the overall performance of the Pension Fund. This strategy sets out how we aim to achieve this in as transparent a way as possible.

2. Setting the context for the medium term financial strategy

2.1 Public Sector Finance

2.1.1 The public sector financial environment is probably the most significant factor defining the context in which this strategy is developed. Key issues, like the level of pay awards, have an impact both on some aspects of the Fund's liabilities as well as upon elements of the Authority's cost base.

2.1.2 The main factors which normally affect the Authority and the Fund are concerned with local government finance. In general terms, growth in local government spending tends to lag growth in the generality of government spending, although pay tends to mirror the headline change in public sector pay.

2.1.3 The effects of the global COVID-19 pandemic, inflation and other demand pressures remain hugely significant issues for Local Government. The financial settlement includes funding for Councils for costs arising from this, as well as additional funding for social care. However, a substantial proportion of this additional funding is dependent on increases to council tax, and it remains the case that the overall context is that local government finances are under increasing pressure.

2.1.4 The national pay award for 2022/23 was agreed in November 2022 at a level of £1,925.00 added to each scale point. This increase is significantly larger than recent previous pay awards, and has lead to further pressure on Local Government Budgets. However, based on the information available it does not appear that this trend of higher pay awards is set to continue.

2.1.5 Despite the previous pay award being proportionally greater than prior increases, for the time being, our assessment of what this means for the Authority and the Fund is that it is likely that headline pay increases in the medium term will be at around, or quite possibly below, the level of 2%, and that major employers (and probably schools and colleges as well) will continue to need to identify significant year on year savings. This has wider effects on a number of areas, including the affordability of contribution rates, the balance of membership between active, deferred and pensioner members, and the number of early retirements on grounds of redundancy. These factors will influence the value of benefits in payment, the average lifetime in retirement and the value of lump sum "strain" payments into the Fund. All of these factors will need to be reflected in forecasts of income and expenditure and in the debate over contribution rates at each valuation.

2.2 The Pensions Sector

2.2.1 What is happening in the wider pensions sector impacts the Authority and the Fund in a less direct way, although no less significantly. For example, a significant change in the funding level of the remaining private sector defined benefit schemes could change the value of certain assets classes used to address the results of the change (e.g., a search for index linked gilts if funding levels increased). This could impact on the potential rate of growth in the value of the Fund or could make it harder to deploy capital into specific types of asset if other funds take up the supply of assets.

2.2.2 In addition, trends in the wider pensions sector tend, over time, to influence developments within LGPS and in the public sector pensions' space. These trends may arise from regulatory emphasis, such as the continuing focus on data quality, or from changes in technology such as the growing emphasis on various forms of e-communication, and methods of engaging with scheme members.

2.3 The Economic Environment

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

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

2.4 The Starting Point

2.4.1 The starting point has a significant impact on any strategy. In this case, the starting point is reflected in the current cost base for the Authority's operations and its fund management arrangements and the level of funding within the scheme which, based on the 2022 valuation results, reflects a significant improvement on the previous 2019 position.

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

2.4.3 For the South Yorkshire Pension Fund, the starting point is, based on the 2022 valuation results, full funding. This impacted employers' deficit recovery contributions, which in many cases are now a surplus position. The current valuation position will inform the review of the Investment Strategy Statement, due to be produced in March 2023.

3. Financial objectives

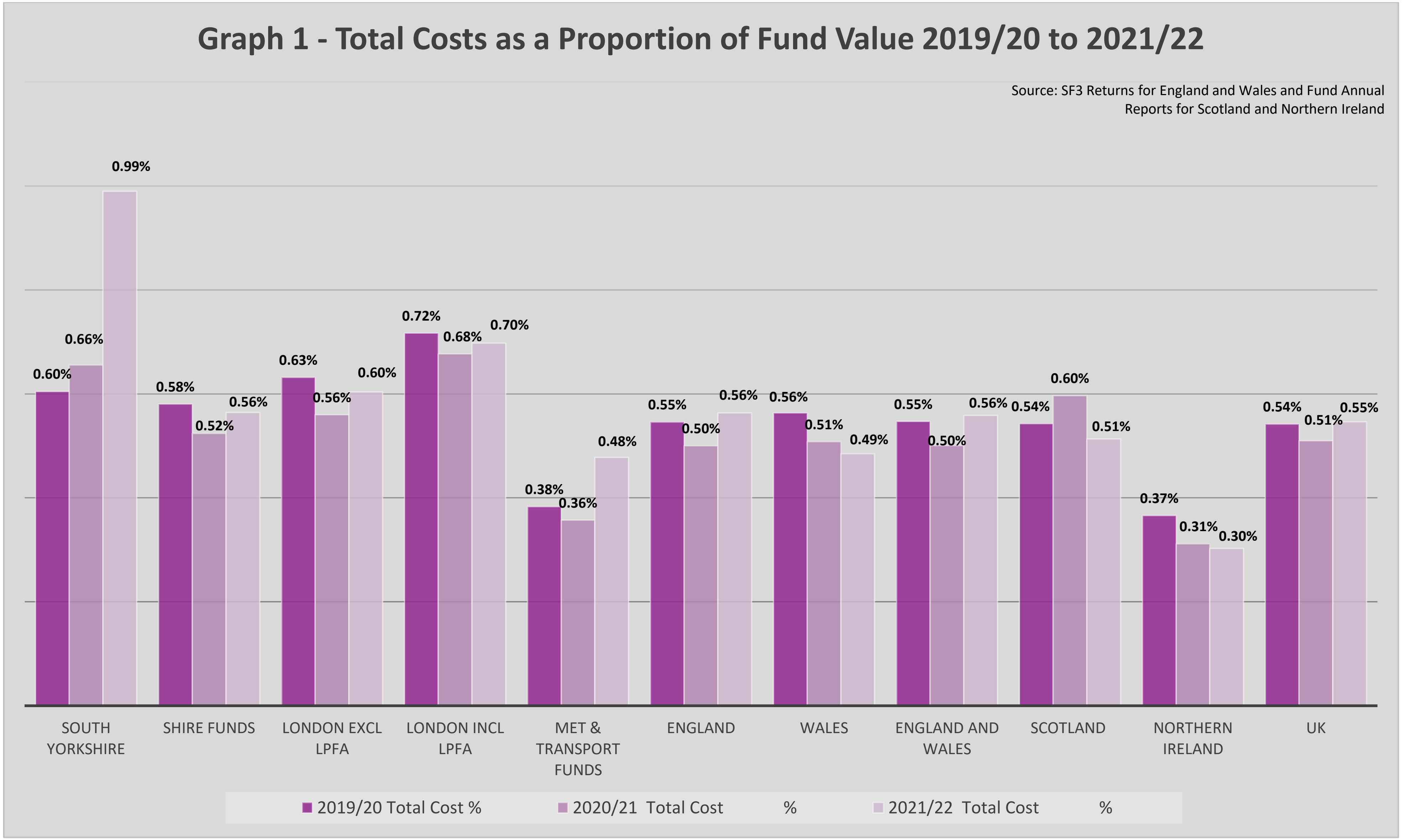
3.1 Financial Objectives

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

3.2 Comparative Costs

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

3.2.2 Chart 1 below shows how SYPA's total costs compare with those of both the totality of other LGPS funds and of particular types of fund, for the last three financial years from 2019/20 to 2021/22.



Graph 1 - Total Costs as a Proportion of Fund Value 2019/20 to 2021/22
Source: SF3 Returns for England and Wales and Fund Annual Reports for Scotland and Northern Ireland
SOUTH YORKSHIRE 0.60% 0.66% 0.99%
SHIRE FUNDS 0.58% 0.52% 0.56%
LONDON EXCL LPFA 0.63% 0.56% 0.60%
LONDON INCL LPFA 0.72% 0.68% 0.70%
MET & TRANSPORT FUNDS 0.38% 0.36% 0.48%
ENGLAND 0.55% 0.50% 0.56%
WALES 0.56% 0.51% 0.49%
ENGLAND AND WALES 0.55% 0.50% 0.56%
SCOTLAND 0.54% 0.60% 0.51%
NORTHERN IRELAND 0.37% 0.31% 0.30%
UK 0.54% 0.51% 0.55%
2019/20 Total Cost %
2020/21 Total Cost %
2021/22 Total Cost %

Page 73

3.2.3 This appears to show that South Yorkshire's costs as a proportion of Fund value now represent the highest cost Fund in this comparison, and a significant increase compared to the previous year.

3.2.4 The primary driver for the significant increase in the SYPA costs for 2021/22, relates to investment costs, specifically performance fees on the alternative assets we invest in. Alternative assets have performed well during 2021/22, and the performance fees account for c50% of our investment management costs. Due to the fees being generally higher with alternative assets, the combination of this and strong performance account for the significant increase in the chart.

3.2.5 Adidtionally, it is important to consider the SYPA costs compared to other Funds in the context of the drive to greater cost transparency and improved reporting of investment management expenses that are not invoiced but deducted at source from Net Asset Value (NAV). Since 2018/19 SYPA, with the aid of Border to Coast, has made significant progress in this regard, that so far is outpacing the progress of other Funds. It should also be noted that unlike other LGPS funds, SYPA is not able to fully recover VAT resulting in a tax drag, which in 2021/22 amounted to £0.14m, and was c.£0.21m in the two years before that.

3.2.6 Whilst our progress on cost transparency appears to have started earlier and moved more quickly, it is evident that a similar impact is now starting to be seen within some of the other Funds' costs for 2020/21 to 2021/22; and it is anticipated this will continue, making these comparisons more useful going forward as they will be on a more 'like-for-like' basis.

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

Investment Management Expenses - Breakdown	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Movement 2018/19 to 2021/22**
	£0	**£0**	**£0**	**£0**	**£0**
Pooling Costs - Invoiced	1,935	2,066	3,891	4,345	2,410
Internal Management Costs	672	596	539	583	-89
External Management Costs - Invoiced	5,335	3,529	2,528	2,824	-2,511
External Management Costs - Deducted at Source	40,254	37,790	52,431	92,383	52,129
Irrecoverable VAT Liability	516	497	211	144	-372
Total Investment Management Expenses	**48,712**	**44,478**	**59,600**	**100,279**	**51,567**
Fund Value at 31 March: £000	**8,439,965**	**8,170,401**	**9,862,073**	**10,673,562**	**1,691,672**
Investment Costs as Percentage of Fund Value %	**0.58%**	**0.54%**	**0.60%**	**0.94%**	

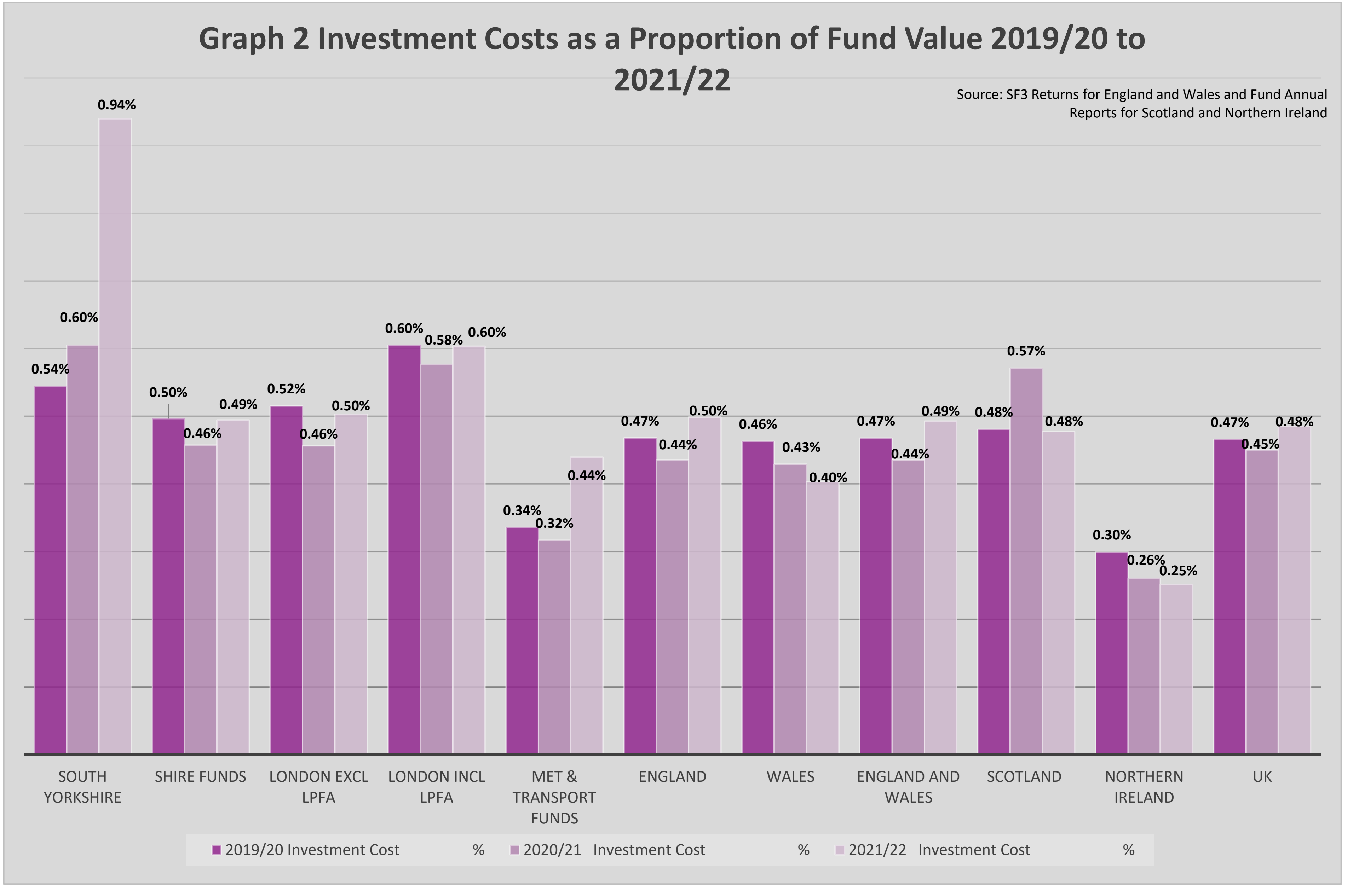
3.2.8 The Authority is confident that our performance in controlling actual costs overall remains strong; but there is no room for complacency, and we continue to closely monitor this area in light of the following factors that are driving cost increases:

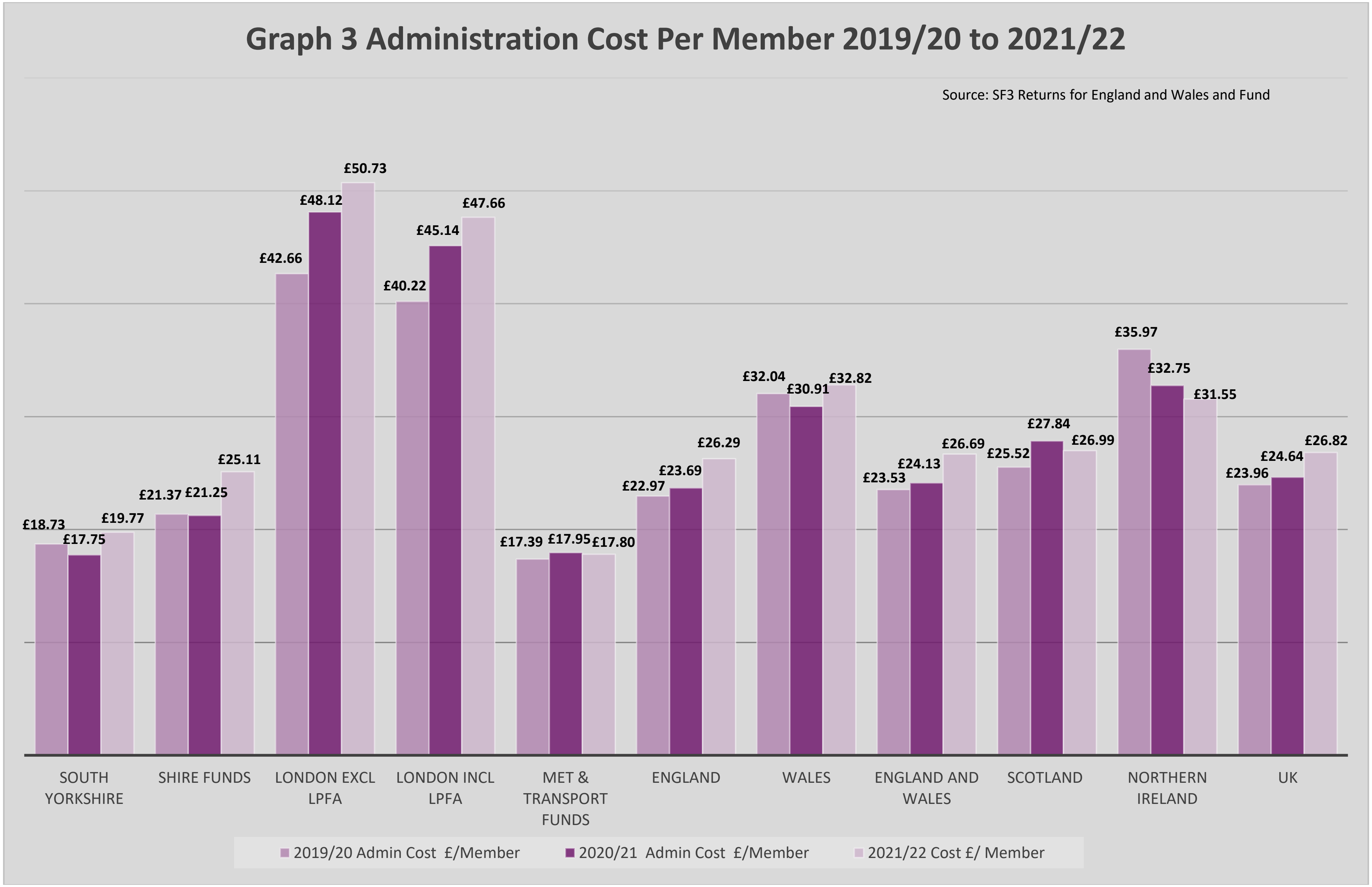
- The Fund's strategic asset allocation continues to move more of the portfolio into unlisted assets such as private equity and infrastructure which in general tend to be more expensive to manage. The impact of this investment strategy is evidenced in Chart 1 and referenced at 3.2.4.

- The Government's pooling initiative results in SYPA's listed assets in future being managed within pooled structures provided by Border to Coast which, while cheap in comparison to external managers, are more expensive than the previous, admittedly unsustainable, in-house arrangements.

3.2.9 There are specific factors which might be expected to give rise to SYPA having a higher-than-average cost base, in particular the fact that it is a stand-alone pension organisation bearing its own corporate overheads, rather than sharing them with a council. This has not been borne out by the data in recent years but will be kept under review as part of the budget process going forward, particularly as the Authority continues to invest in the development of the organisation and governance.

3.2.10 The total cost shown in Chart 1 can be analysed in more detail by looking at the following two charts which separate out SYPA's Investment and Administration costs and how these compare with the rest of the Local Government Pension Scheme across the UK.


Graph 2 Investment Costs as a Proportion of Fund Value 2019/20 to 2021/22
Source: SF3 Returns for England and Wales and Fund Annual Reports for Scotland and Northern Ireland
SOUTH YORKSHIRE 0.54% 0.60% 0.94%
SHIRE FUNDS 0.50% 0.46% 0.49%
LONDON EXCL LPFA 0.52% 0.46% 0.50%
LONDON INCL LPFA 0.60% 0.58% 0.60%
MET & TRANSPORT FUNDS 0.34% 0.32% 0.44%
ENGLAND 0.47% 0.44% 0.50%
WALES 0.46% 0.43% 0.40%
ENGLAND AND WALES 0.47% 0.44% 0.49%
SCOTLAND 0.48% 0.57% 0.48%
NORTHERN IRELAND 0.30% 0.26% 0.25%
UK 0.47% 0.45% 0.48%
2019/20 Investment Cost %
2020/21 Investment Cost %
2021/22 Investment Cost %


Graph 3 Administration Cost Per Member 2019/20 to 2021/22
Source: SF3 Returns for England and Wales and Fund
£18.73
£17.75
£19.77
£21.37
£21.25
£25.11
£42.66
£48.12
£50.73
£40.22
£45.14
£47.66
£17.39
£17.95
£17.80
£22.97
£23.69
£26.29
£32.04
£30.91
£32.82
£23.53
£24.13
£26.69
£25.52
£27.84
£26.99
£35.97
£32.75
£31.55
£23.96
£24.64
£26.82
SOUTH YORKSHIRE
SHIRE FUNDS
LONDON EXCL LPFA
LONDON INCL LPFA
MET & TRANSPORT FUNDS
ENGLAND
WALES
ENGLAND AND WALES
SCOTLAND
NORTHERN IRELAND
UK
2019/20 Admin Cost £/Member
2020/21 Admin Cost £/Member
2021/22 Cost £/ Member

3.2.10 It is evident from Chart 3 that Administration costs for the Authority remain at the lower end of the spectrum of costs.

3.2.11 When comparing the two charts it is clear that the main driver of the increased fund costs come from the investment costs, and in particular the performance costs, referenced at 3.2.4.

3.2.12 In regard to Administration, SYPA is benefitting from the economy of scale that comes from serving a large fund, while the much smaller London funds clearly see the diseconomies which arise from servicing much smaller funds.

3.2.13 In order to see the value for money picture we plan to participate in CEM and CIPFA benchmarking exercises through 2023/24, which should hopefully provide further insight into the Authority's services.

3.3 Financial Objectives

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

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

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

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

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

Cash Limits for Operating Budget	2023/24 Baseline £ / Member	2024/25 Cash Limit[2] £ / Member	2025/26 Cash Limit[2] £ / Member
Administration Service[1]	£25.59	£26.72	£27.90
Authority Operational Budget[1]	£38.11	£39.79	£41.54

Notes

1. The cost per member is based on the relevant totals included within the Authority's operational budget as presented for approval at the Authority's February 2023 meeting. The equivalent figures for SF3 reporting purposes will be slightly higher because they additionally include non-recoverable VAT which is not part of the Authority's total operating budget.

2. The future years' cash limits are calculated by applying an inflationary increase of 4.4% which comprises 2.0% Local Government Pay Inflation and 10.1% CPI Inflation, weighted in accordance with the financial objective set out above.

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

3.3.5 Given that, broadly, investment costs have a relationship to the value of invested assets, it would be sensible to have an objective which recognises this, but also recognises the fact that the Authority’s investment strategy is to move out of listed into unlisted and more expensive assets, and also that the Authority’s overall objective is to achieve the best possible net of fees risk-adjusted returns meeting the actuarial return objective (currently c. 4.45%pa). This means that any financial objective around investment costs should not place an artificial constraint which prevents the Authority from making the right investment decisions.

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

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

3.3.7 Given the limitations to an LGPS comparator set out above this metric provides a more realistic target which is based on a much wider international peer group and reflects full cost transparency for all participants, thus there will be a like for like comparison. Using the CEM measure also means that the Authority will have access to data which will allow it to understand how and why its costs differ from others within the peer group.

3.3.8 The targets set out in these financial objectives will be reviewed each year in the context of their impact on the Authority's overall financial position and their impact on the ability of the Authority to deliver its corporate objectives, while still driving improvements in efficiency. In addition to these objectives which can easily be measured in budget setting and which in effect place cash limits on the Authority's budget, a number of financial performance measures related to comparative costs will be part of the suite of Corporate Strategy measures.

4. Financial forecasts

4.1 Forecast Assumptions

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

- **Pay –** Pay awards have been assumed to average 2% over the period, which is in line with the average of headline increases from the most recent local government pay awards.
- **Prices -** CPI inflation will be 10.1% for 2023 per the September 2022 CPI rate. With the current CPI volatility, the future rates for the remainder of the medium term have been based on estimates specific to the area being projected.
- **Contribution Income and Benefits Payments–** The forecast is produced by the actuary for both income and expenditure, based on the latest valuation results.
- Investment returns are assumed to be in line with actuarial assumptions.
- External investment management costs have been separately analysed in order to produce the forecast based on experience to date, plus known changes and estimated changes as a result of continued transition to Pooling.

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

4.2 Operational Budget Forecast

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

Operating Budget	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Estimate	2025/26 Estimate
	£	£	£	£
Employees	3,858,846	4,741,827	4,975,550	5,075,060
Running Costs	1,863,503	2,150,003	2,245,760	2,317,165
Subtotal: Gross Expenditure	**5,722,349**	**6,891,830**	**7,221,310**	**7,392,225**
Income	(135,929)	(156,260)	(162,510)	(165,755)
Subtotal: Net Expenditure	**5,586,420**	**6,735,570**	**7,058,800**	**7,226,470**
Capital Expenditure	64,720	72,000	0	0
Contribution to / (from) Reserves	178,860	(150,000)	(80,000)	70,000
Total Charge to Pension Fund	**5,830,000**	**6,657,570**	**6,978,800**	**7,296,470**

Membership	172,952	174,680	176,430	178,190
Cost Per Member	**£33.71**	**£38.11**	**£39.56**	**£40.95**

4.2.2 The budget setting and medium-term financial strategy (MTFS) preparation for 2023/24 to 2025/26 has taken place in the context of a number of drivers for growth in cost that are explained in further detail in the Budget report presented alongside this Strategy.

4.2.3 The budget for the 2023/24 year ahead reflects continued emphasis on equipping the organisation for meeting the challenges expected in the next three years as detailed in the Corporate Strategy elsewhere on the agenda. Additional resources are included for twelve new posts to be established to support various specific areas of the planned work, as previously approved by the Staffing, Appointment and Appeals Committee in October 2022. These additional resources should ensure the organisation is well equipped, resilient and with a sustainable base for this medium term period.

4.2.4 The estimates for the remainder of the Medium Term set out above are based on projecting the 2023/24 budget forward, removing the one-off items from that year, and adding inflationary increases as necessary.

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

- Pay settlements and inflation running at a higher level than assumed in the forecast. This is clearly a risk, although the current wider local government and public sector finance context has been heavily impacted by the global pandemic and a range of pressures including social care demand, and the UK's exit from the EU. The 2022/23 pay settlement was agreed at a higher level than estimated, however based on the information available we expect this to return to 2% in 2023/24. An additional measure taken to mitigate against risks arising from the uncertainty and volatility in regards to pay and wider costs inflation is that in 2022/23 we are proposing to create a Pay and Benefits reserve equivalent to c4% of the pay budget, and we will also retain a small corporate contingency budget. This is in addition to the usual process of budgetary control whereby in the event of higher costs than forecast, managers will seek to absorb the in-year impact through the management of vacancies and seeking to either defer one off expenditure or avoid aspects of running cost expenditure. It is considered that these measures will be adequate to address the risk of cost increases.

- Deterioration in budgetary control. Budgetary controls and processes were strengthened during the 2019/20 - 2020/21 period and are now well embedded. The implementation of the new finance system that took place in 2022 will allow us to increase our levels of budgetary control with more detailed and comprehensive reports, to be developed during the coming financial year. There is therefore no indication of any likelihood of deterioration. The controls in this regard are also subject to internal audit review on a regular basis, which provides assurance on both their adequacy and their application.
- Loss of external income. This is mitigated through prudent budgeting, for example not including any assumptions around additional software sales which tend to be sporadic, and through securing longer term agreements with customers with staggered end dates so that not all agreements come to an end at the same time.

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

4.3 Pension Fund Forecast

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

South Yorkshire Pension Fund Financial Forecast	Actual 2021/22 £m	Forecast 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m
Dealings with members, employers and others directly involved in the scheme:					
Contributions receivable & transfers in from other pension funds	-211	-215	-256	-266	-277
Benefits payable and payments to or on account of leavers	338	361	358	345	355
Net (additions) / withdrawals from dealings with members	**127**	**146**	**102**	**79**	**78**
Management expenses	106	81	87	90	93
Net returns on investments	-1,045	-643	-682	-685	-709
Net (increase)/decrease in the Fund during the year	**-812**	**374**	**-493**	**-516**	**-538**
Net Assets of the Fund at 1 April	-9,862	-10,674	-10,300	-10,793	-11,309
Net Assets of the Fund at 31-Mar	**-10,674**	**-10,300**	**-10,793**	**-11,309**	**-11,847**
Management Expenses as Percentage of Average Net Assets	0.99%	0.79%	0.81%	0.80%	0.79%

4.3.2 In the first year of the forecast, investment costs (including those within the operational budget) are at 79 bps and are expected to remain at 79 bps by 2025/26. The forecast costs have reduced from the 2021/22 actual costs, due to the higher performance fees discussed earlier, which are forecast to stabilise at a lower level. It should also be borne in mind that this forecast is produced on a fully transparent basis and therefore comparisons with other funds will not necessarily be valid. These forecasts will be reviewed against benchmark data when available.

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

4.3.4 The forecast Fund value at the end of the current year reflects the challenging external investment environment we have experienced through 2022/23. These factors include, but are not limited to, the volatile inflationary environment, the war in Ukraine and the ongoing impacts of COVID.

4.3.5 The important message in the above forecast is the anticipated net withdrawal from the Fund in each year for dealings with members, this results in a significant increase in the requirement for the harvesting of investment income. This trend will be an ongoing challenge for the fund now that we have matured, and it is not anticipated that this scenario will reverse.

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

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

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

5. Policy on reserves

5.1 Reserves

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

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

5.1.2 All of SYPA's costs are met by the Pension Fund therefore, unlike a local authority, the first contingency argument for holding reserves does not hold as costs incurred, for example, as a result of a building fire, would simply fall to the Pension Fund which is about 1,500 times the size of the Authority's budget and such costs are therefore unlikely to be material.

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

5.1.4 However, there is a balance to be struck as reserves could be allowed to accumulate to a level where they became significant in the context of the Authority's budget at which point, they would in effect be depriving the Fund of cash to invest. Consequently, some limitation on the level of reserves is necessary to maintain this balance. For the previous iterations of this strategy, a limit of 7.5% of the operating budget has been applied. However the current external environment is extremely volatile, and as such it is considered that an increase to this limit would be appropriate in order to provide a suitable degree of flexibility for maintaining reserves at a level that will enable us to manage risk as needed. It is therefore proposed to increase the limit to 10% of the operating budget. This results in the following policy on reserves:

"The Authority will maintain its operational revenue reserves at a level equivalent to no more than 10% of its operational budget, the establishment of new reserves will be approved by the Authority on the recommendation of the Treasurer, and the level of reserves will be reviewed by the Treasurer each year as part of their report on the final accounts of the Authority."

5.1.5 During the 2021/22 financial year, the reserves were put towards financing major capital projects that needed to be resourced. These projects included the Oakwell House long-term office accommodation project, replacement of business systems and the implementation of a new contract for pensions administration software. The forecast outturn for 2022/23 sees the Authority returning to a budget underspend position. The primary reason for the 2022/23 underspend would be due to challenges filling vacancies, leading to staffing underspend.

5.1.6 The 2022/23 projected underspend includes an amount that was included in the budget for the outcomes of the pay and benefits review. Whilst the review has been carried out and reported upon, the work to plan actions to address the findings and to cost these, has slipped, resulting in a need to carry forward the budget amount set aside for this. It is therefore proposed that we create a "Pay and Benefits Reserve" in 202/23 for this purpose – which will be used in 2023/24. Adding this new reserve, in addition to the other 2022/23 forecast reserve movements, will take the total revenue reserves to 9.4% of the 2022/23 operational budget.

5.1.7 At the current time the new reserve is anticipated to be used for particular outcomes of the review, however due to the challenging recruitment and retention environment, the reserve will be reviewed periodically to allow the Authority some flexibility.

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

South Yorkshire Pensions Authority Earmarked Reserves	Forecast Balance at 31 March 2023 £	Forecast Balance at 31 March 2024 £	Forecast Balance at 31 March 2025 £	Forecast Balance at 31 March 2026 £
Operational Revenue Reserves:				
Corporate Strategy Reserve	147,270	107,270	72,770	122,770
ICT Reserve	201,160	126,160	95,660	115,660
Pay and Benefits Reserve[1]	200,000	200,000	200,000	200,000
Subtotal - Revenue Reserves	**548,430**	**433,430**	**368,430**	**438,430**
Revenue Reserves as % of Budget	*9.4%*	*6.5%*	*5.3%*	*6.1%*
Capital Projects Reserve	119,330	84,330	69,330	69,330
Total Reserves	**667,760**	**517,760**	**437,760**	**507,760**

Notes

1. The 'Pay and Benefits' reserve is planned to be used in 2023/24 to contribute to costs required for implementation of any changes arising from the pay and benefits review undertaken in 2022/23. At this stage, it is not possible to provide a reasonable estimate for this, which is why no movements on this reserve can be shown here at this time.

5.1.9 The above table illustrates that the current plans and forecasts involve drawing down from the revenue reserves in 2023/24, followed by a further drawdown in 2024/25 and a net contribution into the reserves in 2025/26. The earmarked reserves will continue to be kept under review and transfers to and from each reserve will be reported to the Authority for approval based on a recommendation from the Treasurer as required, through the quarterly reporting of management accounts and financial forecasts.

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Treasury Management Strategy Statement 2023/24**	**Status**	For Publication
Report to	Authority	**Date**	
Report of	Treasurer and Assistant Director – Resources (Deputy Treasurer)		
Equality Impact Assessment	Not Required	Attached	N/a
Contact Officer	Gillian Taberner, Assistant Director - Resources	**Phone**	01226 666420
E Mail	gtaberner@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 Ministry for Housing, Communities and Local Government's (MHCLG) *Statutory Guidance on Local Government Investments 3rd Edition (2018)*.

---

2 Recommendations

2.1 Members are recommended to:

a. **Approve the 2023/24 Treasury Management and Annual Investment Strategy, and the treasury & prudential indicators set out in this report;**

b. **Approve the Treasury Management Policy Statement attached at Appendix B;**

c. **Approve the Treasury Management Practices attached at Appendix C; and**

d. **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 forward looking and includes:

a. the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators;
b. the Treasury Management Policy Statement, at Appendix B;
c. the Treasury Management Practices, at Appendix C;
d. an Investment Strategy, (the parameters on how investments are to be managed); and
e. To the extent that they apply in this Authority, capital plans, prudential indicators and minimum revenue provision policy statement.

5.9 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 (the Treasurer), 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 Assistant Director - Resources, who is currently the Deputy S.73 Officer, and from 1 April 2023 will be the S.73 Officer, supported by the Financial Services Manager as Deputy S.73 Officer from that date. Both officers are professionally qualified CIPFA members.

Training

5.10 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.

5.11 Officers involved in treasury management have their training needs regularly reviewed as part of the appraisal and review process. During the last year, officers have attended external training courses on "The Treasury Management Strategy Statement" and "Introduction to Treasury Management Activity" through Link and CIPFA respectively.

Use of External Service Providers

5.12 The Authority uses Link Treasury Services Ltd. as its external treasury management advisers.

5.13 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.

5.14 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.

5.15 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
d. Link ATS

Annual Investment Strategy

5.16 The Authority's strategy in relation to investments of the Fund's cash balances has the 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.

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

5.18 The Authority has defined the list of approved investment instruments in the Treasury Management Policy Statement, Appendix B.

Risk Assessment and Credit Ratings

5.19 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.

5.20 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.

5.21 A summary of the treasury investments held at 31 December 2022 is attached in Appendix A to this report.

Treasury and Prudential Indicators

5.22 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.

5.23 <u>Capital Expenditure</u>

5.24 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.

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

5.26 <u>Capital Financing Requirement</u>

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

5.28 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 (2023/24 to 2025/26) is also Nil. Based on current plans, any capital expenditure to be undertaken in this period will be fully financed in the year in which it is incurred from available reserves as outlined above.

5.29 <u>External Debt</u>

5.30 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.

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

5.32 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.

5.33 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.

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

	2023/24	2024/25	2025/26
Authorised Limit	£750,000	£750,000	£750,000
Operational Boundary	£500,000	£500,000	£500,000

5.35 Affordability

5.36 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.

5.37 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

5.38 The Authority is required to have regard to the statutory guidance on MRP issued by the Department for Levelling Up, Housing and Communities (DLUHC) – known as MHCLG at the time the guidance was issued. 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.

5.39 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.

5.40 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.

5.41 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 DLUHC 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 **Gillian Taberner**

Treasurer **Deputy Treasurer**

Background Papers	
Document	**Place of Inspection**
None	

SOUTH YORKSHIRE PENSIONS AUTHORITY

Appendix A – Treasury Portfolio

The following table shows the treasury investments by counterparty as at the beginning of the current financial year and as at the end of Quarter 3.

South Yorkshire Pensions Authority Treasury Portfolio	Actual		Current	
	01/04/2022		31/12/2022	
Treasury Investments by Counterparty	**£m**	**%**	**£m**	**%**
Banks	45	56%	50	55%
Local Authorities	5	6%	5	6%
Money Market Funds	30	38%	35	39%
Total Treasury Investments	**80**	**100%**	**90**	**100%**

The following table analyses the treasury investments held as at the end of quarter 3, by the period to maturity and shows the average interest rate achieved; the improvement seen in the average interest rate can be attributed to the changing external environment.

Treasury Portfolio Treasury Investments by Maturity As at 31/12/2022	Average Interest Rate *	Banks	LA	MMF	Total	Allocation
Call	0.00%	30	0	35	65	72%
Up to 1 month	3.44%	15	0	0	15	17%
1 to 3 months	3.65%	5	0	0	5	6%
3 to 6 Months	1.30%	0	5	0	5	6%
6 to 9 Months	0.00%	0	0	0	0	0%
9 to 12 Months	0.00%	0	0	0	0	0%
Total	**2.10%**	**50**	**5**	**35**	**90**	**100%**

*Note - average only used for periods with Investments; no weighting on the average.

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

Appendix B – Treasury Management Policy Statement

1. South Yorkshire Pensions Authority defines its treasury management activities as the management of the organisation's investments and cash flows. It includes banking, money market funds and the effective control of the risks associated with those activities, and the pursuit of optimum performance and returns consistent with those risks.
2. The successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its service objectives. It is therefore committed to the principles of achieving the proper level of liquidity and value for money in treasury management and to carrying out comprehensive performance measurement techniques within the context of effective risk management.
4. 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. The Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The Authority has defined the list of approved investment instruments as set out in the following table.

Specified Investments	Minimum short term credit rating	Maximum limit per institution	Maximum 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 MMF Rating	£50m per Fund and up to 50% of total specified investments		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.
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.

SOUTH YORKSHIRE PENSIONS AUTHORITY

Appendix C – Treasury Management Practices

CIPFA recommends that an organisation's treasury management practices (TMPs) include those that are relevant to its treasury management powers and the scope of its treasury management activities. The following TMPs are those most relevant to the Authority's treasury management activities:

1 TMP1 Risk Management

The Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy / suitability thereof and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Authority's objectives in this respect, all in accordance with the procedures set out in TMP6 *Reporting requirements and management information arrangements.*

In respect of each of the following risks, the arrangements that seek to ensure compliance with these objectives are set out in a separate schedule to accompany this document once approved. The schedule will be updated for 2023/24.

1.1 Credit and counterparty risk management

This Authority will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited or investments made, and it will limit its treasury management investment activities to the instruments, methods and techniques referred to in TMP4 *Approved instruments, methods and techniques* and listed in the schedule to this document.

It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements. The Authority's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations**.** The detailed policies and procedures that will form the schedule to accompany these TMPs are in the process of being updated, the ESG considerations will be included in the final version.

1.2 Liquidity risk management

The Authority will ensure it has adequate though not excessive cash resources to enable it at all times to have the level of funds available to it that are necessary for the achievement of its business / service objectives.

1.3 Interest rate risk management

The Authority will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues in accordance with its treasury management policy and strategy, and in accordance with TMP6 *Reporting requirements and management information arrangements.*

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

1.4 Inflation risk management

The Authority will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole Authority's inflation exposures.

1.5 Legal and regulatory risk management

The Authority will ensure that all its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] *Counterparty credit risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Authority, particularly with regard to duty of care and fees charged.

The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to manage the risk of these impacting adversely on the Authority.

1.6 Operational risk, including fraud, error and corruption

The Authority will ensure that it has identified the circumstances that may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

<u>2 TMP2 Performance Measurement</u>

The Authority is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Authority's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document. The criteria will include measures of effective treasury risk management and not only measures of financial performance (income or savings).

<u>3 TMP3 Decision Making and Analysis</u>

The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for accountability, e.g., demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

4 TMP4 Approved Instruments, Methods and Techniques

The Authority will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 *Risk management.*

5 TMP5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements

The Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 *Reporting requirements and management information arrangements* and the implications properly considered and evaluated. The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document. The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the Authority's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on treasury management.

6 TMP6 Reporting Requirements and Management Information Arrangements

The Authority will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; the effects of decisions taken, and transactions executed in pursuit of those policies; the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and the performance of the treasury management function.

The Authority members will receive as a minimum:

- an annual report on the strategy and plan to be pursued in the coming year;
- a mid-year review; and
- an annual report on the performance of the treasury management function, the effects of the decisions taken, and the transactions executed in the past year, and any circumstances of non-compliance with the Authority's treasury management policy statement and TMPs.

The Authority members, to which some treasury management responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks. The members will have responsibility for the scrutiny of treasury management policies and practices.

The present arrangements and the form of these reports are detailed in the schedule to this document.

7 TMP7 Budgeting, Accounting and Audit Arrangements

The responsible officer will prepare – and the Authority will approve and, if necessary, from time to time will amend – an annual budget for treasury management, which will bring together all the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management,* TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques.* The responsible officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*. The Authority will account for its treasury management activities, decisions made, and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

8 TMP8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Authority will be under the control of the responsible officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1[2] Liquidity risk management. The present arrangements for preparing cash flow projections and their form are set out in the schedule to this document.

9 TMP9 Money Laundering

The Authority is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

10 TMP10 Training and Qualifications

The Authority recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

The responsible officer will ensure that Authority members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. The present arrangements, including a knowledge and skills schedule, are detailed in the schedule to this document.

11 TMP11 Use of External Service Providers

The Authority recognises that responsibility for treasury management decisions remains with the Authority at all times. It recognises that there may be potential value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons that have been submitted to a full evaluation of the costs and benefits. It will also 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. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.

12 TMP12 Corporate Governance

The Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its treasury management activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Authority has adopted and has implemented the key principles of the TM Code. This, together with the other arrangements detailed in the schedule to this document, is considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Pay Policy Statement 2023-24**	**Status**	For Publication
Report to	Authority	**Date**	9th February 2023
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Director	**Phone**	01226 666439
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

1.1 To secure approval of an updated Pay Policy Statement.

---

2 Recommendations

2.1 Members are recommended to:

a. Approve the revised Pay Policy Statement at Appendix A.

---

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.

Valuing and engaging our Employees

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

It is important that the Authority is transparent in the arrangements it puts in place for setting the remuneration of its employees, particularly senior employees where there is a legitimate public interest in the scale of reward. It is also important that the Authority maintains a pay and reward system that provides equal reward for work of equal value.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report relate to the key people risks identified in the Corporate Risk Register.

5 Background and Options

5.1 The Localism Act 2011 requires local authorities to produce a Pay Policy Statement each year. While the full terms of the Act do not apply to the Authority it is good practice to set out a public statement of how the Authority addresses issues of pay and reward particularly for senior employees.

5.2 Due to the long delay in settling the most recent local government pay award the updating of the Authority's Pat Policy Statement has also been delayed. A revised Statement reflecting the most recent pay award and other pay and grading changes agreed over the last 12 months is at Appendix A. The statement will require further revision after the settlement of the forthcoming annual pay award and may require some amendment after consideration of the findings of the Pay and Benefits Review.

5.3 The Statement includes information on the ratio between higher and lower paid roles across the Authority. The key metric here is the Hutton review's finding that the highest paid role should be paid no more than 20 times the lowest paid. The ration for SYPA is 6.1 times which is significantly less than this.

6 Implications

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

Financial	There are no direct financial implications arising from this report. The costs of the Authority's staff are fully reflected in the budget.
Human Resources	A clear and transparent pay policy is a key element in the Authority's overall approach to people management.
ICT	None
Legal	While not a legislative requirement the production of a statement of this sort is good practice.
Procurement	None

George Graham

Director

Background Papers	
Document	**Place of Inspection**

Pay Policy Statement 2023

February 2023

1. INTRODUCTION

1.1 Under s112 of the Local Government Act 1972 the Authority has the “power to appoint officers on such reasonable terms and conditions as it thinks fit”. This Pay Policy sets out the Authority’s approach to pay in accordance with the requirements of s38 of the Localism Act 2011. Although the requirements of the Act do not directly apply to the Authority this statement is being published in order to demonstrate the Authority’s commitment to openness and transparency in matters of pay.

1.2 The purpose of this statement is to provide transparency with regard to the Authority’s approach setting the pay of its employees by identifying:

- The methods by which the salaries of all employees are determined;
- The details of the remuneration of its most senior employees;
- The relationship between the salary of its most senior employees and other employees.

1.3 This document is updated annually either prior to the beginning of the financial year in April or following the agreement of the national pay award.

2. OTHER LEGISLATION RELEVANT TO PAY AND REMUNERATION

2.1 In determining the pay and remuneration of its employees the Authority will comply with all relevant employment legislation. This includes legislation such as the Equality Act 2010, the Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, and where relevant the Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014. The Authority ensures that there is no pay discrimination within its pay structures and that pay differentials can be objectively justified through the use of job evaluation mechanisms which directly establish the relative level of posts in grades according to the requirements, demands and responsibilities of the role.

2.2 The Authority utilises the Hay job evaluation scheme for all roles.

3. PAY STRUCTURE

3.1 The Authority’s pay structure of spinal column points and grades is set out in Appendix A. This has been updated from to reflect the new nationally agreed pay award backdated to 1st April 2022, including the impact of the average national pay award on the locally determined spinal points. A comprehensive review of the pay and benefits package for staff is currently being undertaken and any implications from this will be reflected in an update of this statement.

3.2 Annual salary increases for all staff (including senior managers) are set through national negotiations between the local government employers and the recognised trades unions within the National Joint Council for Local Government Services.

3.3 Where evidence exists of recruitment and retention issues it may be necessary to make additional payments to take into account pay levels in the wider labour market in order to attract and retain employees with particular skills, knowledge and experience. In such instances the Authority will use evidence of relevant market comparators, using data sources available within the local government sector, the financial services sector and beyond as appropriate.

4. DEFINITIONS

4.1 The Localism Act refers to the position of Chief Officer, which, in terms of the South Yorkshire Pensions Authority is defined as:

- Head of Paid Service designated under s4 (1) of the Local Government and Housing Act 1989
- Monitoring Officer designated under s5 (1) of the Local Government and Housing Act 1989
- Chief Finance Officer designated under s151 of the Local Government Act 1972
- A Non-Statutory Chief Officer as defined in s2 (7) of the Local Government and Housing Act 1989

4.2 In the case of the South Yorkshire Pension Authority these definitions encompass the following roles:

Head of Paid Service –	Director
Monitoring Officer -	Head of Governance
Chief Finance Officer -	Assistant Director - Resources
Chief Officer -	Assistant Director - Investment Strategy
	Assistant Director - Pensions

4.3 The statutory roles of Monitoring Officer and Chief Finance Officer (Treasurer) will from 1st January and 1st April 2023 be performed by the Head of Governance and Assistant Director – Resources respectively.

4.4 The additional statutory role of Clerk which is required under the Local Government Act 1985 and the Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987 is performed under a service level agreement by the Chief Executive of Barnsley Metropolitan Borough Council as part of their core role and any impact on remuneration is reflected in Barnsley MBC's pay policy statement.

4.5 Remuneration is defined as the pay an individual receives.

5. DIRECTOR REMUNERATION

5.1 The current post holder took up the role on 12th February 2018. This is a spot salary and there is no incremental progression.

Grade	Salary @ 1/7/2022
N	£126,925

5.2 Members of the Authority undertook a review of the salary for the Director's role in June 2022 fixing the level at the median for similar roles in comparable local government pension funds, with the changes agreed coming into effect from 1st July 2022. The terms and conditions of service relating to this post are in accordance with the Joint Negotiating Committee for Local Authority Chief Officers, with the exception that pay increases are tied to the headline increase in the main pay scale of the National Joint Council for Local Government Services.

Additional Allowances

5.3 The Director is not entitled to any additional allowances such as telephone, or lease car, and is not designated as a car user, due to his own circumstances, any future postholder would be designated as a casual car user.

5.4 Rules in relation to reimbursement of travel and subsistence etc. are the same as for all other posts within the Authority.

5.5 The Authority's flexi-time scheme does not apply to the Director, nor does the retention scheme for Senior Managers.

6. ASSISTANT DIRECTOR REMUNERATION

6.1 The three Assistant Director roles reporting to the Director are paid as follows:

Post	Grade	Salary Range @ 1/4/2022
Assistant Director – Investment Strategy	M	£79,596 - £90,692
Assistant Director – Pensions	M	£79,596 - £90,692
Assistant Director - Resources	M	£79,596 - £90,692

6.2 Progression through the grade occurs through the payment of an additional annual increment on 1st April each year, until the top of the grade is reached.

6.3 The terms and conditions of service relating to these posts are in accordance with the Joint Negotiating Committee, with the exception that pay increases are tied to the headline increase in the main pay scale of the National Joint Council for Local Government Services.

Additional Allowances

6.4 The Heads of Service are each designated as casual car users.

6.5 Any other allowances relating to the posts are the same as for all other posts within the Authority, for example, reimbursement of fuel expenditure for business travel, and the ability to claim reimbursement for relevant professional subscriptions.

6.6 Two of the Assistant Director roles are subject to a specific retention scheme which allows for the making of additional pension contributions of up to £12,000 per annum if the individual remains in the Authority's employment for a period of up to 5 years, with no payments being made until the individual has remained in employment for 3 years and with any award being subject to satisfactory performance.

6.7 All members of staff who participate in the Authority's Hybrid Working Policy including the Assistant Directors but excluding the Director receive a £26 per month allowance.

6.8 The Authority's flexi-time scheme does not apply to individuals appointed as Chief Officers after 1st April 2018.

7. MONITORING OFFICER REMUNERATION

7.1 The Head of Governance who holds the role of Monitoring Officer and reports to the Assistant Director – Resources is paid as follows:

Grade	Salary @ 1/7/2022
L	£58,063 - £68,500

7.2 Progression through the grade occurs through the payment of an additional annual increment on 1st April each year, until the top of the grade is reached.

7.3 The terms and conditions of service relating to these posts are in accordance with the Joint Negotiating Committee, with the exception that pay increases are tied to the headline increase in the main pay scale of the National Joint Council for Local Government Services.

Additional Allowances

7.4 The Heads of Governance is designated as a casual car user.

7.5 Any other allowances relating to the posts are the same as for all other posts within the Authority, for example, reimbursement of fuel expenditure for business travel, and the ability to claim reimbursement for relevant professional subscriptions.

7.6 All members of staff who participate in the Authority's Hybrid Working Policy including the Head of Governance but excluding the Director receive a £26 per month allowance.

7.7 The Authority's flexi-time scheme applies to the Head of Governance.

8. RECRUITMENT OF THE DIRECTOR, CHIEF OFFICERS AND MONITORING OFFICER

8.1 Where there is a requirement to recruit to the post of Director or to a Chief Officer post then the relevant provisions of the Authority's constitution will apply.

9. SALARY ON APPOINTMENT

9.1 Under normal circumstances all new appointments to a post of Chief Officer will be made at the bottom spinal point of the grade unless there are objective reasons for not doing so. Any appointment above the bottom spinal column point will require the approval of the Director.

10. PERFORMANCE RELATED PAY

10.1 The Localism Act requires details of any performance related pay arrangements to be disclosed. South Yorkshire Pensions Authority does not operate any such arrangements.

11. RELATIONSHIP BETWEEN DIRECTOR/CHIEF OFFICER PAY AND OTHER EMPLOYEES

11.1 The following information is provided to assist with understanding the ratio calculations

Director Salary =	£126,925 (spot salary)
Chief Officer Median Salary =	£ 90,692
Authority Median Full Time Salary =	£ 28,371
Authority Lowest Full Time Salary =	£ 20,812

11.2 Pay Ratio

Post	Benchmark Salary	Ratio
Director's Salary	Chief Officer Median Salary	1:1.4
Director's Salary	Authority Median Salary	1:4.5
Chief Officer Median Salary	Authority Median Salary	1:3.2
Director's Salary	Authority Lowest Salary	1:6.1
Chief Officer Median Salary	Authority Lowest Salary	1:4.4

Note all these ratios exclude any apprentices

11.3 The Hutton report *"Fair Pay in the Public Sector"* recommended that the Fund Director's salary should not exceed 20 times that of the lowest paid worker. The above table shows that with a ratio of 6.1 times South Yorkshire Pensions Authority more than meets this requirement.

12. LOWEST PAID EMPLOYEE

12.1 The lowest grade in the pay structure is Grade A (scale points 1-3 £20,258 - £20,812 at 1/4/2022). Currently no roles are assigned to this grade and therefore the lowest salary that an employee other than apprentice can receive is scale point 3 (£20,812), which is the lowest actual salary currently being paid.

12.2 A separate pay scale exists for apprentices which is included in Appendix A. While based on the Government recommendations in terms of its structure, this scale has been amended from 1/4/2022 by the same uplift as the general local government pay award in recognition both of the cost-of-living crisis and of recruitment issues in regard to apprentices.

13. TERMINATION PAYMENTS

12.1 The Authority's redundancy policy applies equally to all employees regardless of their grade. A redundancy payment will be paid to an employee when their post is made redundant and there are no suitable redeployment opportunities.

12.2 The Authority does not have a policy which allows for the automatic enhancement of an employee's pensionable service on termination.

13. EMPLOYER PENSION CONTRIBUTIONS

13.1 The Authority contributes to the Local Government Pension Scheme in 2022/23 for all its employees who are members equally at the rate of 16.1% of employee's pensionable pay. This rate is set by the actuary for the South Yorkshire Pension Fund and is reviewed every three years.

14. EMPLOYEE PENSION CONTRIBUTIONS

14.1 Employees in the Local Government Pension Scheme will pay the following contributions as a proportion of their pensionable pay with effect from 1st April 2022.

Band	Pensionable Pay	Contribution Rate- Main Scheme	Contribution Rate- 50/50 Scheme
1	Up to £15,000	5.5%	2.75%
2	Above £15,001 up to £23,600	5.8%	2.90%
3	Above £23,601 up to £38,300	6.5%	3.25%
4	Above £38,301 up to £48,500	6.8%	3.40%
5	Above £48,501 up to £67,900	8.5%	4.25%
6	Above £67,901 up to £96,200	9.9%	4.95%
7	Above £96,201 up to £113,400	10.5%	5.25%
8	Above £113,401 up to £170,100	11.4%	5.70%
9	Above £170,101	12.5%	6.25%

15. ENGAGEMENT OF FORMER CHIEF OFFICERS IN RECEIPT OF PENSIONS

15.1 The Authority does not have a policy which prevents former employees, including Chief Officers, from applying for and being successfully appointed to any job, or returning under a contract for service, because they are in receipt of a public sector or Local Government Pension. Normal recruitment or procurement rules would apply in such circumstances.

16. PUBLICATION OF THE POLICY

16.1 This policy will be published on the Authority’s website. In addition, for posts where the full-time equivalent salary is at least £50,000 the Authority will publish further information as required by the Accounts and Audit Regulations 2015.

17. REVIEW OF THE PAY POLICY

17.1 The Policy will be subject to annual review and must be approved by the Authority. Where delays to national pay awards being agreed results in it not being possible for the Policy to be brought before a convenient meeting of the Authority then the relevant urgency procedure will be used. Any amendments required in relation to matters of fact may be made by the Director without further reference to the Authority.

Appendix A

SOUTH YORKSHIRE PENSIONS AUTHORITY

Grade	Hay Score	SCP	Pay Scales 2021/22 Salary from 1 April 2021	Pay Scales 2022/23 Salary from 1 April 2022	
Apprentices - In first year, or have completed first year and aged under 19	-	APP1	8,296	**11,205**	Rate set by Government of £9,280p.a. for 2022/23 plus NJC pay award of £1,925.00
Apprentices - Completed first year and aged 18-20	-	APP2	12,444	**15,103**	Rate set by Government of £13,178p.a. for 2022/23 plus NJC pay award of £1,925.00
Apprentices - Completed first year and aged 21-24	-	APP3	15,820	**19,636**	Rate set by Government of £17,711p.a. for 2022/23 plus NJC pay award of £1,925.00
Apprentices - Completed first year and aged 25 and over	-	APP4	16,823	**20,254**	Rate set by Government of £18,329p.a. for 2022/23 plus NJC pay award of £1,925.00
A	<120	1	18,333	**20,258**	
		2	18,516	**20,441**	
		3	18,887	**20,812**	
B	121 to 139	3	18,887	**20,812**	
		4	19,264	**21,189**	
		5	19,650	**21,575**	
C	140 to 160	5	19,650	**21,575**	
		6	20,043	**21,968**	
		7	20,444	**22,369**	
		8	20,852	**22,777**	
		9	21,269	**23,194**	
D	161 to 180	10	21,695	**23,620**	
		11	22,129	**24,054**	
		12	22,571	**24,496**	
		13	23,023	**24,948**	
E	181 to 250	15	23,953	**25,878**	
		16	24,432	**26,357**	
		17	24,920	**26,845**	
		18	25,419	**27,344**	
		20	26,446	**28,371**	
F	251 to 280	22	27,514	**29,439**	
		23	28,226	**30,151**	
		24	29,174	**31,099**	
		25	30,095	**32,020**	
G	281 to 320	26	30,984	**32,909**	
		27	31,895	**33,820**	
		28	32,798	**34,723**	

SOUTH YORKSHIRE PENSIONS AUTHORITY

Grade	Hay Score	SCP	Pay Scales 2021/22 Salary from 1 April 2021	Pay Scales 2022/23 Salary from 1 April 2022	
H	321 to 380	29	33,486	**35,411**	
		30	34,373	**36,298**	
		31	35,336	**37,261**	
I	381 to 430	32	36,371	**38,296**	
		33	37,568	**39,493**	
		34	38,553	**40,478**	
		35	39,571	**41,496**	
		36	40,578	**42,503**	
J	431 to 480	37	41,591	**43,516**	
		38	42,614	**44,539**	
		39	43,570	**45,495**	
		40	44,624	**46,549**	
		41	45,648	**47,573**	
K	481 to 550	42	46,662	**48,587**	
		43	47,665	**49,590**	
		44	49,782	**51,707**	
		45	51,901	**53,826**	
		46	54,019	**55,944**	
L	551 to 710	47	56,138	**58,063**	
		48	58,253	**60,178**	
		49	61,027	**62,952**	
		50	63,800	**65,725**	
		51	66,575	**68,500**	
M	711 to 870	52	77,671	**79,596**	
		53	80,445	**82,370**	
		54	83,218	**85,143**	
		55	85,992	**87,917**	
		56	88,767	**90,692**	
N	>870	57	110,958	**126,925**	New rate approved by Authority at June 2022 meeting effective 1 July 2022 plus NJC pay award of £1,925.00 effective 1 April 2022

Note:
The following points in the NJC scale are not used:
14
19
21

Scale points above 43 are locally determined and are increased annually in line with the headline increase for the NJC pay award.

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Governance Update Report**	**Status**	For Publication
Report to	Authority	**Date**	09/02/2023
Report of	Head of Governance		
Equality Impact Assessment	Not Required	Attached	Na
Contact Officer	Jo Stone Head of Governance	**Phone**	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To provide members with an update on current Authority governance related activity. To update Members on the actions being taken in response to audit findings by both internal audit and external audit during the current financial year and in previous financial years. To provide members with an update on recent decisions made by the Authority. Finally, to review and approve the 2023/24 Governance Calendar.

1.2 A report will be provided regularly to provide assurance and monitoring of Authority governance across many areas of the business.

---

2 Recommendations

2.1 Members are recommended to:

a. **Note the current Authority governance position, including the outcome of the data breach previously reported to the ICO;**

b. **Welcome the progress made on training and development of Authority and LPB members; and**

c. **Approve the 2023/24 Governance Calendar.**

---

3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:
Effective and Transparent Governance.

3.2 To uphold effective governance always showing prudence and propriety.

3.3 The reporting of audit findings and agreed actions in response to these, is a key part of providing assurance on the adequacy of the Authority's corporate governance arrangements, particularly those relating to internal control and financial and risk management.

4 Implications for the Corporate Risk Register

4.1 The contents of this report set out the actions being taken in several areas that will contribute to addressing various risks in relation to operations and governance as detailed in the original audit reports.

5 Background and Options

5.1 As previously reported, considerable activity continues in order to enhance the Authority's governance arrangements. This has included monitoring and managing elected and Board members' knowledge and skills to ensure mandatory training compliance and expertise across the organisation. As well as the initiation of activities to implement a second layer of risk and audit assurance across the business to enhance governance processes and ensure middle management roles and responsibility for risk and a tier of escalation to SMT. This will require a revision the Risk Management Framework once implemented. To support this work, a software system has now been procured, *Pentana*, which is a risk and performance management software application (formerly known as Covalent). The Governance team, working with the Programmes and Performance team, are currently scoping a plan and timescale for the implementation.

General Governance Arrangements

5.2 Solicitors have been appointed to undertake a comprehensive review of the Constitution. This work commenced in January 2023 and will be completed by May to ensure the updated Constitution can be presented to the June 2023 Authority meeting. LPB members will be updated on the progress of the review at the next LPB meeting in April.

5.3 The Governance team are now undertaking work to procure (though a suitable procurement framework) a legal retainer contract for the Authority to provide legal advice and services in all matters required on an *ad hoc* basis. This will include legal oversight for the Pensions Dashboard, which is a legal requirement for September 2024, with a particular focus on data protection legislation.

Member Learning and Development

5.4 As previously reported, considerable activity has been completed to enhance Authority members' knowledge and skills in addition to that of the Local Pensions Board members. The requirement is that all LGPS on-line modules should be completed within the first six months of joining SYPA. In June 2022 a full training needs analysis activity was undertaken by all members and the following results recorded. At that time, only two members of the LPB had fully completed the mandatory training requirements and one member of the Authority.

5.5 The training needs analysis report showed an overall knowledge of 50.05% for Authority members and 40.21% for LPB members. The areas identified for urgent support of training were investment, actuarial and funding and administration matters. At the LGA conference on 19 and 20 January 2023, Hymans Robertson reported that pensions funds completing the national training needs analysis assessment have an average of 55% knowledge overall. The highest scores nationally were 67.6% governance and 63% actuarial matters. The lowest scores currently 38% accounting and audit and 48% investment performance and risk management.

5.6 Members continuously worked with the Governance team, supported by a hybrid training model of on-line, face to face and Teams facilities to ensure training is supported and completed in a timely manner to provide the organisation and external bodies with assurance of full compliance. It is very pleasing to report therefore that all members of the Authority are now 100% compliant with mandatory training requirements.

5.7 LPB Members have also completed all six training modules and are 100% compliant against mandatory training requirements.

5.8 Training sessions were reported to members at the last meeting. Since October 2022 the following training has been delivered to all members in the following areas to increase knowledge and skills:

- 20 October – Risk Management training
- 10 November 2022 – Hymans Robertson Online Training Module 2
- 10 November 2022 – Climate Change Seminar
- 06 December 2022 – Hymans Robertson Online Training Module 1 and 6

5.9 Bespoke training has also been delivered to members of the Audit Committee by the Authority's internal auditors to increase knowledge of roles and responsibilities regarding risk management. CIPFA will also deliver a bespoke session in February 2023 on the responsibilities of Local Authority Audit Committees to strengthen governance further.

5.10 A national training needs and analysis exercise will take place 13 to 27 February 2023 through Hymans Robertson, and it is hoped that this will show a marked increase in the percentage of knowledge and skills compared to the results in June 2022, reflecting the significant progress made since then and that is continuing over the next few months.

5.11 Moving forward, the Governance team will schedule and deliver training to each committee and board as per the Governance calendar 2023/24. There will be an additional emphasis where required to work with individual members on an annual basis to ensure knowledge and skills are kept up-to-date and enhanced.

Data Breach – Update

5.12 As previously reported in the Governance Update report at the December meeting, a data breach occurred in September 2022. Actions were taken in response to this at the time (as fully detailed in the previous report) and the breach was reported to the ICO.

5.13 Since the previous meeting, a response has been received from the ICO advising that no further action is required on this occasion. The ICO were content that all action had been taken and processes clearly followed. Three recommendations were suggested which were in line with the actions already planned and carried out, and that we had outlined in our report to the ICO. The ICO case is now closed.

Governance Calendar 2023/24

5.14 A new Governance Calendar for the 2023/24 municipal year has been created to improve visibility and attendance to all scheduled meetings, seminars, and training. Members are asked to review and approve the governance calendar for 2023/24 shown at Appendix 1. A central team inbox (governanceteam@sypa.org.uk) has been created to improve the Governance team's service to support members during 2023/24.

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 Stone

Head of Governance

Background Papers	
Document	**Place of Inspection**
None	-

Appendix A

SYPA Meeting and Training Schedule 2023/24

Month	W/C	Date	Time	Venue	Meeting	Date	Time	Venue	Internal Training
2023 May	1								
	8								
	15								
	22								
	29								
June	5	Wed 07/06/2023	13:00 - 16:00	B2C Office, Leeds	Investment Panel (GG/SS/Independent Advisers)				
		Thu 08/06/2023	13:30 - 15:30	Oakwell House	Authority - Annual and Ordinary	Thur 08/06/2023	09:00 - 13:00	Oakwell House	Induction for new and old members
	12					Tues 13/06/2023	11:00 - 13:00	Leeds	Border to Coast - Training TBC
	19					Tues 13/06/2023	13:30 - 15:30	Leeds	Border to Coast Joint Committee
	26								
July	3								
	10								
	17								
	24	Tue 25/07/2023	09:00 - 16.30	Oakwell House	Staffing, Appointment and Appeals Committee (TBC)				
		Thu 27/07/2023	10:00 - 12:00	Oakwell House	Audit Committee	Thur 27/07/2023	12:30 - 13:30	Oakwell House	Internal Auditors Training with Audit Committee members -TBC
	31								
August	7	Thu 10/08/2023	10:00 - 12:30	Oakwell House	Local Pension Board				
	14								
	21								
	28								
September	4	Wed 06/09/2023	13:00 - 16:00	Oakwell House	Investment Panel (GG/SS/Independent Advisers)				
		Thu 07/09/2023	10:00 - 12:30	Oakwell House	Authority				
		Thu 07/09/2023	13:00 - 14:00	Oakwell House	**Investment Stratetey Meeting TBC**				
	11					Thu 14/09/2023	10:00 - 12:30	Oakwell House	**Authority Seminar - TBC**
		Thur 21/09/2023	09:00 - 09:30	Oakwell House	Audit Committee				
	18	Thur 21/09/2023	10:00 - 12:00	Oakwell House	Audit Committee Training TBC	Wed 27/09/2023	10:00 - 12:00	Leeds	Joint Committee LPB Chairs meeting
	25					Wed 27/09/2023	TBC	Leeds	Border to Coast Joint Committee
October	2					Thur 28/09/2023	TBC	Leeds	Border to Coast Conference two days TBC
	9								
	16								
	23					Thu 26/10/2023	10:00 - 12:30	Oakwell House	**Authority Seminar - TBC**
	30	Thu 02/11/2023	10:00 - 12:00	Oakwell House	Local Pension Board				
November	6					Thu 09/11/2023	10:00 - 12:30	Oakwell House	**Authority Seminar - TBC**
	13					Tues 14/11/2023	TBC	Virtual	Responsible Investment Workshop
	20								
	27					Tues 28/11/2023	TBC	Leeds	Border to Coast Joint Committee
December	4	Wed 06/12/2023	13:00 - 16:00	Oakwell House	Investment Panel (GG/SS/Independent Advisers)				
		Thu 07/12/2023	10:00 - 12:30	Oakwell House	Pensions Authority				
		Thu 07/12/2023	13:00 - 14:00	Oakwell House	Pensions Authority - TBC				
	11	Thur 14/12/2023	10:00 - 12:00	Oakwell House	Audit Committee				
	18								
	25								
2024 January	1								
	8								
	15								
	22								
	29								
February		Thur 08/02/2024	10:00 - 12:30	Oakwell House	Pensions Authority				
	12	Thur 08/02/2024	13:00 - 14:00	Oakwell House	Pensions Authority Training -TBC				
	19	Thur 22/02/2024	10:00 - 12:00	Oakwell House	Local Pension Board				
	26								
March	4	Thu 07/03/2024	10:00 - 12:00	Oakwell House	Audit Committee				
		Thu 07/03/2024	13:00 - 14:00	Oakwell House	Audit Committee - Effectiveness Review				
	11	Wed 13/03/2024	14:00 - 16:30	Oakwell House	Investment Panel (GG/SS/Independent Advisers)	TBC	TBC	Teams	Joint Committee LPB Chairs meeting
		Thu 14/03/2024	10:00 - 12:30	Oakwell House	Pensions Authority				
		Thu 14/03/2024	13:00 - 14:00	Oakwell House	Pensions Authority Training - TBC				
	18	Thur 21/03/2024	13:00 - 16:00	Oakwell House	Local Pension Board - Effectiveness Review				
	25					Tues 26/03/2024	TBC	Leeds	Border to Coast Joint Committee
April	1								
	8								
	15								
	22	Thu 25/04/2024	10.00 - 12.00	Oakwell House	Local Pension Board				

To note: There may be cause to hold an additional Authority and Local Pension Board meeting later in the year, due to expected legislation and the requirements to inform members and respond

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Appendix A

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

Document is Restricted

This page is intentionally left blank

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

Appendix B

Document is Restricted

This page is intentionally left blank