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Oakwell House
2 Beevor Court
Pontefract Road
Barnsley
S71 1HG

www.sypensions.org.uk

NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, S71 1HG on Thursday, 8 February 2024 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:	Governance Team	Tel:01226 666405
Email	governanceteam@sypa.org.uk	

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Distribution

Councillors: J Dunn (Chair), M Havard (Vice Chair) Councillors: R Bowser, S Clement-Jones, A Dimond, D Fisher, J Mounsey, D Nevett, A Sangar, M Stowe, C Gamble Pugh, S Cox.

Contact Details

For further information please contact:

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

Tel: 01226 666405
governanceteam@sypa.org.uk

SOUTH YORKSHIRE PENSIONS AUTHORITY

THURSDAY, 8 FEBRUARY 2024 AT 10.00 AM - OAKWELL HOUSE, 2 BEEVOR COURT, PONTEFRACT ROAD, BARNSLEY, S71 1HG

Agenda: Reports attached unless stated otherwise

	Item	**Pages**
	Business Matters	
1.	Apologies	
2.	Announcements	
3.	Urgent Items To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.	
4.	Items to be considered in the absence of the public and press To identify where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting.)	
5.	Declarations of Interest	
6.	Section 41 Feedback from District Councils	
7.	Minutes of the meeting held on 07/12/2023	5 - 12
	CORPORATE MATTERS	
8.	Review of the Corporate Strategy 2024 – 2027	13 - 44
9.	Budget 2024/25	45 - 58
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11.	Treasury Management Strategy 2024/25	85 - 100
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13.	Governance Update	113 - 116
	RESTRICTED ITEMS	
14.	Independent Adviser Appointments **(Exemption Paragraph 1, 3)**	117 - 122
15.	Debt Write Offs **(Exemption Paragraph 3)**	123 - 126

SOUTH YORKSHIRE PENSIONS AUTHORITY
AUTHORITY MEETING
07 DECEMBER 2023

PRESENT:

Councillor J Dunn (Chair)

Councillors: R Bowser (Barnsley), S Clement-Jones (Sheffield), A Dimond (Sheffield), D Fisher (Rotherham), J Mounsey (Doncaster) D Nevett (Doncaster) A Sangar (Sheffield), M Stowe (Barnsley),

Non-voting Coopetes: N Doolan-Hamer (Unison) and G Warwick (GMB)

Investment Advisors: T. Castledine and A. Devitt

Officers: G Graham (Director), J Stone (Head of Governance & Monitoring Officer), S Smith (Assistant Director - Investments Strategy), G Taberner (Assistant Director - Resources & Chief Finance Officer), W Goddard (Head of Finance), D Sharp (Assistant Director – Pensions)

Apologies for absence were received from
Cllr Gamble Pugh, Cllr Steve Cox, Cllr Marnie Havard

1) WELCOME AND INTRODUCTIONS

The Chair welcomed everyone to the meeting.

2) APOLOGIES

Apologies were noted as above.

3) URGENT ITEMS

None.

4) ANNOUNCEMENTS

The Director welcomed Debbie Sharp the new Assistant Director – Pensions to her first Authority meeting.

The Director also wanted to celebrate some of the Authority's successes winning an award for Place Based Impact Investing at the Pensions for Purpose Awards Ceremony earlier in the month.

The Communications team were also highly commended at the Comms2Point0 Honour Unawards 2023. Being a small team of two they have generated an increase in the volume and quality of our social media outputs and the Director wanted to congratulate the team on their success.

5) ITEMS TO BE CONSIDERED IN THE ABSENSE OF PUBLIC AND PRESS

None.

6) DECLARATIONS OF INTEREST

None.

7) SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

8) MINUTES OF THE MEETING HELD ON 07/09/2023.

RESOLVED: That the minutes of the meeting held on 7 September 2023 can be agreed as a true record.

9) QUESTIONS FROM THE PUBLIC

Questions were received from Mr Ashton and Ms Stott.
The Director responded on behalf of the Authority.
Electronic versions of the questions and responses will be emailed to the relevant members of the public. The written replies are attached as appendices to the minutes.

10) QUARTER 2 CORPORATE PERFORMANCE REPORT 2023/24

The Assistant Director – Resources and Head of Finance presented the Q2 Corporate Performance Report for members to consider and approve.
Key areas for consideration were highlighted to members who raised a number of questions.

Members queried the performance in Pensions Administration processing and why this remains well below target and what can be done to improve this.
The Assistant Director – Pensions responded that the capacity in the team has not been sufficient to cope with the amount of work coming in. This has now been addressed through a budget increase in this department which will allow the Authority to recruit a new team in the new year including 6 processing staff and a team leader. Additionally, staff have been undertaking overtime to help make inroads into the backlogs which has shown improvement, and this will be budgeted for in the next financial year so backlogs can continue to be cleared.

Members further questioned how the Authority envisions the back logs will look in a year's time and how we can get employer data on time, especially as we continue to onboard more employers.

The Head of Finance responded that the timeliness and quality of employer data have improved, however further work is required to improve the timetable for receiving the data as this is currently longer than it need be. Making changes to the Pensions Administration Strategy will give the Authority the opportunity to improve in this area.
The Assistant Director – Pensions further expanded on this point that it requires the Authority to further engage with our employers to ensure they are educated and to continually work on improving our relationship with them.

Finally, Members queried how the Authority's relationships with software providers are going to enable the delivery of the McCloud Remedy and other day to day projects such as Cyber Security.

The Assistant Director – Resources assured members that the Head of ICT and Service Manager – Systems are working together to create a robust Project Plan to ensure improvements are made with software providers. Previous issues have come as a result of changes in Account Manager's with the provider and not having the correct relationships in place to hold them to account. Now the new Assistant Director – Pensions is in post she will work to further improve the relationship the Authority hold with them. Further to this software upgrades have been undertaken since the report was published and is in the testing phase soon to go live, once completed a project group has been set up to take the McCloud work forward.
The Assistant Director – Pensions elaborated on this point assuring members that she will continue to work on improving the relationship's held with software providers and has a meeting scheduled in the new year to kick things off with CIVICA. Further to this, an audit will take place on the system to identify what is currently being utilised from their systems and what elements could be improved upon.

RESOLVED: Members approved a supplementary estimate of £197,500 as set out in paragraphs 4.27 to 4.33 of the report.

11) APPROVAL OF THE LEVY 2024/25

The Head of finance presented the Levy for 2024/25 under the Levying Bodies (General) Regulations 1992. The Levy was set up when the Authority was created in 1988 to cover the early retirement compensation payments.

RESOLVED: Members approved a total levy of £286,792 for 2024/25 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.

12) STAFF SURVEY 2023

The Assistant Director – Resources presented the results of the 2023 Staff Survey which was last run in 2020.

Members probed the Authority on Equality and Diversity and why this hasn't made much progress, and why the Authority seems to be behind on this area in comparison to district councils.

The Director assured members that the Authority have been able to increase the diversity across the workforce despite still having a lot of work to do in this area.
The Assistant Director – Resources further expanded that the Authority will be running an Equality, Diversity, and Inclusion questionnaire in the new year to help update records and target further support as a result of this. Further to this, staffing capacity has impacted upon Equality and Diversity work however with now having filled this gap, it will be a priority for the Authority again in the new year. Work will also be done on reviewing training and recruitment policies to ensure more diversity in the workplace and the Authority will reach out to councils HR teams to pick up on best practice.

Further discussion was held around the overall Equality in the workplace and the uneven balance in gender across the management. The Director informed members that the RISE programme, which will commence in the new year is specifically targeted at women and encouraging them into management roles following the Authority recognising this was an area where additional support was required.

The Chair further queried the Authority's policy on Menopause and what efforts the Authority are going to for women who are going through this in the workplace.

The Assistant Director – Resources explained that the Authority have already provided training for Women around the Menopause and a Mandatory Menopause course for managers to equip them to support their staff in this area. The next stages will be to implement menopause into the Health and Wellbeing Strategy or as its own stand-alone policy.

Members further probed on the working environment and the Authority's future plans for hybrid working.

The Assistant Director – Resources responded that a working group is currently being set up to look at the Hybrid Working Policy to ensure it works effectively for everybody including the Authority.

Members further questioned the Authority on if they have any policies in place to encourage sustainable transport.

The Assistant Director – Resources confirmed that as part of the Pay and Benefits review the Authority are looking to implement a salary sacrifice scheme for cycle to work and for electric or low emission vehicles. Additionally, one of the Authority's corporate objectives is the net zero target for operations so work will be done to explore how this can be moved forwards.

The Director followed up that considerations were taken when choosing the office space, ensuring its good proximity to public transport links and facilities provided for staff including showers for those who choose to cycle or jog to work.
Further discussion was held on equality and diversity on the Authority Board and how it could continue to be diversified in the future.

RESOLVED: Members noted and commented on the results of the staff survey and the actions outlined in relation to the areas for further improvement.

13) <u>ADVISOR MARKET COMMENTARY</u>

The Independent Advisers presented the Market Commentary Report for members to consider and note.

Members sought the views of the advisors around what the market would look like following a UK election taking place next year, which would bring further uncertainty into the markets.

The Advisors responded that although it is impossible to know exactly what will happen, they predict that the UK has already dealt with a lot of uncertainty and a lot of technical damage has already happened. Consensus around policy provides somewhat more certainty and with Australian Sovereign Wealth funds looking to invest in the UK economy and the sterling picking up, could it be any worse than it has already been.

Members also sought the Advisors views on corporate profiteering and price gouging being a cause of sticky investment.

The Advisors responded that consumer loyalty to these brands has allowed prices to remain high, although deflation is happening in other areas which is combating this, so they don't expect we are looking at higher inflation for longer.

Further discission took place around the Artificial Intelligence 'bubble' which reflected on the importance of diverse portfolios.
Finally, members sought the views of the advisors on the pressure the Government are putting on LGPS funds to invest in specific ways.

The Advisors commented that Authority are investing in different areas whilst always considering South Yorkshire, to ensure there is balance in diversifying the portfolio.

RESOLVED: Members thanked the advisors and noted the report.

14) <u>QUARTER 2 INVESTMENT PERFORMANCE REPORT 2023/24 (INC ADVISORS REPORT)</u>

The Assistant Director – Investments delivered the Q2 Investment Performance Report highlighting key areas of performance over the last quarter.

RESOLVED: Members noted and accepted the report.

15) <u>QUARTER 2 RESPONSIBLE INVESTMENT UPDATE 2023/24</u>

The Director presented the regular quarterly report on Responsible Investment Activity for Members to note and comment upon.

The Chair noted that members have attended workshops and the Border to Coast Conference which focused on Responsible Investment where they have been very much involved and have engaged in thorough questioning.

Members queried the Authority's intentions in the investment in ESG and whether this was for ethical reasons or financial gain so the message could be relayed to Stakeholders.

The Director responded that the Authority is not an ethical investor but instead a responsible investor, who seek to invest in things where risks are effectively managed. Reflecting on ESG issues in investment decision making is an approach faimed at protecting the value of the Authority's investments and the value of scheme members pensions savings.

RESOLVED: Members noted and accepted the report.

16) <u>ANNUAL REVIEW OF BORDER TO COAST RESPONSIBLE INVESTMENT POLICIES</u>

The Director presented the Annual Review of the Border to Coast Responsible Investment Policies. This is brought to the Authority annually for endorsement.

Members raised questions around climate change and if this will be a topic of conversation at the next Border to Coast annual review, following us missing out on further negotiations on it this year.

The Director responded that it would have been difficult for us to make further progress this year given the consensus being against us on this topic. The mismatch between our 2030 target and B2C 2050 target is a challenge, and this has been reflected in a number of discussions held. The Director further made a point that Border to Coast will pose some challenges with their current products if they want to meet their 2050 target and that questions will need to be asked in the coming years around some of their portfolios of which it will likely benefit our goals. The Authority will hold its next strategy review through 2025 which will require members to reflect further on investment beliefs. A further restraint comes from the Authority being required to pool all listed assets, which is not something the Authority can move away from. Therefore, influencing the pool to deliver solutions will be required to help the Authority to reach the 2030 target.

Members encouraged the Authority to enhance diplomacy and influence our colleagues at Border to Coast to allow us to make progress.

Members also discussed issues concerned with the behaviours of BP in relation to continued fossil fuel exploration and the implications of the BDS bill currently before parliament.

RESOLVED: Members endorsed the various Border to Coast policies as Appendices A to C.

Councillor Dimond asked that his dissent be noted.

17) PLACE BASED IMPACT INVESTING – MEMORANDUM OF UNDERSTANDING WITH SOUTH YORKSHIRE MAYORAL COMBINED AUTHORITY

The Director presented the Place Based Impact Investing Memorandum of Understanding with South Yorkshire Mayoral Combined Authority.

Following agreement from the Authority this will be considered by the Combined Authority Board in January, and signed by the Director and a member of the Combined Authority when it will then come into force.

Members were concerned that the development of a relationship with the Combined Authority did not compromise the Authority's independence and objectivity in relation to decision making.

The Director responded that the intention behind the Memorandum is to provide the Authority with protection against the risks identified and that it has been made clear to the Combined Authorities Officers that we are an institutional investor, and we will ask fund managers to consider investments on their merits and whether they meet the test of institutional quality. The use of external managers in this process avoids potential conflicts and maintains objectivity in the process. Further to this, investments will only be considered if they meet the various return and risk requirements of specific mandates.

RESOLVED: Members authorised the Director to sign the Memorandum of Understanding at Appendix 1 on behalf of the Authority.

18) INVESTMENT CONSULTATION

The Director presented an update on the recent Investment Consultation.

The Director confirmed that the Government have now issued a response consultation on the proposals for improving the process of pooling to ensure that LGPS funds are supporting growth in the UK. Further regulations and guidance are expected during the first part of 2024 although the timetable is not entirely clear. The Director asked members to refer to the immediate implications of this which were outlined in the report.

Work is to be carried out on levelling up documents to bring them in line with the requirements identified and it is unlikely that the level of private equity investment will be agreed due to increase exposure in this are not being in line with the risk appetite. A Transition Plan is being worked on and will be presented to the Authority at the March meeting.

RESOLVED: Members noted the contents of the report.

19) DECISIONS TAKEN BETWEEN MEETINGS

The Head of Governance presented the report to inform members of decisions taken between meetings of the Authority.

RESOLVED: Members noted the decisions made between meetings.

20) 2024/25 GOVERNANCE MEETING & TRAINING CALENDAR

The Head of Governance presented the Governance Meetings and Training Calendar for approval of the Authority.

RESOLVED: Members approved the 2024/25 Governance Meeting and Training Calendar.

21) BORDER TO COAST UK PROPERTY PROPISITION (EXEMPTION PARAGRAPH 3)

The Director updated members on the progress with the delivery of the Border to Coast UK Real Estate proposition and the implications for the Authority which is targeting launch in September 2024.

RESOLVED: Members noted the progress made by Border to Coast in delivering a UK Real Estate proposition and the implications for the Authority of the transition of assets in the new proposition.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Agenda Item

Subject	**Corporate Strategy Update 2024 - 2027**	**Status**	For Publication
Report to	Authority	**Date**	8th 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 the update Corporate Strategy covering the three years 2024 - 2027.

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2 Recommendations

2.1 Members are recommended to:

a. **Approve the updated Corporate Strategy set out in Appendix A.**

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3 Link to Corporate Objectives

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

Customer Focus

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

Listening to our stakeholders

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

Investment Returns

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

Responsible Investment

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

Effective and Transparent Governance

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

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.

Valuing and engaging our Employees

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

The Corporate Strategy is the means through which the Authority delivers against all the corporate objectives to deliver its overall mission.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report are designed to deliver mitigations for all the risks included in the Corporate Risk Register.

5 Background and Options

5.1 The Corporate Strategy is the central pillar of the Authority's performance management framework and sets out the steps the organisation is going to take to deliver the various corporate objectives. It is fundamentally reviewed every three years just before the actuarial valuation (the key event in the Authority's business cycle) with lighter touch updates in the intervening years.

5.2 This year while not undertaking a full-scale review (which is due next year) a more fundamental exercise has been undertaken because of the following influences:

- The views of elected members on priorities for action discussed at the recent Away Day.
- The need to tidy up the plan to remove completed actions and remove several actions which while significant to individual teams are not of sufficient scale or impact to be included in the Corporate Strategy.
- The need to align actions more clearly with both the corporate objectives and the various risks on the Corporate Risk Register to prepare for the implementation of Pentana to support the Authority's performance management framework.

5.3 The resulting Strategy which has been developed with the active engagement of the Authority's wider Leadership Team (comprising SMT and middle managers), is set out at Appendix A. Each of the specific tasks identified is supported by several subsidiary actions which form part of the plans of specific teams within the organisation. The transfer of these more detailed plans into Pentana will allow both the Senior Management Team and the Authority to have an increased level of assurance over overall progress with all elements of specific projects, without strategic reporting becoming overly detailed.

5.4 The broad thrust of the Strategy remains as it has been over previous years even if elements have been grouped under new headings to increase the focus on the need to deliver improvements to the administration service. The focus is on delivering improvements alongside the things we must do (such as McCloud) to deliver benefits to stakeholders be they scheme members or employers.

5.5 This year represents a pivotal one for the Authority. We must deliver several key pieces of work to build a solid foundation for the 2025 Valuation and the associated investment strategy review. So, the focus will be very much on completing the things required to achieve this position before we take on further projects however interesting or beneficial, they might be.

6 Implications

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

Financial	The budget and Medium-Term Financial Strategy which appear elsewhere on the agenda for this meeting of the Authority reflects the resources required to deliver this Corporate Strategy.
Human Resources	The Corporate Strategy identifies several key priorities in relation to people issues which are reflected in the HR workplan for the coming year.
ICT	The ICT priorities identified in the Corporate Strategy are reflected in the ICT workplan for the coming year.
Legal	No specific implications identified.
Procurement	No specific implications identified.

George Graham

Director

Background Papers	
Document	**Place of Inspection**
Corporate Strategy 2023-2026	Corporate Plans (sypensions.org.uk)

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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Corporate Strategy
2024 to 2027

Commitment to Excellence

Contents

Foreword

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

This update to our strategy reflects the continuing journey to build a stronger more resilient organisation focussed on delivering for our customers.

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

Because of this, our strategy over the next three years focuses on delivering improvements to the way in which we do things in addressing long standing challenges across the organisation to ultimately improve the service received by our customers and our overall efficiency.

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

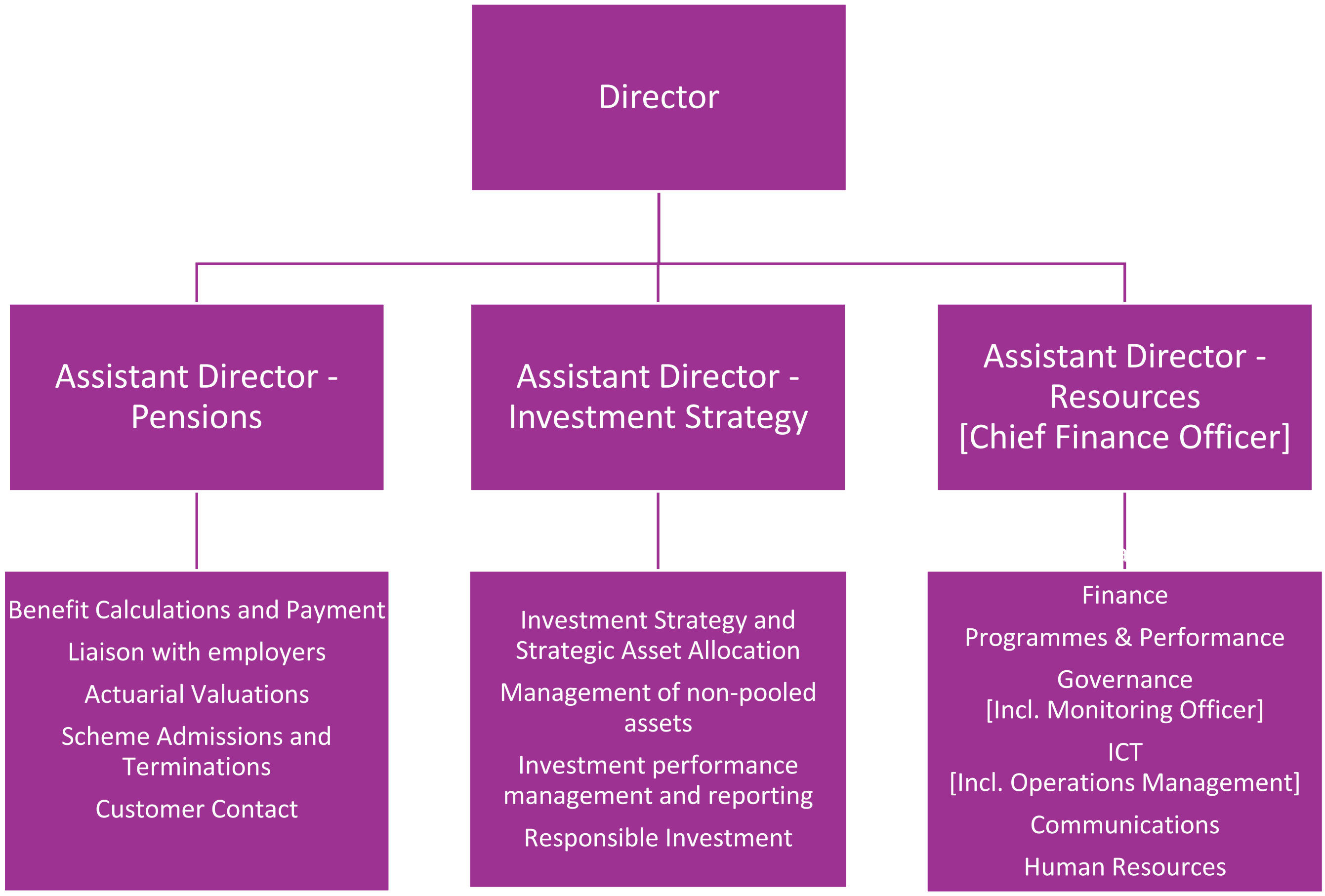
Councillor Jayne Dunn
Chair
South Yorkshire Pensions Authority

Background

South Yorkshire Pensions Authority came into being on 1st April 1988, following the abolition of South Yorkshire County Council and the winding up of the South Yorkshire Residuary Body. It is unique amongst the administering authorities in the local government pension scheme in that it is the only democratically accountable free standing pensions 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, City of Doncaster, Rotherham, and the City of Sheffield) roughly in proportion to their population.

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



In total the Authority directly employs around 136 people (126.6 FTE) based at the Authority’s offices at Oakwell House in Barnsley.

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

Number of Scheme Members (at 31/03/2023)	176,437
Number of Pensioners Paid (at 31/03/2023)	61,662
Number of Scheme Employers with active members (at 31/03/2023)	548
Proportion of employers that are local authorities	1.3%
Value of Assets under Management (at 31/03/2023)	£10.202bn
Annual Value of Investment Income (2022/23)	£298.1m
Annual Value of Contributions to the Fund (2020/21)	£210.1m
Annual Value of Benefits Paid from the Fund (2022/23)	£346.3m

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

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

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

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

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.

“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.”

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.*

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 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 consistently 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 cannot). • We trust people to do their job, we do not micromanage. • We give a heads up when we plan something new, we speak up early when there is a problem or when things are not going well. • When something does not 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.

What we are going to do over the next three years

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

The content of our plan is influenced by several 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 sizeable proportion of scheme members.
- The need to address the long-standing backlogs and process issues within the administration service.
- The need to continually review the investment strategy and strategic asset allocation to properly address systemic risks to the value of the Fund's assets and respond to the requirements arising from the Government's consultation on LGPS investments.
- The need to comply with developing requirements around governance, such as the Regulator's General Code.
- Developments within the Local Government Pension Scheme and the wider pensions industry such as the Pensions Dashboard.
- Wider economic developments which can affect the investment strategy and the affordability of contributions for employers.
- Technological developments.
- Feedback from stakeholder groups, including scheme members, employers and our staff.

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

In this year's update to the Corporate Strategy, we have taken a more focussed approach to the items which are included as corporate projects. As a result, some tasks previously included have been removed although they will continue to be undertaken within the work plans of individual teams. Other pieces of work have now been absorbed within other larger programmes and others have been removed as we reprioritise our resources to focus on the things that are most important and others because we have completed the relevant piece of work. We have also grouped the various projects differently because of the need to devote greater focus to improvements across the administration service. To provide an audit trail of these movements in the plan we have provided an appendix which shows how each task in the previous version of the Corporate Strategy has been dealt with.

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

- *Administration Improvement Plan* – A series of interlinked activities which are intended to address long standing issues which have affected the underlying performance of the administration service and place the service on a stable and sustainable basis.

- *Delivering the Investment Strategy* – A range of activities which support delivering the investment strategy including progress to Net Zero.
- *People* – Activities which are designed to ensure that the Authority has the right number of people with the right levels of skills and experience to enable it to effectively deliver services.
- *Organisation Wide* – Activities which affect all parts of the organisation, and which are intended to strengthen parts of the organisational infrastructure.
- *Governance* – Activities which are intended to strengthen the governance framework and ensure the demonstration of compliance with regulatory requirements.
- *ICT* – A programme of work designed to ensure that the Authority's ICT infrastructure is both up to date and being effectively utilised to improve the delivery of services.

For 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 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 based on either age or gender. These represent a significant volume of work 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.
- Which corporate objectives each task relates to.
- The risks in the Corporate Risk Register which each task addresses.

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

Ref	Project / Action	Timescale		Responsible	Link to Objectives	Link to Risks
		Start	Finish	Manager		
A	**Administration Improvement Plan**			**AD-P**		
A1	Deliver ongoing improvements in data quality	Apr 24	Mar 26	SM-T	Customer Focus Scheme Funding	O2 Data Quality O4 Regulatory Compliance
A2	Implement changes to the organisation approved during 2023	Feb 24	Sept 24	AD-P	Customer Focus Valuing Employees	O6 Backlogs P2 Technical Knowledge P3 Single Point of Failure
A3	Implement system improvements to ensure that the Authority is making the best use of technology.	Apr 24	Mar 25	SM-B/ TL-S	Customer Focus Listening to Stakeholders	O2 Data Quality O6 Backlogs
A4	Clear backlogs of casework	Feb 24	Dec 25	SM-B	Customer Focus	O6 Backlogs
A5	Implement the McCloud Remedy	Apr 24	Mar 26	AD-P	Customer Focus Scheme Funding	O3 Data Quality O4 Regulatory Compliance
A6	Implement the Pensions Dashboard	Apr 24	Oct 26	Hd ICT/ SM-CS	Customer Focus	O3 Data Quality O4 Regulatory Compliance
I	**Deliver the Investment Strategy**			**AD-IS**		
I1	Implement 2023 Asset Allocation Changes	Mar 23	Mar 26	AD-IS	Investment Returns Responsible Investment Scheme Funding	I1 Market movements I2 Climate I3 B2C Strategic Plan I4 Cashflow I5 Contribution Affordability
I2	Progress the Authority's Net Zero Ambition	Apr 24	Ongoing	Dir	Investment Returns Scheme Funding	I1 Market Movements I2 Climate
I3	Deliver the Place Based Impact Investment Strategy	Mar 23	Mar 25	IM	Investment Returns	I1 Market Movements I4 Cashflow
I4	Plan and deliver 2026 Strategy Review	Nov 24	Mar 26	AD-IS	Investment Returns Responsible Investment Scheme Funding	I1 Market movements I2 Climate I3 B2C Strategic Plan I4 Cashflow I5 Contribution Affordability

Ref	Project / Action	Timescale		Responsible	Link to Objectives	Link to Risks
		Start	Finish	Manager		
P	**People**			**AD-R**		
P1	Develop and implement a new organisation wide Learning and Development Strategy	Apr 24	Sept 25	AD-R/ HR BP	Valuing Employees	P2 Technical Knowledge P3 Single Point of Failure
P2	Develop and implement a corporate policy to ensure consistency of career grade schemes across the organisation	Apr 24	Jun 25	AD-R/HR BP	Valuing Employees	P1 Vacancies P2 Technical Knowledge
O	**Organisation Wide**			**AD-R**		
O1	Develop a fully revised and updated Business Continuity Strategy	Apr 24	Dec 24	Hd ICT	Customer Focus Effective Governance	O1 Cyber Security O4 Regulatory Compliance
O2	Develop and implement a Sustainability Strategy for the organisation	Jan 25	Mar 26	Hd ICT	Responsible Investment Effective Governance	I2 Climate Change
O3	Procure and implement a new HR and Payroll system	Mar 24	Dec 24	Hd Fin	Effective Governance Valuing Employees	G4 Project Delivery
O4	Develop and implement a new Performance Management Framework	Apr 24	Dec 24	SM-PP	Effective Governance	G4 Project Delivery
G	**Governance**			**Hd G**		
G1	Implement the results of the Independent Governance Review	Jul 24	Mar 25	Hd G	Listening to Stakeholders Effective Governance	G1 Member Knowledge & Understanding
G2	Complete and embed the updated suite of Information Governance policies and procedures	Apr 24	Sept 25	TL-G	Customer Focus Effective Governance	O3 Data Protection
G3	Ensure compliance with the new TPR General Code of Practice	Apr 24	Mar 25	Hd G	Effective Governance	O4 Regulatory Compliance

Ref	Project / Action	Timescale		Responsible	Link to Objectives	Link to Risks
		Start	Finish	Manager		
T	**ICT**			**Hd ICT**	*All the ICT actions below also underpin and support all the SYPA Objectives by providing the infrastructure for whole organisation and our services.*	
T1	Complete M365 Roll Out	Apr 24	Jun 24	Hd ICT	Effective Governance Valuing Employees	G4 Project Delivery
T2	Adoption and exploitation of available M365 tools and functionality	Jul 24	Mar 26	Hd ICT	Effective Governance Valuing Employees	G4 Project Delivery O3 Data Protection
T3	Maintain the Authority's cyber defences	Apr 24	Mar 26	SM-Inf	Customer Focus Effective Governance	O1 Cyber Security O3 Data Protection O4 Regulatory Compliance
T4	Deliver ongoing improvements to the Authority's ICT infrastructure	Apr 24	Mar 26	SM-Inf	Effective Governance Valuing Employees	O1 Cyber Security

Key:

AD-IS	Assistant Director – Investment Strategy
AD-P	Assistant Director – Pensions
AD-R	Assistant Director – Resources
Dir	Director
Hd Fin	Head of Finance
Hd G	Head of Governance
Hd ICT	Head of ICT
HR BP	HR Business Partner
IM	Investment Manager
SM-B	Service Manager – Benefits
SM-CS	Service Manager – Customer Services
SM-Inf	Service Manager – ICT Infrastructure
SM-PP	Service Manager – Programmes and Performance
SM-T	Service Manager – Technical Support and Training
TL-G	Team Leader - Governance
TL-S	Team Leader – Pension Systems Development

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

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

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

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

- Deliver an upward trend in customer satisfaction with the administration service.

  Customer satisfaction is measured through surveys looking at a range of interactions (e.g., retirement, telephone contact etc.). While there are periodic up's and downs all these measures give a combined satisfied and very satisfied score over 90%.
- Meeting targets for the processing of transactions within specified timescales.

  Current processing performance is significantly below target. 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. This position is unlikely to improve significantly until key elements of the Administration Improvement Plan have been delivered.
- 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 is still extremely 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. The largest causes of complaints seem to be correlated with the backlogs resulting from the current level of processing performance.
- 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 extremely low.

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 2022 valuation with a funding level of 119%. Later estimates indicate that this is being maintained and that the underlying funding level may have increased due to the impact of rising interest rates on the value of liabilities.
- Achievement of stability in employer future service contribution rates.

  This was achieved for major employers at the 2022 valuation and will be a key goal for the 2025 valuation.

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.

  Market conditions saw a reduction in overall fund value during 2022/23 which has recovered in the next period. Longer term performance remains above benchmark and actuarial assumption, but shorter-term performance is below target in part as a result of higher levels of inflation and the interest rate environment. However, at the same time the interest rate environment has reduced the forecast level of liabilities significantly.

- 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 compared 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 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 last valuation gave a funding level of 119% and the estimated position is currently that the position has improved from this.

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 CEM reports show that this is broadly being achieved.

- 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 but is higher than would be desirable.

- Aim to show an improving trend in staff engagement from staff survey data.

  The results of the Staff Survey conducted during 2023 show a significant improvement on the 2020 position although there remains work to do in terms of training, development and career paths for some 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 supply comprehensive information on this indicator. Sample data from Internal Audit work shows some inconsistencies in approach.

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

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

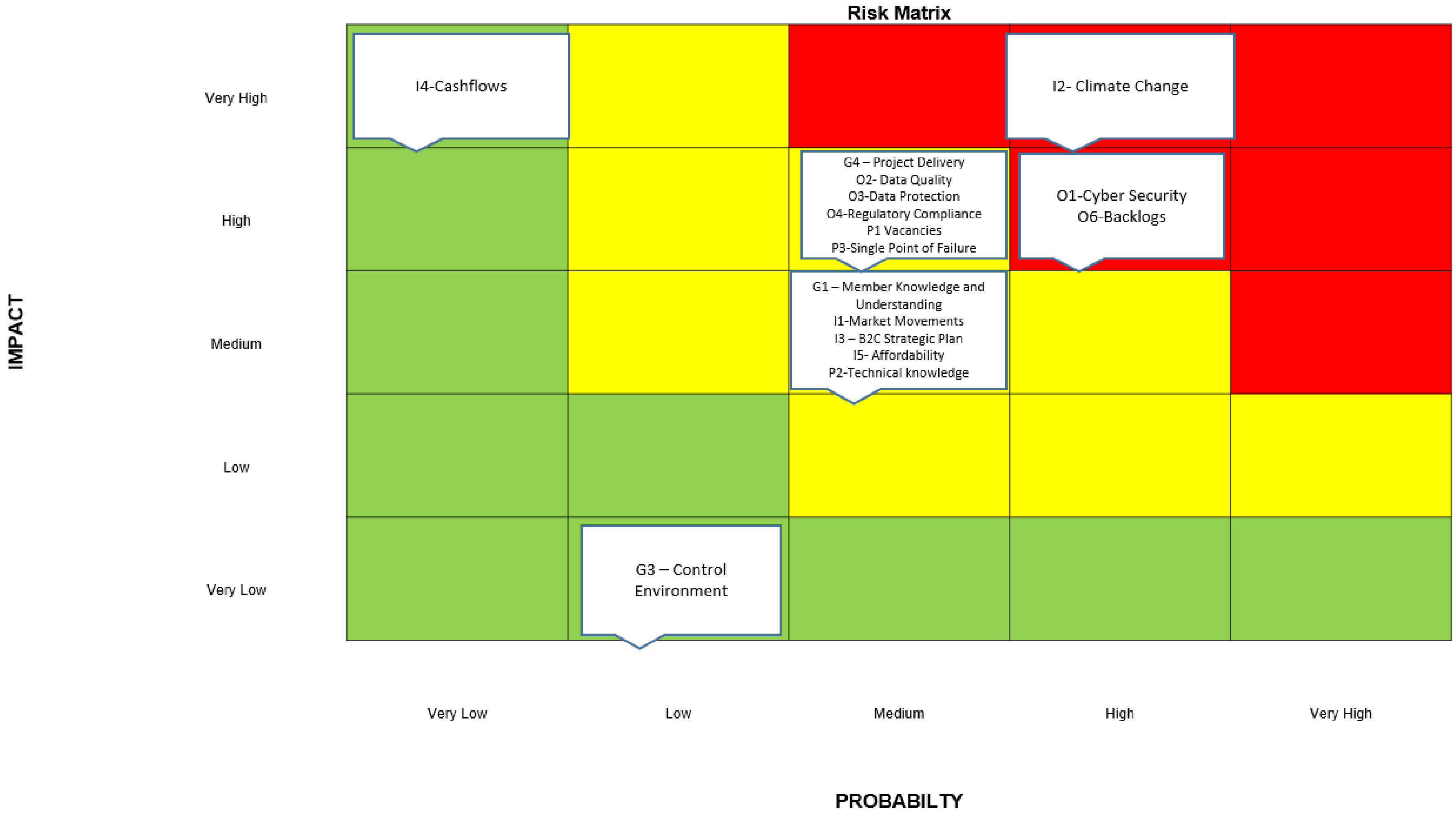
These are the risks that something might go wrong. The chart below shows each of the risks included on our Corporate Risk Register as at December 2020 mapped on to the risk matrix which we use to understand how significant each risk is. The further towards the top right of the matrix a risk is the greater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

We use four categories to classify risks:

- Governance – These are risks that affect the soundness of our overall control and decision-making framework.
- Investment and Funding – These are risks that affect 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 keep a suitably qualified, experienced and engaged workforce.

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

The Risk Register has been comprehensively reviewed as part of the work to introduce a new risk management system and update the overall risk management framework which has resulted in a clearer understanding of the nature of the various risks across the whole of the Leadership Team. A summary of the register is shown below. The full risk register is available with the quarterly performance reports on the Authority's website.


Risk Matrix
IMPACT
Very High
High
Medium
Low
Very Low
I4-Cashflows
I2- Climate Change
G4 – Project Delivery
O2- Data Quality
O3-Data Protection
O4-Regulatory Compliance
P1 Vacancies
P3-Single Point of Failure
O1-Cyber Security
O6-Backlogs
G1 – Member Knowledge and Understanding
I1-Market Movements
I3 – B2C Strategic Plan
I5- Affordability
P2-Technical knowledge
G3 – Control Environment
Very Low
Low
Medium
High
Very High
PROBABILTY

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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 work 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 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 is 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 gives a summary of the budget for 2024/25 and forecasts for future years.

South Yorkshire Pensions Authority Operating Budget	2023/24 Forecast Outturn £	2024/25 Budget £	2025/26 Estimate £	2026/27 Estimate £
Pensions Administration	3,370,220	3,646,910	3,705,860	3,781,910
Investment Strategy	585,140	656,400	669,000	681,610
Resources	1,081,630	1,434,760	1,461,520	1,490,540
ICT	973,840	1,495,590	1,535,000	1,547,490
Central Costs	876,560	840,180	856,990	874,120
Democratic Representation	175,840	127,060	129,600	132,190
Unfunded Liabilities	353,000	332,000	343,620	355,650
Subtotal Revenue Expenditure:	**7,416,230**	**8,532,900**	**8,701,590**	**8,863,510**
Capital Expenditure	72,000	98,500	65,000	65,000
Contribution to/from Reserves	(285,000)	(28,000)	135,000	145,000
Levy on District Councils	(353,000)	(332,000)	(343,620)	(355,650)
Total Charge to Pension Fund	**6,850,230**	**8,271,400**	**8,557,970**	**8,717,860**

Membership	179,970	183,570	185,410	187,260
Cost Per Member	**£38.06**	**£45.06**	**£46.16**	**£46.55**

The budget requirement in 2024/25 has increased by £1.416m on the previous year. This reflects the significant investment agreed by the Authority in increased staffing to ensure the ongoing resilience of the organisation and to provide the ability to address the performance issues being experienced in Pensions Administration. More detail is available in the Medium-Term Financial Strategy and the Budget report presented to the February 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	Actual	Forecast	Forecast	Forecast	Forecast
Financial Forecast	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£m	**£m**	**£m**	**£m**	**£m**
Dealings with members, employers and others directly involved in the scheme:					
Contributions receivable & transfers in from other pension funds	-236	-405	-266	-277	-286
Benefits payable and payments to or on account of leavers	366	426	345	355	369
Net (additions) / withdrawals from dealings with members	**130**	**21**	**79**	**78**	**83**
Management expenses	69	80	85	87	97
Net returns on investments	273	-599	-640	-662	-700
Net (increase)/decrease in the Fund during the year	**472**	**-498**	**-476**	**-497**	**-520**
Net Assets of the Fund at 1 April	-10,674	-10,202	-10,700	-11,176	-11,673
Net Assets of the Fund at 31-Mar	**-10,202**	**-10,700**	**-11,176**	**-11,673**	**-12,193**
Management Expense Ratio	0.68%	0.75%	0.76%	0.75%	0.80%

This forecast reflects actual investment performance in the current year, and the increasing imbalance between contributions and benefits payable (although this is somewhat distorted by the impact of prepayments following each actuarial valuation). Currently management expenses are forecast to change reflecting a change in the balance of the fund's investments towards alternatives which attract higher levels of fees. Based on current estimates of the funding level, this forecast shows that based on the underlying assumptions it should be possible to maintain full funding at whole fund level, although this is significantly dependent on the level of interest rates which affects the valuation of the Fund's liabilities.

What about our people?

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

We employ 126.6 full time equivalents (equating to around 136 people) distributed across our services as shown below.

Service Area	2023/24 Funded Establishment FTE	2024/25 Funded Establishment FTE
Pensions Administration	72.2	76.3
Investment Strategy	4.0	4.0
Resources (Including ICT)	33.9	45.3
Central Costs	5.0	1.0
Total	**115.1**	**126.6**

The significant growth between years reflects the investment agreed by the Authority to ensure continued organisational resilience and to address the workload pressures within the administration service. There is also the impact of the movement of some teams between services which makes it look like Resources has increased significantly whereas the underlying increase is in Pension Administration.

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

The last 12 months has seen significant progress in these areas with a fundamental review of the pay and benefits package being undertaken which is designed to provide a platform for the more detailed workforce planning that is required to ensure that we have the right balance of skills and experience across the organisation on a consistent basis.

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 2023 we conducted our regular staff survey, which was delivered for us by an external organisation.

Overall, the results of the survey were positive with comparisons to the last survey in 2020 generally showing improvement across all the areas of focus. There are, though areas for improvement including the need to develop clearer career paths for more experienced staff within pension administration and to create sufficient space in workloads to deliver our aspirations for learning and development. While improvements in communication were acknowledged this is an area that will need to continue to be addressed going forward.

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

Appendix – Changes to Projects Included in the Corporate Strategy

The table below sets out the projects identified in the previous version of the Corporate Strategy and identifies how they are reflected in the current strategy or how they are now being dealt with.

Ref	Project	Comment
D01	Valuation 2022	Removed as now complete
D02	Guaranteed Minimum Pension	Included within the Data stream of the Administration Improvement Plan
D03	McCloud Remedy	Included within the Data stream of the Administration Improvement Plan
D04	Complaints	Will form part of the Team Plan for the new Technical Support Team and the objectives of the Service Manager – Technical Support when in post.
D05	Pensions Dashboard	Data elements included within the Data stream of the Administration Improvement Plan. ICT elements included in the ICT Team Plan.
D06	Annual Data Improvement Plan	Will form part of the Team Plan for the new Technical Support Team as this should now be business as usual. Any major data improvement exercises are reflected in the Data stream of the Administration Improvement Plan.
P01	UPM System Improvements	Compliance with the contract and the supplier relationship are now business as usual. Retire online has been completed for deferred members and is now business as usual and subject to continuous improvement. Automation of Joiners / Leavers forms part of the System Improvements stream of the Administration Improvement Plan. The dynamic homepage is complete and has been removed. Examination of an App, the use of Chatbots and online ID verification have been removed as these are not priorities in the supplier's development pathway. Employer Hub forms part of the System Improvements stream of the Administration Improvement Plan.
P02	Monthly Data Collection	Work on the validator app is complete. Further improvements to the timeliness and quality of submissions is required before automation of direct debits is addressed and therefore this has been removed.

		Any further improvements to systems in this area will be driven from relevant streams within the Administration Improvement Plan.
P03	Reporting	This work forms part of the project focussed on the creation of a comprehensive Performance Management Framework.
P04	Financial Processes	Debt recovery is complete and will be removed. Benefits realisation will form part of the Finance Team plan. VAT Special Method will form part of the Finance Team plan and will be timed for post the transfer of all investment properties. Custodian is part of the Investment Strategy delivery theme as it involves more than one team and potentially has significant impact on the operating model. Banking will form part of the Finance Team plan. Treasury Management has been removed as it is now complete. Commercial Property Insurance will form part of the Finance Team plan.
P05	Certifications	Customer Service Excellence will form part of the Customer Services Team Plan The other elements of this work stream have been de-prioritised and will be looked at again following progress on the remainder of the Corporate Strategy.
I01	Strategic Issues	Strategy Review is complete, and this task has been removed. Remaining projects are significant pieces of work that form part of the Implement the Investment Strategy delivery theme.
I02	Tactical and Transactional Issues	These form part of the Investment Strategy Team plan.
O01	Governance	Where not completed these tasks have been absorbed in the Governance Team plan
O02	People	HR& Payroll System forms part of the People theme. Consolidation of Finance Structure forms part of the Finance Team plan Health and Wellbeing strategy forms part of the People theme. Apprenticeship Framework and learning paths form part of the HR team plan. Staff Survey actions are complete. Collaborative working is ongoing but is business as usual.
O03	ICT	Microsoft 365 is part of the ICT Theme Hardware replacement policy is completed and is business as usual.

		Corporate Website has been completed. ICT policies forms part of the ICT Team plan. Cyber security is still a priority but has been operationalised and forms part of the ICT Team plan.
O04	Project and Programme Management	Project Management Methodology – partially completed remaining work forms part of the Programmes & Performance Team plan. Prioritisation process for developments completed.
O05	Business Continuity	Forms part of the Organisation Wide theme
O06	Pay and Benefits Review	Completed remaining implementation issues considered in the HR and Finance Team plans (policies and Salary Sacrifice schemes)

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Agenda Item

Subject	**Pensions Authority Budget 2024/25**	**Status**	For Publication
Report to	Authority	**Date**	08 February 2024
Report of	Chief Finance Officer		
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 2024/25 for approval.

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2 Recommendations

2.1 Members are recommended to:

a. Approve the 2024/25 budget for the Authority, a total of £8,271,400.

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3 Link to Corporate Objectives

3.1 This report sets out the budget for 2024/25 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 During 2023/24, the Senior Management Team completed a review, plan and consultation for addressing Pensions Administration capacity issues, which have led to a casework backlog. The resulting report included a range of proposals involving growth in the staffing establishment to be implemented over the course of 2024/25 and estimated cost implications of £444k in 2024/25. The proposals were approved by the Staffing Committee in October 2023 and are included in the budget for 2024/25 presented below. Additionally, the outcome of the pay and benefits review completed in the year was reported to the same meeting, at which a package of proposals with an estimated cost of £197k in 2024/25 was approved by the Committee.

5.4 The table on the following page shows the proposed budget for 2024/25 and the main changes within this when compared to the revised budget for the 2023/24 year.

Table 1: South Yorkshire Pensions Authority – Operating Budget 2024/25

Operational Budget	2023/24 Revised Budget	Transfers Between Budget Heads	Salaries Budget Movement	Other Budget Movements	2024/25 Budget for Approval
Cost of Services					
1) Pensions Administration	3,253,030	(305,000)	676,890	21,990	3,646,910
2) Investment Strategy	635,770	(56,890)	114,100	(36,580)	656,400
3) Resources	1,033,720	171,000	214,100	15,940	1,434,760
4) ICT	972,975	305,000	69,400	148,215	1,495,590
5) Central Costs	869,650	(57,220)	82,770	(55,020)	840,180
6) Democratic Representation	167,920	(56,890)	0	16,030	127,060
Residual Unfunded Liabilities of South Yorkshire County Council	353,000	0	0	(21,000)	332,000
Subtotal Revenue Expenditure	**7,286,065**	**0**	**1,157,260**	**89,575**	**8,532,900**
Capital Expenditure	72,000	0	0	26,500	98,500
Levy on District Councils for Residual Liabilities	(353,000)	0	0	21,000	(332,000)
Subtotal before transfers to / (from) reserves	**7,005,065**	**0**	**1,157,260**	**137,075**	**8,299,400**
Appropriations to / (from) Reserves Total	(150,000)	0	0	122,000	(28,000)
Grand Total	**6,855,065**	**0**	**1,157,260**	**259,075**	**8,271,400**

2023/24 Revised Budget £	Total Charge to the Pension Fund comprises:	2024/25 Budget £
4,646,230	Administration Expenses	5,960,900
544,175	Investment Management Expenses	616,820
1,664,660	Oversight & Governance Expenses	1,693,680
6,855,065		**8,271,400**

5.5 The overall budget requirement is for a total of £8,271,400 representing a total increase of £1,416,335 on the previous revised annual budget of £6,855,065. As outlined in the financial context set out in paragraph 5.3 above, this overall increase on the budget includes two significant items separately approved by the Staffing Committee and also includes increased costs previously approved in 2022 arising from the Director's Organisational Resilience and Sustainability proposals.

5.6 For clarity, the following tables show the total budget increase of £1,416,335 analysed into: the increases arising from changes previously approved, the increases for specific items elsewhere on this agenda for separate approval, and the remaining balance of the annual increase to the budget for the Authority's operational running costs.

Changes Previously Approved	**Approved in:**	**2024/25 Budget Amount £**
BSO role in Establishment, Not Funded in 2023/24	Sep-20	37,140
Organisational Resilience & Sustainability	Oct-22	53,500
Pensions Administration Resourcing Plan	Oct-23	443,820
Pay and Benefits Review Outcomes	Oct-23	197,000
Subtotal Budgetary Impact of Items Previously Approved		**731,460**

Proposed Changes for Separate Approval	**Detail Available in:**	**2024/25 Budget Amount £**
Changes to Financial Services Resourcing	Report in Part 2 of this Agenda	39,440
Senior Management Succession Planning	Report in Part 2 of this Agenda	87,000
Subtotal Budgetary Impact of Items Subject to Separate Approval		**126,440**

Subtotal Remaining Annual Budget Increase - Fully detailed in this report	**558,435**

Total Increase in 2024/25 Budget Compared to Prior Year	**1,416,335**

5.7 The total proposed increase in the budget for 2024/25 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	**2023/24**	**2024/25**	**Increase**
Budget Total	£6,855,065	£8,271,400	£1,416,335
	Estimated 31/03/2024	**Estimated 31/03/2025**	**Increase**
Membership Totals	179,970	183,570	3,600
Total Cost Per Member	£38.09	£45.06	£6.97
Increase as %			**18.3%**

Increase Analysed:	Increase in Cost Per Member	Increase as a Percentage
Changes Previously Approved of £731,460	**£3.98**	**10.4%**
Proposed Changes for Separate Approval of £126,440	**£0.69**	**1.8%**
Remaining Annual Budget Increase of £558,435	**£2.30**	**6.0%**
Total Increase	**£6.97**	**18.3%**

5.8 The table above shows that the increase in the proposed budget for 2024/25 – excluding the increase from the separate pieces of work approved by the Authority– is equivalent to a 6.0% 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 6.06% in 2023/24) and CPI inflation (at 6.7% in September 2023) – would equate to 6.3%. Therefore, the increase proposed in this budget is within this guideline.

Salaries Budget Movement

5.9 The total increase of £1,157,260 on salaries budgets is analysed in the table below:

Employee Budget (Salary + On-costs)	Budget £	Comments
2023/24 Employee Budget	**4,568,560**	
BSO Role in Establishment, Not funded in 2023/24	37,140	
Subtotal - Established Roles	**37,140**	
Organisation Resilience and Sustainability Review: Newly Established Posts:		
Customer Services Officers	53,500	Approved in October 2022.
Subtotal - Resilience & Sustainability Changes	**53,500**	
Pensions Administration Resourcing Plan: Newly Established Posts:		
Benefits Team Leader	57,310	These are all the proposals approved in October 2023. The budgetary impact shown here takes account of the phased recruitment through 2024/25.
Benefits Senior Practitioner	38,840	
Benefits Pensions Officers	122,290	
Service Manager - Employer Services	62,920	
Team Leader - Engagement	57,310	
Technical Training Lead (2-year FTC)	57,310	
Customer Feedback Officer	34,820	
Data Analyst	34,820	
Removed Technical & Training Officer	(21,800)	
Subtotal - Pensions Administration Resourcing Plan	**443,820**	
Pay & Benefits Changes	197,000	Approved in October 2023.
Subtotal - Pay & Benefits Review Outcomes	**197,000**	

Other Changes For Separate Approval		
Changes to Financial Services Structure	39,440	See report in Part 2 of this Agenda.
Senior Manager Succession Planning	76,000	See report in Part 2 of this Agenda
Subtotal - Other Changes For Separate Approval	**115,440**	
Remaining Annual Increase in Salaries Budget		
Vacant Senior Systems Officers – salary budget moved to consultancy budget	(70,260)	Pending a review of resourcing requirements for this team, budgets for currently vacant posts transferred to consultancy budget to be used for external support if required.
Estimate for 2024/25 pay award based on prudent assumption of 4%	218,990	No formal offer has yet been made by the NJC employer side.
Impact of 2023/24 pay award above amount included in employee budget	119,000	In 2023/24 this was funded from a corporate contingency budget.
Other Changes (Career grades, incremental progression, hours changes, etc.)	113,390	
Increase in Past Service Pension - Surplus	(47,210)	
Increase in Vacancy Allowance	(23,550)	Set at 2.5% of salaries budgets.
Subtotal - Other Changes	**310,360**	
Total Movement	**1,157,260**	
2024/25 Employee Budget	**5,725,820**	

Workforce and Pay Policy

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

	2023/24 Funded Establishment FTE	Transfers Between Budget Heads FTE	Miscellaneous Changes FTE	Growth FTE	2024/25 Funded Establishment FTE
Pensions Administration	72.2	-8.6	0.3	12.4	76.3
Investment Strategy	4.3	-0.3	0.0	0.0	4.0
Resources	23.6	4.0	-0.6	1.0	28.0
ICT	10.3	8.6	0.0	-1.6	17.3
Central Costs	4.4	-3.4	0.0	0.0	1.0
Democratic Representation	0.3	-0.3	0.0	0.0	0.0
Total	**115.1**	**-0.0**	**-0.3**	**11.8**	**126.6**

5.11 The transfers between budget heads represent changes in reporting lines following the Pensions Administration structure review:

a. Pensions Administration – the Systems team, 8.6 FTE, have moved from this budget head to the ICT budget head. The Systems team now report to the Head of ICT in the organisation structure and the Head of ICT reports to the Assistant Director - Resources.
b. Central Costs – the corporate services roles – in Communications and Programmes & Performance, 4 FTE, have moved from this budget head to Resources.
c. Additionally, the costs for the Director have historically been split into thirds between Investment Strategy, Democratic Representation and Central Costs for reporting purposes. The decision has been taken to budget and report the full costs of the Director in Central Costs. When the management expenses of the Authority are charged to the Fund, these costs and all other costs, will continue to be split between the three required categories of Administration Expenses, Investment Management Expenses, and Oversight & Governance.

5.12 The miscellaneous changes reflect changes that have been approved at different stages during the 2023/24 year so were not included in the original budget establishment.

5.13 The changes shown in the column as 'Growth' represent the increases for 2024/25 to the total established FTE arising from the following:

a. Pensions Administration 12.4 FTE – this was a result of the Pensions Administration resourcing plan approved by the Staffing Committee.
b. Resources 1.0 FTE – this is subject to approval of the Finance resourcing planning proposals set out in part 2 of this agenda.
c. ICT -1.6 FTE – this is a net result of removing 2.6 FTE Senior Systems Officers pending a review of resourcing need in this team. (Note – part of the budget for these posts has been transferred to the consultancy budget) plus the addition of 1 FTE Operations Business Support Officer being transferred from Resources.

5.14 The Authority produces a Pay Policy Statement which sets out its arrangements for pay and reward. The updated Pay Policy Statement for 2024 is elsewhere on this agenda.

Other Budget Movements

5.15 This column in Table 1 at paragraph 5.4 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 £137,085 is analysed with explanations in the following table.

Budget Head	Item of Expense	Detail	Total £
Pensions Administration	Overtime	The budget for 2023/24 did not include any costs in relation to overtime. Part of the Pensions Administration backlog clearance plan includes the use of overtime as a one-off measure. The amount shown here for the 2024/25 budget will therefore be a non-recurrent item and will not be in the 2025/26 budget onwards.	70,000
	Long Service Award	Part of the pay and benefits review included a change to the loyal service award scheme. The change includes a catch-up payment in April 2024 to cover anybody now entitled to the new scheme award. The Pensions Administration team has a large number of experienced, loyal staff, which has resulted in a significant increase for the 2024/25 budget. The amount for loyal service awards to be budgeted from 2025/26 onwards will be significantly less than this – approximately £4,000 per year.	14,200
	Miscellaneous	Net total increase due to inflation following a review of a number of budgets for items such as recruitment advertising, working from home allowance, legacy retirement, venue hire and ill health reports.	10,190
	Admin Fees Income	Net reduction in income from admin fees charged to employers and payroll administration fees. The fees are dependent on a number of variable factors such as number of employers and the complexity of the work; the budgeted income has been reviewed to reflect the actual trends based on 2023/24 budget monitoring and forecast outturn.	7,250
	Agency and Recruitment	Removal of the additional budget required in 2023/24 for interim cover and recruitment.	(60,550)
	Professional Fees	The GMP reconciliation and rectification project is due to complete in the Summer of 2024, resulting in a significant reduction in fees. The reduction has been offset by an increase in actuarial and legal fees in line with inflation and work requirements.	(13,500)
	Customer Communications	There is a net reduction to various budgets in relation to communications - mainly due to a reduction in physical mail being sent to members.	(5,600)
Investment Strategy	Miscellaneous	Net total increase due to inflation, plus other minor changes, following a review of a number of budgets for items such as long service award, catering, corporate subscriptions, benchmarking and investment advisors.	12,520
	Recruitment Agency	The Assistant Director - Investment Strategy transition arrangements will require specialist recruitment agents as a one-off cost in 2024/25.	11,000
	Professional Fees	An evaluation of fees in relation to TCFD reporting and impact investing, has resulted in a reduced budget requirement for 2024/25.	(42,500)
	Performance Fees	Investment Strategy Performance Fees will form part of the Custodian procurement package in 2024/25, these will be charged direct to Fund moving forward.	(17,600)

Budget Head	Item of Expense	Detail	Total £
Resources	Professional Training	An increase in the budget to enable further studying of CIPFA and prepare for performance and procurement related professional qualifications. Additionally, an increase in budget provisions for further short courses in order to maintain and complete CPD requirements.	6,000
	Miscellaneous	Net total increase due to inflation, plus other minor changes, following a review of a number of budgets for items such as long service award, training, recruitment and conferences.	5,940
	Communications	The Communications team have not historically had a separate budget provision. With the changes in the Communications Strategy, and the objective of better engagement with all stakeholders, the 2024/25 budget will allow for the utilisation of various services and subscriptions to improve this area.	4,000
ICT	Consultancy Fees	A pensions system consultancy budget of £75k has been created from the transfer of salary budget relating to vacant Senior Systems Officer roles, pending review of resourcing requirements and recruitment plan. This will ensure systems developments can still be progressed in the interim. Additionally, business continuity arrangements are being reviewed, with a £20k budget created to cover the costs of external support for this work.	95,000
	Pensions Administration System	The budget for 2024/25 includes a number of new modules in relation to statutory requirements and improvements including UPM release delivery service, McCloud, GMP and Pensions Dashboards. The modules incur a mix of one-off costs and ongoing annual maintenance, in addition to the annual inflationary increase on the main contract.	53,215
Central Costs	External Audit	Public Sector Audit Appointments Ltd (PSAA) have confirmed the 5-year audit contract scale fees from 2023/24 onwards. The confirmed scale fees are higher than the initial estimates from PSAA.	29,520
	Insurance	Insurance costs have increased significantly over the last 12 months. A prudent approach to the 2024/25 budget has been taken as we await confirmation of our renewal terms.	20,100
	Service Level Agreements with Barnsley MBC	The increase is driven by an increase in the number of days being worked by the HR Business Partner from 3 to 4, in addition to inflationary increases. These increases have been offset by a reduction in the number of internal audit days in the 2024/25 plan.	10,550
	Miscellaneous	Net total increase due to inflation, plus other minor changes, following a review of a number of budgets for items such as the apprenticeship levy, legal and other professional services and health, safety and wellbeing provision.	3,150
	Corporate Contingency	This budget was introduced in 2023/24 to cover the then unknown costs in relation to the pay and benefits review. As the pay and benefits review has now been completed, there is no longer a budget requirement in 2024/25.	(75,000)
	Premises	Net reduction in expenditure driven by a new utilities contract reducing that budget requirement by (£50k). The reduction is offset by an increase in costs in relation to business rates, furniture and other premises costs.	(43,340)

Budget Head	Item of Expense	Detail	Total £
Democratic Representation	LPB	Net total increase due to inflation, plus other minor changes, following a review of a number of budgets for items such as allowances, advisor fees, training and other minor items.	9,070
	Authority Members	Net total increase due to inflation, plus other minor changes, following a review of a number of budgets for items such as allowances, training and other minor items.	6,960
Capital Expenditure	ICT Hardware	A new server is required during 2024/25 at a cost of £40k. The cost is offset by a reduction in the number of laptops required through the year for new staff, and for staff requiring replacements.	26,500
Total Other Budget Movements			**137,085**

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 2024	Contributions to Reserves £	Contributions from Reserves £	Balance 31 March 2025
Corporate Strategy Reserve	55,220	15,700	(21,050)	49,870
ICT Reserve	63,030	10,000	(17,650)	55,380
Subtotal Revenue Reserves	**118,250**	**25,700**	**(38,700)**	**105,250**
Capital Projects Reserve	19,290	0	(15,000)	4,290
Total Earmarked Reserves	**137,540**	**25,700**	**(53,700)**	**109,540**
Net total transfer (from) reserves:		**(28,000)**		

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 2024/25 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 2024/25 will include funding one-off costs associated with developments on the pensions administration system in relation to McCloud and Pensions Dashboard.

5.19 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 future 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

5.20 Included within the Democratic Representation budget shown above is the budget for the Local Pension Board, a total of £38,200.

5.21 A draft budget for the Board totalling £38,200 was considered at their meeting on 9 November 2023 and the Board recommended this to the Authority for approval.

Report Under Section 25 of the Local Government Act 2003

5.22 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.

5.23 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.

5.24 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.
e. The strength of financial management and reporting arrangements.

5.25 The preparation of the 2024/25 budget builds on the comprehensive review of the organisation’s Pay and Benefits offer, and the Pensions Administration resourcing requirements, both of which were carried out in 2023 and approved by Members. As well as the 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.

5.26 Employee costs make up approximately 70% 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.

5.27 As outlined in the table at para 5.9 above, an assumption of 4% has been used for estimating 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 2023/24 the pay award was based on adding £1,925 to each spinal column point up to and including point 43, above which 3.88% was applied, representing an average increase of 6.06%. The assumption of 4% for the 2024/25 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 2023/24, the wider public sector pay policy and the pressures on Local Government finances, the risk that the pay award will be higher than the 4% assumption used in setting the 2024/25 budget is considered to be minimal. There is a risk that it could be lower, in which case this would result in an under-spend.

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

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

5.30 The Chief Finance Officer therefore considers that the estimates included in the budget are robust.

5.31 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.

5.32 The proposed revenue reserves total of £105k forecast at 31 March 2025, as set out in the table at 5.16 above, represents 1.3% of the total budget for 2024/25 and is therefore well below our self-imposed limit. The reserves have been utilised over the last two years for budget smoothing as the organisation has experienced significant growth. The budget plans for 2024/25 as detailed in the report above, represent a significant increase compared to the budget for 2023/24 as the costs of several organisational developments are consolidated into the Authority's budget. It was therefore considered that it should not be necessary to draw down from the Authority's reserves to any great extent, but neither is it currently anticipated that there will be sufficient spare resources in the budget to plan for transfers into the reserves.

5.33 As Chief Finance Officer, I consider the balance on reserves forecast at 31 March 2025 to be the lowest level that I judge to be adequate for the Authority's needs. Therefore, the medium term financial strategy includes plans to gradually build up the balances of the revenue reserves again from 1 April 2025, as the organisation's growth and development is expected to stabilise.

5.34 In practice, as the Authority's expenditure is almost entirely funded by the Pensions Fund which has an asset value of over £10 billion, there is little risk associated with the balance of reserves. Nevertheless, the required budgetary control is applied and the aim is to ensure that the Authority's reserves are adequate to meet the organisation's needs and manage risk without the need to request any further resourcing from the Fund beyond the proposals in this report.

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 5.9 and 5.10.
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.

Gillian Taberner

Assistant Director – Resources & Chief Finance Officer

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

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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Agenda Item

Subject	**Medium Term Financial Strategy 2024/25 to 2026/27**	**Status**	For Publication
Report to	Authority	**Date**	08 February 2024
Report of	Chief Finance Officer Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Will Goddard Head of Finance	**Phone**	01226 666421
E Mail	wgoddard@sypa.org.uk		

1 Purpose of the Report

1.1 To present the Authority's Medium Term Financial Strategy 2024/25 to 2026/27 for consideration and approval.

2 Recommendations

2.1 Members are recommended to:

a. Approve the Medium Term Financial Strategy 2024/25 to 2026/27

3 Link to Corporate Objectives

3.1 The attached Medium Term Financial Strategy (MTFS) sets out the forecast for the running costs of the Authority and for the estimated income and expenditure of the Fund over the next three years and sets the Authority's financial objectives for the period. The strategy is framed in terms of providing sufficient resources to support the delivery of all the corporate objectives set out below.

3.2 The MTFS 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 financial objectives and forecasts outlined in the MTFS are designed to support strong financial management and ensure that sufficient resources are available for the risk mitigation actions being taken as set out in the Corporate Risk Register.

5 Background and Options

5.1 The attached MTFS presents the financial forecasts for the Authority and for the Fund. The financial strategy is designed to support the delivery of the policy position and objectives set out in the Corporate Strategy and is updated annually at the same time as that strategy so that the financial objectives align with the corporate objectives.

5.2 The MTFS also provides a framework of rules within which the Authority will determine the resources available to fulfil its functions. In the updated MTFS attached, this framework remains in place and the specific measurable financial objectives and limits within it have been updated as appropriate to meet the needs and circumstances of the Authority over the next three years.

6 Implications

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

Financial	As set out in the MTFS attached.
Human Resources	The Authority operational budget includes an assumption of a pay award of 4% for 2024/25 and 2% p.a. over the remaining period of the MTFS; the actual pay award will be determined by the National Joint Council for Local Government Services.
ICT	No direct implications.
Legal	No direct implications.
Procurement	No direct implications.

Gillian Taberner

Assistant Director – Resources & Chief Finance Officer

George Graham

Director

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

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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Medium Term Financial Strategy

2024/25 to 2026/27

Contents

1. Foreword

1.1 Foreword to the Medium-Term Financial Strategy 2024/25 to 2026/27

1.1.1 This Medium-Term Financial Strategy (MTFS) has been produced by the South Yorkshire Pensions Authority to cover the period from April 2024 to March 2027. 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 completing 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 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 2023/24 was agreed in November 2023 at a level of £1,925.00 added to each scale point to point 43, and 3.88% to all scale points above this level. This increase is larger than the previous pay award, and has lead to further pressure on Local Government Budgets. Combined with the inflationary economic environment, it looks like higher pay awards are here for the short to medium term.

2.1.5 With the previous two pay awards being proportionally greater than prior increases, 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 now be at around, or quite possibly below, the level of 4%, 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.

2.2.3 Within the LGPS the current funding positions have consistently moved to being in surplus, at the Fund level, rather than deficit. This presents new challenges for Funds in trying to maintain high funding levels, but it can allow a more flexible approach to work with employers and the actuary.

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 informed the review of the Investment Strategy Statement, published in March 2023.

3. Financial objectives

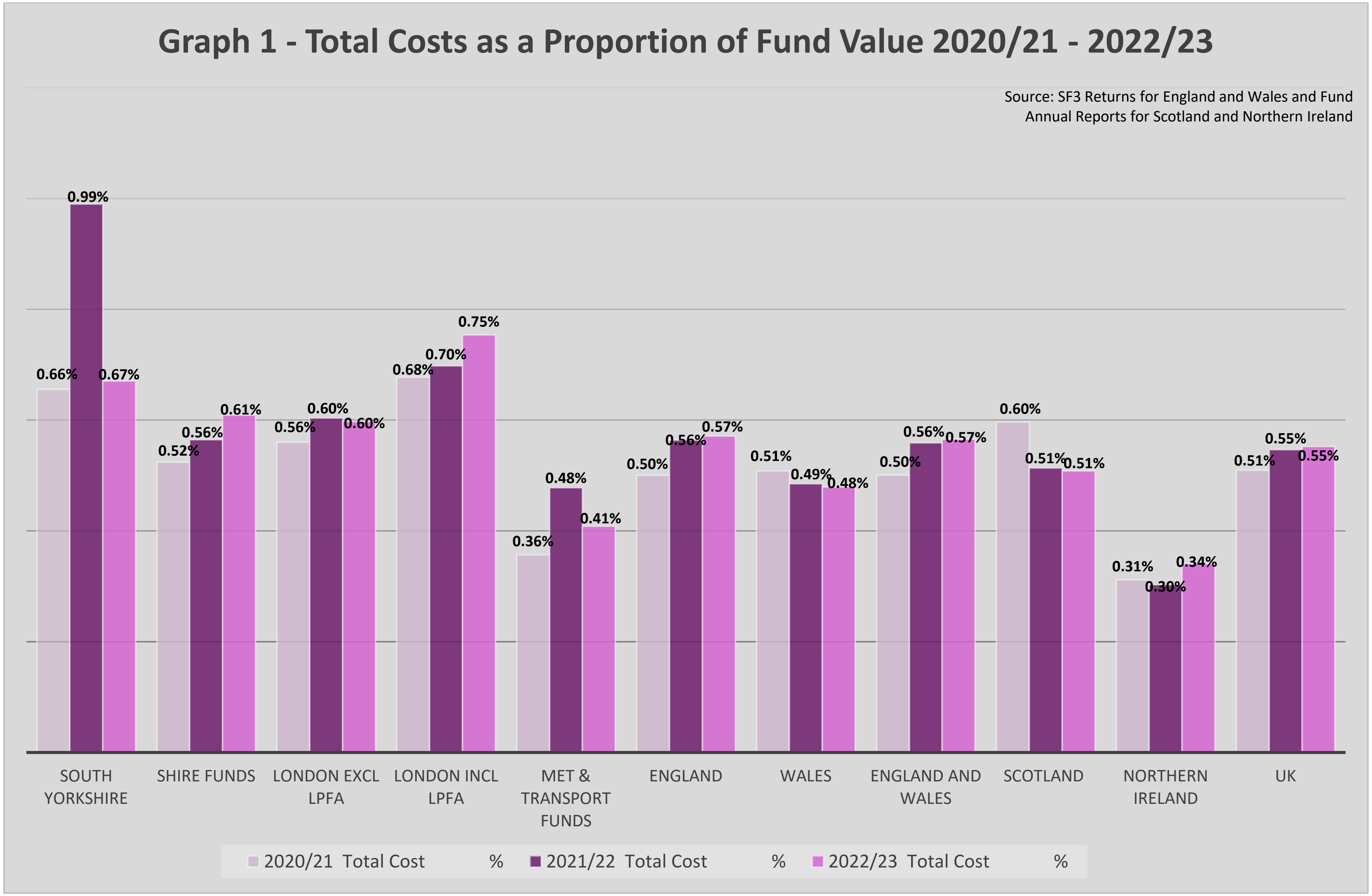
3.1 Financial Objectives

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 2020/21 to 2022/23.


Graph 1 - Total Costs as a Proportion of Fund Value 2020/21 - 2022/23
Source: SF3 Returns for England and Wales and Fund Annual Reports for Scotland and Northern Ireland
0.66%
0.99%
0.67%
0.52%
0.56%
0.61%
0.56%
0.60%
0.60%
0.68%
0.70%
0.75%
0.36%
0.48%
0.41%
0.50%
0.56%
0.57%
0.51%
0.49%
0.48%
0.50%
0.56%
0.57%
0.60%
0.51%
0.51%
0.31%
0.30%
0.34%
0.51%
0.55%
0.55%
SOUTH YORKSHIRE
SHIRE FUNDS
LONDON EXCL LPFA
LONDON INCL LPFA
MET & TRANSPORT FUNDS
ENGLAND
WALES
ENGLAND AND WALES
SCOTLAND
NORTHERN IRELAND
UK
2020/21 Total Cost %
2021/22 Total Cost %
2022/23 Total Cost %

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3.2.3 The chart shows a reduction in SYPA costs in 2022/23, compared to the exceptionally high costs in 2021/22. 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 performed well during 2021/22, and the performance fees account for c50% of our investment management costs. Through 2022/23 the alternative assets performance levelled out, resulting in costs being at a similar level to 2020/21, and in line with other Funds within the chart.

3.2.4 Additionally, 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 2022/23 amounted to £0.36m, and was c.£0.36m in the two years before that.

3.2.5 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 consistently within the chart; 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.

3.2.6 The following table presents more detail of the investment costs and shows the impact reducing alternative investment costs had on the South Yorkshire Pensions Authority figures between 2021/22 and 2022/23.

Investment Management Expenses - Breakdown	2021/22 £0	2022/23 £0
South Yorkshire Pensions Authority	75,877	31,284
Border to Coast Pensions Partnership	22,977	30,055
Abrdn	1,325	1,292
Bidwells	40	41
Custody Fees	60	60
Total Investment Management Expenses	**100,279**	**62,732**
Fund Value at 31 March: £000	**10,673,562**	**10,201,980**
Investment Costs as Percentage of Fund Value %	**0.94%**	**0.59%**

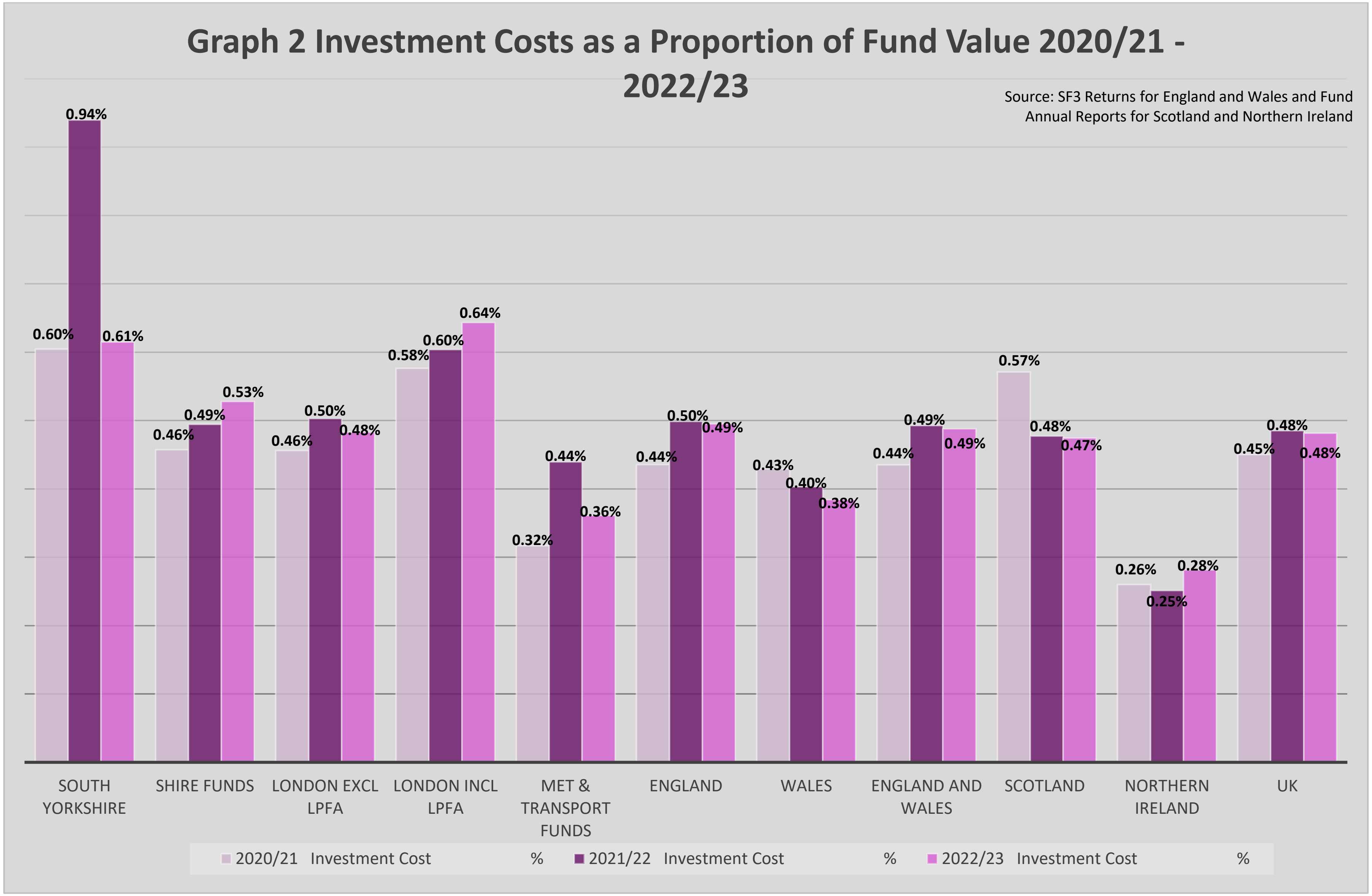
3.2.7 The Authority is confident that our performance in controlling actual costs overall remains strong; but there is no room for complacency, and we continue to closely monitor this area in light of the following factors that are driving cost increases:

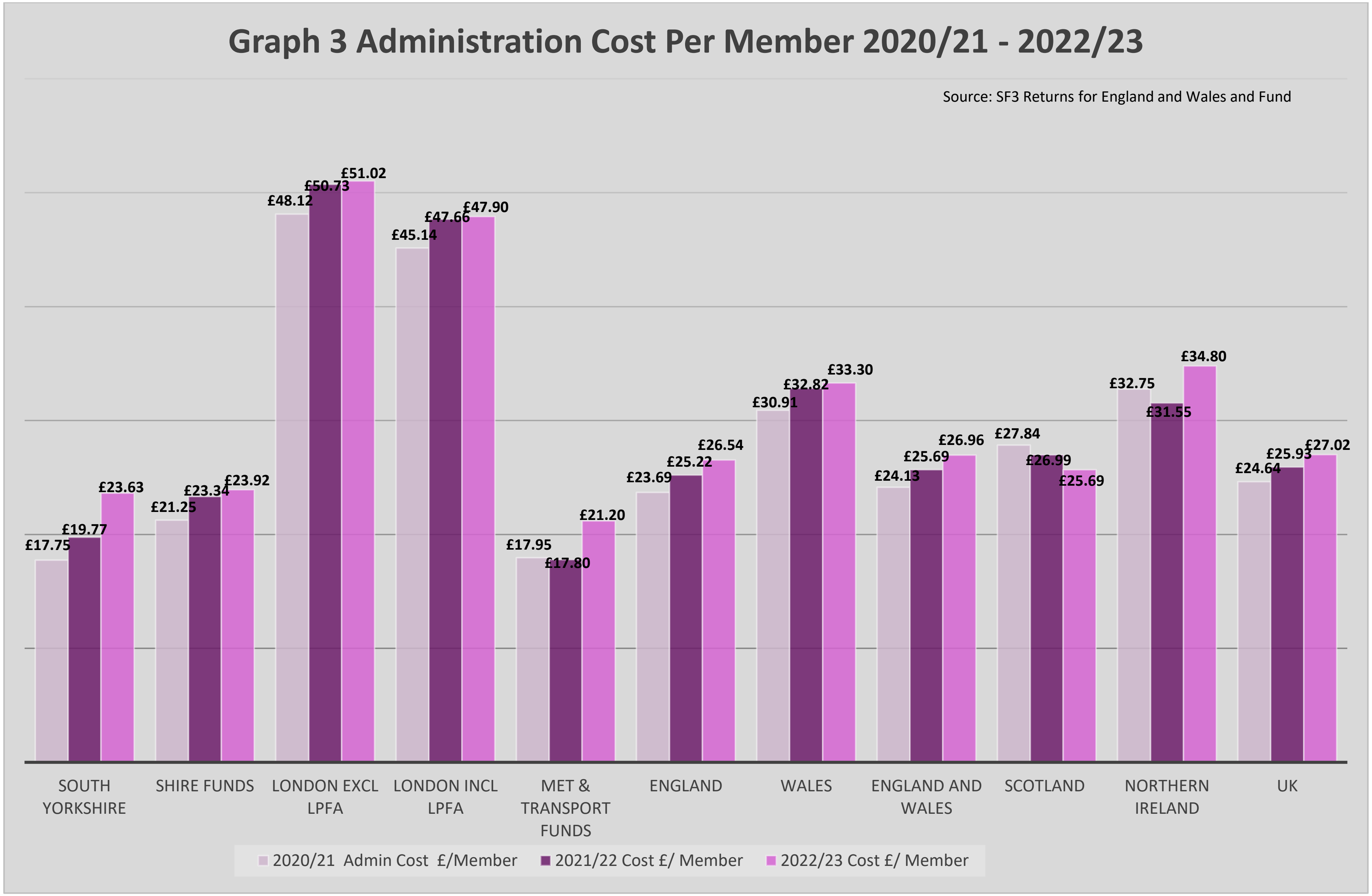
- The Fund's strategic asset allocation continues to move more of the portfolio into unlisted assets such as private equity and infrastructure which in general tend to be more expensive to manage. The impact of this investment strategy is evidenced in Chart 1 and referenced at 3.2.3.

- 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.

3.2.8 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 grow and invest in the development of the organisation and governance.

3.2.9 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 2020/21 - 2022/23
Source: SF3 Returns for England and Wales and Fund Annual Reports for Scotland and Northern Ireland
0.60%
0.94%
0.61%
0.46%
0.49%
0.53%
0.46%
0.50%
0.48%
0.58%
0.60%
0.64%
0.32%
0.44%
0.36%
0.44%
0.50%
0.49%
0.43%
0.40%
0.38%
0.44%
0.49%
0.49%
0.57%
0.48%
0.47%
0.26%
0.25%
0.28%
0.45%
0.48%
0.48%
SOUTH YORKSHIRE
SHIRE FUNDS
LONDON EXCL LPFA
LONDON INCL LPFA
MET & TRANSPORT FUNDS
ENGLAND
WALES
ENGLAND AND WALES
SCOTLAND
NORTHERN IRELAND
UK
2020/21 Investment Cost %
2021/22 Investment Cost %
2022/23 Investment Cost %


Graph 3 Administration Cost Per Member 2020/21 - 2022/23
Source: SF3 Returns for England and Wales and Fund
£17.75
£19.77
£23.63
£21.25
£23.34
£23.92
£48.12
£50.73
£51.02
£45.14
£47.66
£47.90
£17.95
£17.80
£21.20
£23.69
£25.22
£26.54
£30.91
£32.82
£33.30
£24.13
£25.69
£26.96
£27.84
£26.99
£25.69
£32.75
£31.55
£34.80
£24.64
£25.93
£27.02
SOUTH YORKSHIRE
SHIRE FUNDS
LONDON EXCL LPFA
LONDON INCL LPFA
MET & TRANSPORT FUNDS
ENGLAND
WALES
ENGLAND AND WALES
SCOTLAND
NORTHERN IRELAND
UK
2020/21 Admin Cost £/Member
2021/22 Cost £/ Member
2022/23 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. Despite being one of the cheaper costs there is a clear pathway of increasing costs, which is expected to continue through 2024/25 as shown in the accompanying budget report for 2024/25. This is due to the implementation of plans to improve organisational resilience and stability and to ensure the organisation is well resourced and equipped to meet our corporate objectives.

3.2.11 When comparing the two charts it is clear that the main driver of the increased fund costs in 2021/22 came from the investment costs, and in particular the performance costs, referenced at 3.2.3. These costs have now returned to a similar level to 2020/21 and in line with the majority of the other funds in the chart, taking account of the more expensive forms of investment products we are utilising.

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 During 2023/24 we participated in the CEM benchmarking exercise in order to see the value for money picture. The results showed that we are a relatively low cost Pensions Administration function. However, the service score was 62, with a median score of 64, showing we performed slightly below the benchmark of our peer group. The full report and results will be presented to members, alongside the results of the investment benchmarking, on 15 February. An action plan informed by the results will be implemented through 2024/25. The CEM benchmarking exercise will be completed again in 2024/25, to track our performance and development relative to our peers.

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	2024/25 Baseline £ / Member	2025/26 Cash Limit[2] £ / Member	2026/27 Cash Limit[2] £ / Member
Administration Service[1]	£24.35	£25.87	£27.49
Authority Operational Budget[1]	£45.06	£47.88	£50.87

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 2024 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 6.1% which comprises 2.0% Local Government Pay Inflation and 6.7% CPI Inflation, weighted in accordance with the financial objective set out above.

3. Membership is assumed to increase at 2% 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 The 2023/24 CEM Investment Benchmarking report showed our costs were significantly below the benchmark, a total of 7.7bps below, after adjusting for the asset mix.

3.3.8 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.

3.3.9 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 4% through 2024/25 and 2% over the remaining period, which is in line with the average of headline increases from the most recent local government pay awards.
- **Prices -** CPI inflation will be 6.7% for 2024 per the September 2023 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:

South Yorkshire Pensions Authority Operating Budget	2023/24 Forecast Outturn £	2024/25 Budget £	2025/26 Estimate £	2026/27 Estimate £
Pensions Administration	3,370,220	3,646,910	3,705,860	3,781,910
Investment Strategy	585,140	656,400	669,000	681,610
Resources	1,081,630	1,434,760	1,461,520	1,490,540
ICT	973,840	1,495,590	1,535,000	1,547,490
Central Costs	876,560	840,180	856,990	874,120
Democratic Representation	175,840	127,060	129,600	132,190
Unfunded Liabilities	353,000	332,000	343,620	355,650
Subtotal Revenue Expenditure:	**7,416,230**	**8,532,900**	**8,701,590**	**8,863,510**
Capital Expenditure	72,000	98,500	65,000	65,000
Contribution to/from Reserves	(285,000)	(28,000)	135,000	145,000
Levy on District Councils	(353,000)	(332,000)	(343,620)	(355,650)
Total Charge to Pension Fund	**6,850,230**	**8,271,400**	**8,557,970**	**8,717,860**

4.2.2 The budget setting and medium-term financial strategy (MTFS) preparation for 2024/25 to 2026/27 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 2024/25 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 fourteen new posts to be established to support various specific areas of the planned work, as previously approved by the Staffing Committee in October 2023 and as part of the February 2024 Authority reports for approval. 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 2024/25 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 inflation and a range of pressures including social care demand, and the UK’s exit from the EU. The 2023/24 pay settlement was agreed at a higher level than had been used for setting the salaries budget (with the excess increase funded from a corporate contingency and vacancy underspends). Based on the limited information available at this time, we expect this to be 4% in 2024/25; we have forecast the assumption to return to 2% from 2025/26, based on the trajectory of the inflation rates. The increase to 4% in our salaries budget for 2024/25 has been set prudently to cover the increases seen over the past two financial years, taking account of the consistent reduction in inflation since April 2023, with the December 2023 CPI rate being 4%, and BoE and OBR forecasts for inflation.

- Deterioration in budgetary control. Budgetary controls and processes are robust and well-embedded, and subject to regular audit review. The continuing development of the finance system will allow us to increase our levels of budgetary control with more detailed and comprehensive reports, to be developed during the coming financial year along with training and allocation of specific budget responsibility to service managers. 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 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m	Forecast 2026/27 £m
Dealings with members, employers and others directly involved in the scheme:					
Contributions receivable & transfers in from other pension funds	-236	-405	-266	-277	-286
Benefits payable and payments to or on account of leavers	366	426	345	355	369
Net (additions) / withdrawals from dealings with members	**130**	**21**	**79**	**78**	**83**
Management expenses	69	83	88	90	101
Net returns on investments	273	-602	-643	-665	-704
Net (increase)/decrease in the Fund during the year	**472**	**-498**	**-476**	**-497**	**-520**
Net Assets of the Fund at 1 April	-10,674	-10,202	-10,700	-11,176	-11,673
Net Assets of the Fund at 31-Mar	**-10,202**	**-10,700**	**-11,176**	**-11,673**	**-12,193**
Management Expenses as Percentage of Average Net Assets	0.68%	0.78%	0.79%	0.77%	0.83%

4.3.2 In the first year of the forecast, investment costs (including those within the operational budget) are at 75 bps and are expected to remain around this figure at 80 bps by 2026/27. The forecast costs have increased from the 2022/23 actual costs, due to higher performance fees and an increase in the Authority budget, which are both forecast to stabilise at a higher 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 that we have experienced through 2022/23 to 2023/24. These factors include, but are not limited to, the volatile inflationary environment and the war in Ukraine. The external pressures have begun to ease which have helped project an increase in the Fund valuation.

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 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 1,250 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; the ability to use these saved funds in the future 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. There is a limit of 10% of the operating budget, the policy is as follows:

"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 2023/24 financial year, the reserves were put towards the completion of the pay and benefits review, financing capital ICT expenditure and smoothing some budget increases for cost items that take place once every three years for example. The forecast outturn for 2023/24 sees the Authority returning to a minor budget underspend position.

5.1.6 With the pay and benefits review having been completed during 2023/24 the full balance of the Pay & Benefits reserve has been utilised. The reserve has now served the purpose it was created for, and it has been removed from our earmarked reserves for 2024/25 onwards.

5.1.7 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 2024 £**	**Forecast Balance at 31 March 2025 £**	**Forecast Balance at 31 March 2026 £**	**Forecast Balance at 31 March 2027 £**
Operational Revenue Reserves:				
Corporate Strategy Reserve	55,220	49,870	49,870	84,870
ICT Reserve	63,030	55,380	90,380	125,380
Subtotal - Revenue Reserves	**118,250**	**105,250**	**140,250**	**210,250**
Revenue Reserves as % of Budget	*1.8%*	*1.3%*	*1.6%*	*2.4%*
Capital Projects Reserve	19,290	4,290	104,290	179,290
Total Reserves	**137,540**	**109,540**	**244,540**	**389,540**

5.1.8 The above table illustrates that the current plans and forecasts involve drawing down from the revenue reserves in 2024/25, followed by a net contribution into the reserves in 2025/26 and 2026/27. 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 Chief Finance Officer as required, through the quarterly reporting of management accounts and financial forecasts.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Agenda Item

Subject	**Treasury Management Strategy Statement 2024/25**	**Status**	For Publication
Report to	Authority	**Date**	
Report of	Assistant Director – Resources (Chief Finance Officer)		
Equality Impact Assessment	Not Required	Attached	N/a
Contact Officer	Will Goddard, Head of Finance	**Phone**	01226 666421
E Mail	wgoddard@sypa.org.uk		

1 Purpose of the Report

1.1 To comply with: the Local Government Act 2003 and supporting regulations, CIPFA's *Treasury Management in the Public Services: Code of Practice 2021 Edition*, and *Prudential Code for Capital Finance in Local Authorities 2021 Edition* and the then Ministry for Housing, Communities and Local Government's (now DLUHC) *Statutory Guidance on Local Government Investments 3rd Edition (2018)*.

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2 Recommendations

2.1 Members are recommended to:

a. **Approve the 2024/25 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.**

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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 (save for the residual liabilities of the former SYCC, met by a levy on the four district Councils) 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 Chief Finance Officer), who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management. In accordance with the Authority's financial regulations, responsibility for the day-to-day application of the strategy is delegated to the –Head of Finance, who is the Deputy S.73 Officer. 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 our advisers Link and through 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 Agency Treasury Services (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 2023 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 £98,500.

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 (2024/25 to 2026/27) is 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 External Debt

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.

	2024/25	2025/26	2026/27
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 2026/27.

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.

Gillian Taberner

Assistant Director – Resources and Chief Finance Officer

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	
	01/04/2023		31/12/2023	
Treasury Investments by Counterparty	**£m**	**%**	**£m**	**%**
Banks	36	46%	48	45%
Local Authorities	10	13%	10	9%
Money Market Funds	32	41%	48	45%
Total Treasury Investments	**78**	**100%**	**106**	**100%**

The following table analyses the treasury investments held as at the end of quarter 3, by the period to maturity at investment, 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 31/12/2023	Average Interest Rate	Banks	LA	MMF	Total	Allocation
Immediate - Bank Account	0.00%	28	0	0	**28**	26%
Immediate - MMF	5.20%	0	0	48	**48**	45%
Up to 1 Month	0.00%	0	0	0	**0**	0%
1 to 3 Months	4.45%	2	0	0	**2**	2%
3 to 6 Months	5.66%	7	5	0	**12**	11%
6 to 9 Months	0.00%	0	0	0	**0**	0%
9 to 12 Months	5.35%	11	5	0	**16**	15%
Total	**4.13%***	**48**	**10**	**48**	**106**	**100%**

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

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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 and up to 50% of total specified investments per money market fund		Money Market Funds are types of mutual funds that invest in low risk, short-term debt. The Funds allow the Authority to keep cash liquid while achieving a higher return than cash would.
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. The environment in which Local Authorities work is currently a challenging one, with more Section 114 notices being issued. As an Authority we would do due diligence checks on Authorities and would never lend to an Authority that has issued a Section 114 notice.
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.

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.

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.

2 TMP2 Performance Measurement

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).

3 TMP3 Decision Making and Analysis

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.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Agenda Item

Subject	**Pay Policy Statement 2024**	**Status**	For Publication
Report to	Authority	**Date**	8 February 2024
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 the updated Pay Policy Statement for 2024.

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2 Recommendations

2.1 Members are recommended to:

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

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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.

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.

3.2 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 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, as well as the time taken to complete the Pay & Benefits Review, the updating of the Authority's Pay Policy Statement has also been delayed.

5.3 The Authority undertook a comprehensive review of its pay and benefits package in 2023 and this resulted in a set of proposals to address the findings that was approved by the Staffing Committee on 31 October 2023. The proposals included a fully revised grading structure, that was backdated to be effective from 01 April 2023 and this was implemented in December 2023.

5.4 The Pay Policy Statement at Appendix A reflects the Authority's revised grading structure and also reflects the most recent NJC pay award agreed in November 2023 which took effect from 1 April 2023. The statement will require further revision for any pay award settled by the NJC for the financial year commencing 01 April 2024.

5.5 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 ratio for the Authority's highest to lowest paid roles is 5.6 times which is significantly less than this and has reduced from the ratio in last year's pay policy statement, which was 6.1 times.

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	Whilst 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 2024

February 2024

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 Korn Ferry (Hay) job evaluation scheme for all roles.

3. PAY STRUCTURE

3.1 A comprehensive review of the Authority's pay and benefits package was completed in 2023, resulting in a revised grading structure that was implemented in December 2023 and backdated to 1st April 2023. The resulting new pay structure of spinal column points and grades is set out in Appendix A. This has also been updated to reflect the nationally agreed pay award backdated to 1st April 2023, including the impact of the average national pay award on the locally determined spinal points.

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 and will review any such payments at regular intervals of no longer than every three years.

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 s73 of the Local Government Act 1985
- 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 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.

4.4 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 at 01/04/2023
N	£131,850

5.2 The Director's remuneration is determined by the Authority. 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 annual pay increases are tied to the headline increase in the main pay scale of the National Joint Council for Local Government Services.

5.3 The last review of the Director role salary was undertaken by Authority Members in June 2022, when the salary level was fixed at the median for similar roles in comparable local government pension funds, and the changes agreed were implemented to take effect from 1 July 2022.

Additional Allowances

5.4 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.

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

5.6 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 at 01/04/2023**
Assistant Director – Investment Strategy	M	£85,566 - £94,211
Assistant Director – Pensions	M	£85,566 - £94,211
Assistant Director - Resources	M	£85,566 - £94,211

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 annual 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 Assistant Directors 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 The Assistant Director – Investment Strategy role is subject to a specific retention scheme which allows for the making of additional pension contributions of up to £12,000 per annum (at 2020 prices, increased annually by the pensions increase rate for CARE scheme) 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 Assistant Directors 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 Range at 01/04/2023
L	£62,513 - £71,158

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 this post 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 Head of Governance is designated as a casual car user.

7.5 Any other allowances relating to this post 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 FINANCE OFFICER, CHIEF OFFICERS AND MONITORING OFFICER

8.1 Where there is a requirement to recruit to the post of Director, Chief Finance Officer, Chief Officer or Monitoring 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 Finance Officer, Chief Officer or Monitoring 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 =	£131,850 (spot salary)
Chief Officer Median Salary =	£ 94,211
Authority Median Full Time Salary =	£ 31,364
Authority Lowest Full Time Salary (Excluding Apprentices) =	£ 23,500

11.2 Pay Ratios

Post	Benchmark Salary	Ratio
Director's Salary	Chief Officer Median Salary	**1: 1.4**
Director's Salary	Authority Median Salary	**1: 4.2**
Chief Officer Median Salary	Authority Median Salary	**1: 3.0**
Director's Salary	Authority Lowest Salary	**1: 5.6**
Chief Officer Median Salary	Authority Lowest Salary	**1: 4.0**

Note the above ratios exclude apprentices.

11.3 The Hutton report *"Fair Pay in the Public Sector"* recommended that the Director's salary should not exceed 20 times that of the lowest paid worker. The above table shows that with a ratio of 5.6 times South Yorkshire Pensions Authority more than meets this requirement.

11.4 The impact of the new grading structure as a result of the pay and benefits review has reduced the size of all of the above ratios. The ratio of the Director's salary compared to the lowest salary, has reduced from 6.1 last year to 5.6 at 01/04/2023.

12. LOWEST PAID EMPLOYEE

12.1 The lowest grade in the pay structure is Grade A, scale points 2 - 3 (£22,366 - £22,737) at 01/04/2023). This grade is used for Apprentice roles only. Therefore, the lowest salary that an employee other than an apprentice can receive is on Grade B, scale points 4 - 7 (£23,114 - £24,294). The lowest actual salary currently being paid is SCP 5 on this grade, £23,500.

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 2023/24 for all its employees who are members equally at the rate of 19.0% 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 pay the following contributions as a proportion of their pensionable pay with effect from 1st April 2023.

Pensionable Pay From	Pensionable Pay To	Contribution Rate- Main Scheme	Contribution Rate- 50/50 Scheme
Up to	£16,500	5.50%	2.75%
£16,501	£25,900	5.80%	2.90%
£25,901	£42,100	6.50%	3.25%
£42,101	£53,300	6.80%	3.40%
£53,301	£74,700	8.50%	4.25%
£74,701	£105,900	9.90%	4.95%
£105,901	£124,800	10.50%	5.25%
£124,801	£187,200	11.40%	5.70%
£187,201	and above	12.50%	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

New Grading Structure Effective 1 April 2023
Implemented in December 2023

Korn Ferry Job Reference Level	Korn Ferry Evaluation Score Range	Grade	SCP	2023/24 FTE Salary from 1 April 2023
Level 8	85 - 113	A	2	**22,366**
			3	**22,737**
Level 9	114 - 134	B	4	**23,114**
			5	**23,500**
			6	**23,893**
			7	**24,294**
Level 10	135 - 160	C	8	**24,702**
			9	**25,119**
			10	**25,545**
			11	**25,979**
Level 11	161 - 191	D	12	**26,421**
			13	**26,873**
			14	**27,334**
			15	**27,803**
Level 12	192 - 227	E1	17	**28,770**
			18	**29,269**
			19	**29,777**
		E2	21	**30,825**
			22	**31,364**
			23	**32,076**
Level 13	228 - 268	F	24	**33,024**
			25	**33,945**
			26	**34,834**
			27	**35,745**
Level 14	269 - 313	G	28	**36,648**
			29	**37,336**
			30	**38,223**
			31	**39,186**

New Grading Structure Effective 1 April 2023

Implemented in December 2023

Korn Ferry Job Reference Level	Korn Ferry Evaluation Score Range	Grade	SCP	2023/24 FTE Salary from 1 April 2023
Level 15	314 - 370	H	32	**40,221**
			33	**41,418**
			34	**42,403**
			35	**43,421**
Level 16	371 - 438	I	36	**44,428**
			37	**45,441**
			38	**46,464**
			39	**47,420**
Level 17 (i)	439 - 478	J	40	**48,474**
			41	**49,498**
			42	**50,512**
			43	**51,515**
Level 17 (ii)	479 - 518	K	44	**53,713**
			45	**55,914**
			46	**58,115**
			47	**60,316**
Level 18	519 - 613	L	48	**62,513**
			49	**65,395**
			50	**68,275**
			51	**71,158**
Level 19 / 20	614 - 879	M	53	**85,566**
			54	**88,447**
			55	**91,328**
			56	**94,211**
Level 21	>879	N	57	**131,850**

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

- 16
- 20

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

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Agenda Item

Subject	**Governance Update**	**Status**	For Publication
Report to	Authority	**Date**	8 February 2024
Report of	Head of Governance		
Equality Impact Assessment	Not Required	Attached	No
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 governance related activity and regulatory matters.

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2 Recommendations

2.1 Members are recommended to:

a. **Note the updates included in this report; and**

b. **Welcome the action being taken to undertake an independent Governance Review.**

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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.

3.2 The contents of this report are part of the arrangements in place to ensure good governance.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report relate to actions that will contribute to addressing risks around regulatory compliance.

5 Background and Options

5.1 This report provides updates on current activities and regulatory matters relevant to the Authority's overall governance framework.

Regulatory Update

The Pensions Regulator – General Code of Practice

5.2 The Pensions Regulator (TPR) has published its new **General Code of Practice** which was laid in Parliament on 10 January 2024. Its laying period lasts for 40 days, and the Code is expected to come into force on 27 March.

5.3 As Members will be aware, the new General Code merges 10 of the TPR's existing codes of practice into a single new code of practice. For the LGPS (and other public service pension schemes) specifically, it replaces Code of Practice 14 *Governance & Administration of Public Service Pension Schemes*.

5.4 The General Code comprises five sections:

a. The Governing Body
b. Funding and Investment
c. Administration
d. Communications & Disclosure
e. Reporting to TPR

The Governance team, along with the Senior Management Team, are now working through the detail and will also attend webinars on the new General Code and the implications for LGPS funds that are being offered. We will consider and assess the Authority's current arrangements against the General Code and produce a plan for making any changes or enhancements needed to ensure compliance.

5.5 Ensuring compliance with the General Code has also been added as an objective in the Corporate Strategy elsewhere on this agenda. Progress against this objective will be reported regularly throughout the year to the Authority, and to the Local Pension Board.

Independent Governance Review

5.6 The Scheme Advisory Board's Good Governance proposals when implemented will require LGPS Funds to undertake an independent review of their governance arrangements every two years. The Authority aims to do this as a matter of good practice pending this becoming mandatory. The last such review was undertaken during 2020 and reported to the September 2020 Authority meeting. Therefore, arrangements have now been made to commission an independent review to take place this year and plan to undertake these reviews every 2 years in future.

5.7 A competitive procurement process was carried out using one of the LGPS National Frameworks and *Aon* have been appointed to undertake the 2024 governance review.

5.8 The outline scope of the review includes assessing the Authority's governance with regard to:

a. The thinking derived from the Scheme Advisory Board's Good Governance Review Phase III report and action plan.
b. Best practice reflected in the Pensions Regulator's new General Code of Practice.
c. The LGPS Regulations
d. Local Government law as it applies to the Authority.

5.9 The aim is for the review to provide an overall assessment of the effectiveness of the Authority's governance arrangements and to identify and make recommendations in respect of:

a. Any areas where the Authority falls short of current best practice.
b. Any areas where the Authority is ahead of current best practice.
c. Any resource and / or skill deficits in relation to any of the above.

d. Any areas where the Authority will have to make changes in order to meet requirements arising from the Good Governance Review

5.10 The review work will involve the team from *Aon* observing meetings, reviewing various policies and documentation, and conducting interviews with officers and with Authority and Local Pension Board members over the next few months with a view to presenting a final report to the meeting of the Authority in June 2024.

6 <u>Implications</u>

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 Governance Review are included in the budget.
Human Resources	None.
ICT	None.
Legal	The Authority will ensure compliance with TPR's General Code in line with its legal requirements.
Procurement	A suitable procurement process was followed to appoint the consultants for the Governance Review, in accordance with the Authority's Contract Standing Orders.

Jo Stone

Head of Governance & Monitoring Officer

Background Papers	
Document	**Place of Inspection**

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Appendix A

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Appendix B

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Appendix A

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