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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, 6 June 2024 at 1.00 pm 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 666448
Email	governanceteam@sypa.org.uk	

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Distribution

Councillors: J Dunn, R Bowser, S Clement-Jones, N Wright, D Sutton, A Dimond, D Fisher, J Church, D Nevett, A Sangar, C Gamble Pugh and J Mounsey.

Contact Details

For further information please contact:

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SOUTH YORKSHIRE PENSIONS AUTHORITY

THURSDAY, 6 JUNE 2024 AT 1.00 PM - OAKWELL HOUSE, 2 BEEVOR COURT, PONTEFRACT ROAD, BARNSLEY, S71 1HG

Agenda: Reports attached unless stated otherwise

	Item	Pages
	Business Matters	
1.	Welcome and Introductions	
2.	Appointment of Chair and Vice Chair	
3.	Apologies	
4.	Declarations of Interest	
5.	Announcements	5 - 8
6.	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.	
7.	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.	
8.	Vote of Thanks to Outgoing Vice Chair	
9.	Membership, Political Balance and Appointments to Committees	9 - 12
10.	Section 41 Feedback from District Councils	
11.	Minutes of the meeting held on 14.03.2024	13 - 20
12.	Questions from the public	
	CORPORATE MATTERS	
13.	Corporate Performance Report 2023/24 (Q4)	21 - 56
	INVESTMENTS	
14.	Adviser Market Commentary	57 - 70
15.	Q4 Investment Performance Report 2023/24	71 - 90
16.	Q4 Responsible Investment Update 2023/24	91 - 114

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Agenda Item

Subject	**Loyal Service Awards**	**Status**	For Publication
Report to	Authority	**Date**	June 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 provide members with the opportunity to acknowledge the loyal service of members of the Authority's staff.

2 Recommendations

2.1 Members are recommended to:

a. Congratulate and thank the staff who have achieved loyal service awards as set out in the body of this report.

3 Link to Corporate Objectives

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

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.

Recognising the contribution of our longer serving staff clearly contributes to the objective concerned with valuing our employees.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report form part of approaches to addressing the various people risks identified in the Corporate Risk Register.

5 Background and Options

5.1 As part of the Pay and Benefits Review approved by the Authority in October 2023 the Loyal Service Award scheme was changed to recognise staff who achieve the milestones of 10-, 20- and 30-years' service rather than providing a single award after

25 years. This change means that this year there is a catching up exercise as staff who have already achieved one of the milestones are recognised.

5.2 The following staff have achieved between 10 and 20 years service

Name	Role	Length of Service
Tom Dove	Pensions Technical Specialist	10 years
Collette Mellor	Pensions Officer	10 years
John Pearson	Senior Practitioner - Benefits	10 years
Terry Kirk	IT Support Officer	10 years
Julie Foster	Pensions Officer	10 years
Will Goddard	Head of Finance and Performance	12 years
Melissa Huxley	Senior Practitioner - Transactions	13 years
Julie Sykes	Helpdesk Manager	13 years
Nino Johnson	Senior Practitioner	13 years
Claire Fox	Customer Services Officer	14 years
Laura Lavender	Business Support Officer	14 years
Ben Whittaker	Senior ICT Technician	15 years
Amanda Slater	Finance Officer	16 years
Andy Parkinson	Senior Practitioner	16 years
Sam Cuffling	Pensions Officer	16 years
Andy Kenyon	Service Manager – Pensions Systems	16 years
Mark Richardson	ICT Development Officer	17 years
Emma McClure	Pensions Officer	17 years
Dave McClure	Team Leader – Benefits	19 years
Chris Allan	Team Leader – ICT Development	19 years

5.3 The following staff have achieved between 20- and 30-years' service.

Name	Role	Length of Service
Steve Clegg	Service Manager – ICT Infrastructure	20 years
Rachael Wright	Finance Officer	20 years
Dave Sloan	Team Leader – Data Collection	20 years
Simon Tewson	Programmes and Performance Officer	20 years
Kerry Rogers	Pensions Officer	20 years
Amy Blakemore	Senior Practitioner – Customer Services	21 years
Andy Ramsbottom	Head of ICT	24 years
Sam Sloan	Team Leader – Benefits	24 years
Vickie Burtoft	Service Manager – Employer Services	24 years
Elaine Fairley	Engagement Officer	24 years
Suzanne Parmenter	Senior Finance Officer	25 years
Michell Rennard	Team Leader – Pensions Systems Development	25 years
Faye Bell	Pensions Officer	25 years
Natalie White	Pensions Officer	26 years
Joanne Webster	Service Manager – Customer Services	26 years
Steve Newsome	Pensions Offcier	28 years
Dave Hall	Team Leader – Benefits	28 years
Katherine Morrison	Service Manager – Technical Support and Training	28 years
Julie Gregory	Performance Analyst	29 years

5.4 The following staff have achieved over 30 years' service

Name	Role	Length of Service
Mel Dassow	Pensions Officer	31 years
Karen Roberts	Senior Systems Officer	32 years
Louise Turton	Senior Practitioner – Benefits	33 years
Rachel Cooper	Team Leader – Benefits	34 years
Karen Norman	Pensions Officer	34 years
John Smith	Team Leader – Benefits	34 years
Ian Hepworth	Team Leader – Benefits	35 years
Vanessa Holmes	Team Leader – Customer Services	36 years
Sharon Smith	Assistant Director – Investment Strategy	36 years
Debbie Wilcox	Technical Advisor	36 years

5.5 Of note is the fact that the three individuals who have completed 36 years' service have worked for SYPA for the entire period of its existence.

5.6 The total number of staff being recognised represents about 40% of the workforce and while the catch-up exercise means that this is a larger number than might usually be expected it does indicate that while like all employers SYPA faces a range of recruitment and retention issues, particularly for specialist roles, we are lucky to have a very committed and long serving core workforce.

6 <u>Implications</u>

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

Financial	The resources to support the loyal service award scheme are provided within the Authority's operating budget.
Human Resources	The loyal service award scheme is a relatively small but important component of the overall pay and reward package, with recognition of long service being an important element in maintaining overall morale.
ICT	None
Legal	None
Procurement	None

George Graham

Director

Background Papers	
Document	**Place of Inspection**

Subject	Membership, Political Balance, and Appointments to Committees	Status	For Publication
Report to	Authority	Date	06 June 2024
Report of	Clerk		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Stone Head of Governance and Corporate Services	Phone	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To approve appointments to the Authority's Committees for the 2024/25 municipal year in line with the political balance rules applying to the Authority.

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2 Recommendations

2.1 Members are recommended to:

a. **Note the members appointed to the Authority by the District Councils.**

b. **Note the members appointed to answer questions in the meetings of the District Councils' Full Council.**

c. **Provide nominations to serve on the various Committees.**

d. **Approve the appointment of Emma Dawson as Independent Member of the Audit & Governance Committee with effect from 1 July 2024 for a period of 4 years.**

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3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

4 Implications for the Corporate Risk Register

The actions outlined in this report relate to risks around legal compliance contained in the Corporate Risk Register.

5 Background and Options

Membership

5.1 The following Councillors have been appointed to the Authority by each of the District Councils for the 2024/25 Municipal Year.

Barnsley MBC 2 Members	City of Doncaster Council 3 Members	Rotherham MBC 2 Members	Sheffield CC 5 Members	Non-Voting Co-opted Members 3 Members
Roy Bowser	James Church	David Fisher	Simon Clement-Jones	Nicola Doolan-Hamer (Unison)
Neil Wright	John Mounsey	Donna Sutton	Alexi Dimond	Garry Warwick (GMB)
	David Nevett		Jayne Dunn	Philip Boyes (Unite)
			Craig Gamble Pugh	
			Andrew Sangar	

5.2 The following members have been designated by the District Councils as the s41 Members whose role is to answer questions about the work of the Authority in meetings of the relevant full Council.

	Barnsley MBC	City of Doncaster Council	Rotherham MBC	Sheffield CC
S 41 Member	Roy Bowser	John Mounsey	Donna Sutton	Jayne Dunn

Political Balance and Appointments to Committees of the Authority

5.3 While, in distinction to the District Councils, a system of political groups does not operate within the Pensions Authority, it is made up of elected councillors appointed in line with the relevant political balance rules and the Authority must also follow those rules in appointing to any committees which it chooses to create.

5.4 The Authority's Constitution provides for three Committees as follows.

i. Audit and Governance Committee – This is chaired by the Authority's Vice Chair. The terms of reference mirror those of audit committees generally (and reflects recommended practice from CIPFA's position statement on audit committees) including responsibilities for the approval of the accounts, receiving reports from internal and external auditors, dealing with the risk management framework and related issues. The Committee meets four times per municipal year.

ii. The Staffing Committee – This is chaired by the Authority's Chair and should comprise the s41 members together with a proportionate number of non-Labour councillors. The terms of reference include dealing with significant staffing changes (affecting more than 5 FTE) and other staffing policy issues which require member consideration. The Committee meets on an ad-hoc basis.

iii. The Appointments and Appeals Committee – This Committee meets on an ad-hoc basis but given known business, two meetings have already been scheduled for this year.

It would normally be recommended that this Committee have identical membership to the Staffing Committee, given the terms of reference which include the appointment of the Director and other chief officers and of the independent investment advisers and various appeals functions. However, to achieve the required political balance across the committee memberships this year, it is necessary for the make-up of these two committees to differ slightly.

As shown in the table at paragraph 5.6 below, the differences being that the Staffing Committee will have 4 Labour members, 1 Green Party member and 0 Conservative, whilst this Appointments and Appeals Committee will have 3 Labour members, 1 Conservative and 1 Green Party member. The table shows how this achieves an overall balance in seats when taking the seats on the Audit & Governance Committee into account.

5.5 The table below provides the current balance of membership of the Authority following the appointments after the 2023 local elections, reflecting the political balance across South Yorkshire.

	Conservative	Green Party	Labour	Liberal Democrat	Total
Barnsley			2		**2**
Doncaster			3		**3**
Rotherham	1		1		**2**
Sheffield		1	2	2	**5**
Total	**1**	**1**	**8**	**2**	**12**
% of Total - Authority	**8.3%**	**8.3%**	**66.7%**	**16.7%**	**100.0%**

5.6 This leads to the allocation of seats on Committees as shown below:

	Conservative	Green Party	Labour	Liberal Democrat	Total
Committees:					
Audit and Governance	1		4	1	**6**
Appointments and Appeals	1	1	3	1	**6**
Staffing		1	4	1	**6**
Total Committee Seats	**2**	**2**	**11**	**3**	**18**
Grand Total Seats	**3**	**3**	**19**	**5**	**30**
% of Total Seats	**10.0%**	**10.0%**	**63.3%**	**16.7%**	**100.0%**

5.7 The above represents the closest approximation to exact political balance possible given the number of seats available.

5.8 Members are invited to make nominations for the Committees at this meeting.

Audit & Governance Committee Independent Member

5.9 The terms of reference for the Audit & Governance Committee were updated last year to provide for an independent member in line with CIPFA recommended practice and to enhance knowledge, skills and expertise in the committee. In line with this, officers have sought out and secured an individual to serve in this role. Ms Emma Dawson is an experienced practitioner who works in a local accounting practice and is also an independent member of the Audit and Risk Committee at Barnsley College. Members are recommended to approve the appointment of Emma Dawson as independent member of the Audit & Governance Committee with effect from 1 July 2024 for a period of 4 years.

6 Implications

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

Financial	None – the members allowance scheme caters for committee membership within the calculated allowances.
Human Resources	None
ICT	None
Legal	Maintaining political balance in appointments to committees is a legal requirement.
Procurement	None

Sarah Norman

Clerk

Background Papers	
Document	**Place of Inspection**

SOUTH YORKSHIRE PENSIONS AUTHORITY
AUTHORITY MEETING
14 MARCH 2024

PRESENT:

Councillor J Dunn (Chair)

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

Non-Voting Co-Opted Members: N Doolan-Hamer (Unison), G Warwick (GMB), Richard Bedford (Unite)

Officers: S Ghuman (Deputy Clerk BMBC), G Graham (Director), G Taberner (Assistant Director - Resources & Chief Finance Officer), D Sharp (Assistant Director – Pensions), S Smith (Assistant Director – Investment Strategy), Chloe Knowles (Executive Management Support Officer), J Stone (Head of Governance), A Palmer (Team Leader – Governance)

Independent Advisers: A Devitt

Apologies for absence were received from: Cllr M Havard (Rotherham)

Observing from Aon: L Robson and K McWilliam

1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

The Director welcomed Karen McWilliam and Liam Robson from Aon to the meeting, who were observing for the purposes of the Independent Governance Review they are conducting on behalf of the Authority.

The Director informed the members that this was the Aoifinn Devitt's final meeting and thanked her for all of her work over the years she has worked with the Authority.

The Director also informed the Board that this was the Deputy Clerk's final meeting and thanked him for his significant influence in providing support and advice to the Authority and informed the Board that Kate Charlton will be replacing him.

3 URGENT ITEMS

None.

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

The Meeting will be closed for Item 18 as this is a private matter.

5 DECLARATIONS OF INTEREST

None.

6 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

7 MINUTES OF THE MEETING HELD ON 08.02.2024

RESOLVED: That the minutes of the meeting held on 8 February 2024 can be agreed as a true record.

8 QUESTIONS FROM THE PUBLIC

Questions were received from Mr Ashton.

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 and the written replies are attached as appendices to the minutes.

9 QUARTER 3 CORPORATE PERFORMANCE REPORT 2023/24

The Assistant Director – Resources presented the Q3 Corporate Performance report for 2023/24.

Members asked for further clarification around point 4.43 of the report in relation to the HMRC late payment interest overspend of £7k.

The Assistant Director – Resources responded that this was a result of dealing with the backlog of complex pension saving statement and tax issues. These are penalty charges which as the delay in payment was due to the Authority were being borne by the Authority and not the scheme member.

The Assistant Director – Pensions further added that the work on the backlogs was outsourced, and this is due to be completed in late March and a process has been put in place moving forward to ensure we are able to prevent late payment charges in the future.

Members further probed around whether the Authority would need to pay this charge in future if Lifetime Allowances were being stopped.

The Assistant Director – Pensions responded that the Scheme Pays Rules also apply to the Annual Allowance which remains in place although it has been increased to £60k, which means that far fewer members are likely to be affected.

RESOLVED: Members noted, commented on, and accepted the report.

10 ADVISER MARKET COMMENTARY

The Independent Investment Advisor presented the Market Commentary Report for Members to consider and note. The Independent Advisor began by thanking the Board for her time on the Authority which she had found a fulfilling experience.

Members questioned whether there had been any reaction in the markets now that global sea temperatures were off the charts.

The Independent Advisor responded that there had been no reaction in the market day to day, but this does affect the direction of travel in terms of engagement, the transition and the sense of urgency.

Members probed around office properties and how the fund doesn't have much exposure to this asking what the wider market risks would be and if the there are any indirect risks and if so, how would our portfolio be protected against this.

The Independent Advisor responded that the Authority's portfolio on the real estate side is biased towards industrial buildings and the only danger in this sector is that perhaps it has gotten a little too popular but has very strong underlying components so we would not be directly affected here. The fund is not directly exposed but could be exposed to anything that may filter through, this is why the portfolio is diversified and has multi asset exposure.

Members raised concerns over companies dropping out of the London stock exchange and the earthquake this could cause in various financial institutions to change what they are doing and how this would affect the Authority with LGPS funding. In response the Independent Adviser indicated that this was a part of a global phenomenon and that the direct impact on the Fund was unlikely to be significant given both the relatively small proportion of the portfolio in UK equities and the long term move that had taken place into private markets.

Members further asked for the Independent Advisors thoughts on hydrogen and synthetic fuels and what investments were out there for this and what could be done. The Independent Advisor responded that the new climate opportunities fund at Border to Coast is poised to capture not only advances from climate technology but also existing technology around battery storage, renewable infrastructure funds and nature-based solutions which provides a whole package of opportunity. The Authority's renewable energy exposure in the fund is already very high and with climate opportunities it will enable the Authority to bolster this to capture the new technology of this sort.

The Chair commented upon the Authority's net zero target and questioned whether given the global political instability this was causing net zero to be moved down the investment agenda. The Independent Advisor responded that this only applies in the US as sustainability is good business. The political noise in the US and the energy security factors in Russia and Ukraine set things back by trying to keep pricing under control.

RESOLVED: Members thanked the adviser and noted the report.

11 QUARTERLY INVESTMENT PERFORMANCE REPORT 2023/24

The Assistant Director – Investment Strategy delivered the Q1 Investment Performance Report highlighting key areas of performance over the last quarter.

Members probed around why the performance for climate opportunity and renewables was below the benchmark as shown in the chart on page 63.

The Assistant Director – Investment Strategy responded that as these are alternative funds, money is committed but in the early years fees are being taken out and the performance is only just starting to come through, so it is very common to see what is described as J curve, and this is to be expected.

RESOLVED: Members noted and accepted the report.

12 POOLING TRANSITION PLAN

The Assistant Director – Investment Strategy updated the Authority on the Fund's plan to transition remaining assets to Border to Coast.

Members commented on the challenge the Authority faces in reaching the 95% model and asked how big the side car arrangement will be and when we will need to commit to this. Members also probed around why the Treasury can't change the rules on Scottish property as an important asset the fund holds.

The Assistant Director – Investment Strategy responded that the side car arrangement will allow the Authority to double the funds natural exposure to renewables, climate opportunity and natural capital that it currently has through Border to Coast however this still doesn't reach the 95% level. Discussions are continuing with Border to Coast, and they are aware of the Authority's strategy and the expectation is that at the next strategy review the Authority will likely increase its exposure. SYPA are the only one out of eleven funds who want a specific natural capital product Border to Coast are aware that others may follow on this journey and that it would become a required product, however they are not there yet.

The Director followed up that the Authority is further down the road than other funds due to the Net Zero Goal being earlier and other funds will inevitably have to follow suit in the future.

Members asked how the funds targeting 5% for "levelling up" would build up.

The Assistant Director – Investment Strategy responded that the funds are within the alternatives and property loans and a certain amount of money is committed and this gets drawn down over a certain period of time. The Authority currently have assets that are within the private equity portfolio that would be specifically classed as place-based investments such as most recently the Northern Gritstone Fund which is investing in spin offs from the Universities of Leeds, Manchester and Sheffield.

Members asked what the implications would be for the Authority should it not reach 95%.

The Assistant Director – Investment Strategy responded that the government have asked that if the target is not reached that you are able to provide good reason as to why, that the logic for not reaching 95% was robust.

The Director followed up that there are other funds considerably behind the progress made by SYPA who would likely be questioned first.

RESOLVED: Members noted the contents of the report.

13 SYPA RESPONSIBLE INVESTMENT POLICIES ANNUAL REVIEW INC NET ZERO ACTION PLAN UPDATE

The Director presented the Authority's various responsible investment policies to secure approval following their annual review.

Members commented upon the importance of the Authority continuing to keep this high on the agenda to influence other funds to make similar changes.

Members probed around BP having no viable path to Net Zero by 2030 and how we would engage with this moving forwards.

The Director responded that through the Partnership he would like to see a clear understanding of where the threshold is for excluding individual companies however it is much easier to seek to do this in theory than in practice due to various constraints on portfolio managers. The structuring and parameters for the Equity Funds mean that there is exposure to every sector and there will always be some oil and gas companies within the portfolio, while they are present in the relevant index. The challenge is thinking about whether this is right for the partnership and being one of eleven funds, the Authority needs to continue to influence others on this journey with SYPA and seek to progress to this point.

Members expressed concerns over some of the language in the Climate Change Policy.

The Director responded that the Climate Change Policy is written in the context of the financial services industry and the fund's assets and liabilities and how climate change affects the two. In terms of climate change analysis this is a very complex and evolving science, and the Authority is doing its best to make educated guesses using the information available. The key point to note is the Authority's practical approach to addressing climate change which doesn't come through in the dry policy documents, but this is a problem and an issue the Authority seeks to address in the way we invest and manage the funds and as much progress needs to be made as quickly as we can in a measured and considered way.

Members sought clarification around what the triggers would be for climate related engagement or whether this was on a case-by-case basis.

The Director responded that it was a mix between a case-by-case basis and a standard set figure so the collectively agreed voting guidelines by the eleven Border to Coast partner funds states that if a company doesn't have a transition plan with science-based targets along other requirements then votes would be cast against the company. This would also depend on the nature of what you are engaging with them about as it may require setting more specific criteria.

RESOLVED: a) Members approved the following revised policy documents appended to the report:

- **i. The Responsible Investment Policy (Appendix A)**
- **ii. The Climate Change Policy (Appendix B)**
- **iii. The Net Zero Action Plan (Appendix C)**
- **iv. The Annual Statement of Commitment to the Impact Investing Principles for Pension Funds (Appendix D)**

Cllr Dimond requested that his dissent be noted due to concerns over the language used in the Climate Change Policy.

14 QUARTER 3 RESPONSIBLE INVESTMENT UPDATE 2023/24

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

Members commented that it is good to see the increased engagement with the steel and cement sector and that this work is taking place given the sentiment and discussions that had taken place on the previous agenda item.

RESOLVED: Members noted and accepted the report.

15 BENCHMARKING ADMINISTRATION AND INVESTMENT ACTIVITIES

The Director presented the results of the Benchmarking exercises undertaken on both administration and investment activities by CEM.

RESOLVED: Members noted the results of the most recent benchmarking of the Authority's activities undertaken by CEM.

16 UPDATE ON PENSION ADMINISTRATION IMPROVEMENT PLAN

The Assistant Director – Pensions updated the Board on the Pensions Administration Improvement Plan.

Members asked if there was anything live on the Dashboard that they could see at present.

The Assistant Director – Pensions responded that there is nothing live as of yet but as soon as there is this will be brought to members.

The Chair probed the officers on whether they had been speaking to other funds on how they were dealing with McCloud Remedy.

The Assistant Director – Pensions responded that during the regional meeting with other pension funds this was discussed in terms of how different funds are managing this, and how they are finding their software providers. It is also clear that this cannot be done manually and relies heavily on the software.

RESOLVED: Members noted and commented upon the plans for Administration improvement that are being put in place.

17 PROCUREMENT FORWARD PLAN

The Team Leader – Governance presented the Authority's Procurement Forward Plan 2024 to 2026 presented at Appendix A. The Authority has never previously had a separate procurement plan, and this was highlighted by the Internal Audit Team when looking at procedures. Although there are processes in place for financial and strategic planning, having this procurement plan will strengthen the Authority's procedures and will be brought to the Board annually for approval at the February meeting.

Members questioned whether the Authority had a Responsible Procurement Policy.

The Assistant Director – Resources responded that there is no specific separate policy for responsible procurement, however when conducting evaluations of procurements and tenders dependent on the nature of the procurement sustainability and social value would be considered.

RESOLVED: Members approved the Procurement Forward Plan 2024 to 2026 presented at Appendix A.

18 UPDATE ON COMPLETION OF PROJECT CHIP

The Director provided Members with an update following the completion of Project Chip.

RESOLVED: Members noted the completion of Project Chip and the details of the project set out in the body of this report.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Delivering for our Customers – Corporate Performance Report

Quarter 4 2023/24

Contents

1. Introduction

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

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

1.3 This report presents the information on overall performance during the final quarter of the 2023/24 financial year. More detailed information on the performance of the Authority's investments and the pension administration department during the quarter are contained in other reports which are available on the Authority's website.

Recommendations

1.4 The financial measures set out within Section 4 of the report include details regarding proposed budget virements required in relation to two technical corrections to employee costs budget following a transfer of two teams between departments.

1.5 The financial measures section also includes details regarding the outturn for 2023/24 and proposed transfer from reserves.

1.6 The Authority's approval is required for the budget virement and for the reserves transfers and Members are recommended to:

a) **Approve the budget virements as set out in paragraphs 4.27 to 4.28 of the report.**

b) **Approve the Authority overspend of £49,200 to be charged to the Fund as set out in paragraphs 4.30 to 4.33 of the report.**

c) **Approve the transfers to and from earmarked reserves as set out in the table in paragraph 4.87; amounting to a net total transfer from reserves of £274,235.**

2. Headlines

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

Good progress made on a range of corporate plans with several completed including the conclusion of Project Chip, Pay & Benefits review outcomes implemented and newly refreshed Project Management Methodology adopted.

Sickness absence levels for the year have reduced compared to the previous year.

Investment return for the year at 7.8% has met target expectations.

Improvement plans in place for Pensions Administration.

Some of the original objectives planned for completion in 2023/24 have had to be deferred.

Provisional budget outturn is an over-spend of 0.7%.

It will take time to see marked improvements on the processing performance in pensions administration.

3. Delivering the Corporate Plan & Supporting Strategies

3.1 This section provides an update on progress made in delivering the corporate objectives of the organisation.

3.2 The update to the Corporate Strategy for the period 2023-2026 was approved in February 2023 and reflected the continuing ambition to build a stronger, more resilient organisation focussed on delivering for our customers.

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

a) Data – which focuses on a range of data related projects including the valuation and a number of statutory exercises such as GMP rectification and the implementation of the McCloud remedy.

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

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

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

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

3.5 Key to abbreviations used in the table that follows:

Key to Responsible Managers:	
ADIS	Assistant Director - Investment Strategy
ADP	Assistant Director - Pensions
ADR	Assistant Director - Resources
Ben	Service Manager - Benefits
Cus	Service Manager - Customer Services
Dir	Director
Gov	Governance Team Leader
HoF	Head of Finance
HoG	Head of Governance
ICT	Head of ICT
INF	Service Manager - ICT Infrastructure
OMO	Operations Management Officer
PP	Service Manager - Programmes and Performance
S&E	Service Manager - Support and Engagement
Sys	Service Manager - Pensions Systems
TA	Technical Adviser

Key to Status Icons Used	
✓	On track for original timescale, no significant concerns
⇔	Some risks being addressed but remains achievable either within or close to the target timescale – whether original or revised
✗	Not expected to be achieved within the timescale

Ref	Project / Action	Timescale Start	Timescale Finish	Responsible Manager	2023/24 Progress Updates Quarter 4	On Track:
Data						
D02	**Guaranteed Minimum Pension – Completion of Rectification process**	Nov-21	Dec-23 Revised to Aug-24	ADP	Project team is testing the system developments. Currently working on an August 2024 completion date.	⇔
D03	**McCloud Remedy-** *Processing and Case Reviews*	*Apr-23*	*Mar-24*	*Ben*	A large number of leavers from the Fund are now having their benefits checked against the McCloud underpin by the Benefits team. There are limitations within the system which are to be targeted by the software provider in the Autumn.	⇔
Process Improvement						
P01	**Implement contractual improvements to the Core UPM Pension Administration System –**	**Feb-22**	**Mar-25**	**ADP**		
	Improve functionality of employer hub	*Apr-23*	*Mar-24*		Procurement completed for new Employer Hub application. Configuration in progress.	⇔
P02	**Monthly Data Collection (MDC)**	**Mar-22**	**Mar-25**	**Ben**	Performance in processing monthly data continues to improve data flow from employers. Focus continues to be placed on employers who struggle to provide accurate data.	⇔
P03	**Reporting – Implement improvements to the completeness and degree of automating of reporting across the organisation –**	**Apr-22**	**Mar-25**	**Dir**	Corporate approach to this area will be progressed further when new Service Manager - Programmes & Performance in post (from Dec 2023) and following initial settling in and information gathering period.	✓
	Pension Administration Regular Management Information	*Apr-22*	*Mar-24*	*Ben / Sys / PP*	Improvement plan in place as per report presented to the March Authority meeting.	⇔

Ref	Project / Action	Timescale Start	Timescale Finish	Responsible Manager	2023/24 Progress Updates Quarter 4	On Track:
	UPM Finance Reports	*Apr-22*	*Mar-24*	*Sys / HoF*	Completed. Key reports all improved and implemented.	✓
	Main accounting system reports	*Apr-22*	*Mar-25*	*ADR / HoF*	To be fully progressed in 2024/25 in collaboration with Service Manager - Programmes and Performance.	✓
	HR Reporting	*Oct-22*	*Mar-25*	*ADR / HRBP*	To be progressed in the latter half of 2024/25 and into 2025/26 after the new HR system is implemented and in collaboration with Service Manager - Programmes and Performance.	⇔
P04	**Financial Process Improvements -**	**Apr-22**	**Jun-24**	**ADR**		
	Complete the review of the VAT Partial Exemption Special Method	*Feb-22*	*Jun-24* Revised to Oct-24	*HoF*	A procurement timetable has been produced for the Custodian tender. The tender will be going live on the LGPS framework for this in July 2024 with a view to an appointment being made in September 2024 and on-boarding during October 2024.	✓
P05	**Certifications aimed at embedding process improvements across the organisation –**	**Apr-22**	**Mar-25**	***Dir***		
	Maintain Customer Services Excellence accreditation	*Apr-22*	*Mar-24*	*Cus*	Completed, the 12-month review due took place April 2024 and accreditation retained.	✓

Ref	Project / Action	Timescale		Responsible Manager	2023/24 Progress Updates Quarter 4	On Track:
		Start	Finish			
Investment						
I01	**Strategic Issues –**	**Apr-22**	**Mar-25**	**Dir**		
	Address systemic risks to the fund's investments resulting from climate change through progressing annual updates to the Net Zero action plan.	*Mar-22*	*Mar-25*	*Dir*	Update of Net Zero plan was approved at the March Authority meeting. Two investments have been identified for Natural Capital which will meet our climate positive investment criteria.	✓
	Implement new requirements related to TCFD Reporting	*Apr-22*	*Ongoing*	*Dir / ADIS*	Development work on improvements to reporting is ongoing with Border to Coast partners.	⇔
I02	**Tactical and Transactional Issues –**	**Apr-22**	**Ongoing**	**ADIS**		
	Implement revisions to the Strategic Asset allocation	*Apr-23*	*Ongoing*	*ADIS*	Changes are ongoing. The RLAM Natural Capital fund marks the first investment for this new asset category. Further investments are expected to complete before June.	✓
	Determine the approach to the Border to Coast property proposition and transition assets as necessary	*Mar-22*	*Dec-24*	*Dir / ADIS*	Decision made to proceed and reported to December Authority meeting. Due diligence process prior to transition ongoing.	✓
	Conclude Project Chip	*Sep-21*	*Sep-23*	*Dir*	Project Chip completed at the end of January 2024. Report setting out the results of the project to be considered at March 2024 Authority meeting.	✓
	Review legacy portfolios and determine the ultimate exit routes in each case	*Apr-22*	*Ongoing*	*ADIS*	Work undertaken reflected in the Transition Plan reported to the March Authority meeting	✓

Ref	Project / Action	Timescale Start	Timescale Finish	Responsible Manager	2023/24 Progress Updates Quarter 4	On Track:
Organisation						
O01	**Governance –**	**Dec-21**	**Mar-25**	**ADR**		
	Review and update information governance arrangements	*Jun-22*	*Mar-24*	*HoG*	An action plan is in place that continues to be implemented between now and the end of this calendar year, with a phased approach to updating the Authority's data protection policy and procedures with training and other enhancements that have been identified. Progress on the action plan is regularly reviewed with internal audit colleagues.	✓
	Complete roll out of workflows etc. within Modern.gov and implement paperless meetings	*Apr-22*	*Sep-23*	*Gov*	Mostly complete except for full implementation of reporting workflows internally for officers. Delay due to technical issues requiring resolution by the supplier.	⇔
	Demonstrate compliance with the relevant TPR codes	*Sep-22*	*Aug-23* *Revised to Jun-24*	*ADP / HoG*	End date was revised due to delays in TPR publishing the General Code. The new Code was published in March and compliance was assessed in the same month with support from Aon as part of independent governance review work. An action plan and report will be developed and reported to LPB and Authority in the coming months.	⇔
O02	**People –**	**Jan-22**	**Ongoing**	**SMT & HR**		
	Procure and implement a new HR and Payroll System	*Apr-23*	*Mar-24* Revised to Mar-25	*ADR / HoF / HRBP*	This project has had to be deferred to 2024/25 due to prioritising the significant work required in 2023/24 on the pay and benefits review. Procurement activity is planned for early summer 2024 and a detailed timetable for implementation will be developed following the procurement outcome.	⇔
	Develop an Apprenticeship framework to support existing and future apprentices	*Apr-23*	*Mar-24*	*HRBP*	An apprenticeship framework has been developed which we are currently updating as part of enhancements to the 'Work for Us' section of our website - in progress but won't be fully complete until Q1 of 2024/25.	✓

Ref	Project / Action	Timescale Start	Timescale Finish	Responsible Manager	2023/24 Progress Updates Quarter 4	On Track:
	Undertake staff survey and identify appropriate responses to the results	*Jun-23*	*Dec-23*	*ADR / HRBP*	Completed. The staff survey was carried out in autumn 2023 with the very positive results reported to the Authority in December 2023 and communicated across the organisation including actions planned in response to the results.	✓
O03	**ICT –**	**Jun-21**	**Mar-25**	**ICT**		
	Complete the roll out of Microsoft 365 tools and the migration to 365 infrastructure	*Jun-21*	*Dec-23* *Revised to Aug-24*	*ICT*	Migration of documents to OneDrive online completed. SharePoint Online development and document migration continuing - working to a deadline for completion of end of July 2024. Exploring how the newly acquired M365 tools can be used to enhance security and productivity.	✓
	Agree and implement a revised hardware replacement programme	*Apr-22*	*Jun-23*	*INF*	Laptop replacement completed for 2023/24.	✓
	Review and update ICT policies, including specifically a review of password management arrangements	*Apr-22*	*Ongoing*	*ICT*	External resource identified to assist with the review and update of ICT policies to be utilised in quarter 1 of 2024/25.	✓
	Strengthen Cyber Security	*Apr-22*	*Ongoing*	*ICT / INF*	Prepared Cyber Awareness session to be delivered to LPB and internal users. Ongoing Cyber Awareness training including targeted modules for specific roles.	✓
O04	**Project and Programme Management –**	**Jun-22**	**Mar-24**			
	Determine a stripped down and appropriately scaled programme and project management process	*Jun-22*	*Mar-24*	*PP*	Completed. New framework for application of the project management methodology now fully implemented across the organisation, making use of digital tools available through M365 that is helping make the process more efficient and effective for users as well as enabling much improved reporting to provide the leadership team and SMT with clear line of sight on individual projects and the overall programme.	✓

Ref	Project / Action	Timescale Start	Timescale Finish	Responsible Manager	2023/24 Progress Updates Quarter 4	On Track:
O05	**Business Continuity –**	**Apr-22**	**Ongoing**	**ADR**		
	Produce revised corporate business continuity plan	*Apr-22*	*Dec-23* *Revised to Dec-24*	*ICT / OMO*	Deferred to first half of 2024/25 as reported in Q3. Will now be progressed in 2024/25.	⇔

4. How are we performing?

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

Corporate Measures

4.2 The sickness absence measures for this quarter as compared to last quarter and the figures for the full year as compared to the previous year are summarised in the following table.

Measure: Days Lost Per FTE	Quarter 4 2023/24	Quarter 3 2023/24	Quarterly Movement	Full Year 2023/24	Full Year 2022/23	Yearly Movement
Short Term Sickness Absence	1.19	0.99	↑	3.96	3.77	↓
Long Term Sickness Absence	0.84	0.73	↑	4.28	4.70	↓
Total Days Lost per FTE	**2.03**	**1.72**	↑	**8.24**	**8.47**	↓

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

4.4 The sickness absence in the final quarter of the year has slightly increased compared to the previous quarter. However, the annual comparison shows a slight decrease with 8.2 total days lost for 2023/24, compared to 8.5 in the previous year.

4.5 According to the Chartered Institute of Personnel and Development’s (CIPD) annual Health and Wellbeing at Work report for 2023, the average rate of employee absence was 7.8 days nationally, though the report highlights that average sickness absence levels remain considerably higher in the public sector at 10.6 days per employee than in other sectors[1].

4.6 Sickness absence is actively monitored under the Authority’s managing attendance policy, and data on the application of this policy is reported quarterly to SMT. This policy is due to be reviewed and updated in the first quarter of 2024/25. This will (as is the case with all HR policy reviews) be carried out in collaboration with the trades union representatives.

4.7 The HR team continue to undertake additional measures to support and ensure line managers take appropriate steps to manage attendance in line with the policy,

[1] Health and wellbeing at work | CIPD

ensuring early interventions, proactive actions in line with the policy and provision of support and signposting as appropriate.

4.8 Occupational health services are provided through Barnsley MBC and referrals for this service are made as appropriate for individuals, for example, providing assessment reports to advise managers in supporting return to work following long-term absence, and access to additional resources such as counselling for employees. The usage of these services is also monitored and reported quarterly to SMT.

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

Investment Measures

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

Measure	Performance Quarter 4 2023/24	Quarterly Benchmark	Performance YTD 2023/24	2023/24 Benchmark	2023/24 Actuarial Target	RAG Indicator
Investment Return – Whole Fund	3.00%	3.20%	7.80%	8.10%	6.20%	

4.11 Performance is within the expectations of the return target.

4.12 The total Fund value at 31 March 2024 was £10.694bn; compared with £10.688bn at 31 December 2023.

4.13 The Funding Level at 31 March 2024 is estimated at 151%. This has increased marginally from 149% at 31 December 2023 as the value of liabilities has fallen more than the value of assets as rate expectations increased.

4.14 At the end of the quarter, 71.9% of the Fund's assets were being managed in pooled structures provided by Border to Coast.

Pension Administration Measures

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

Measure	2023/24 Quarter 4	2023/24 Quarter 3	2023/24 Full Year	Previous Year: 2022/23	Target 2023/24	Year on Year Movement
Proportion of priority cases processed on time	64%	68%	64%	79%	100%	
Proportion of non-priority cases processed on time	66%	53%	67%	73%	100%	
Proportion of all cases processed on time	65%	67%	66%	68%	100%	
Proportion of employer data submissions on time	93%	94%	94%	95%	100%	

4.17 As previously reported, there has been an impact on processing performance arising from resourcing shortfalls and some of the metrics being skewed as a result of the backlog clearance exercise due to the nature of historic cases being completed.

4.18 Achieving the target processing times continues to be challenging and will remain so in the early part of 2024/25. We are seeing a reduction in the volume and age of our backlog cases however, completing these cases continues to impact our SLA targets.

4.19 We do not expect a marked improvement to show for cases processed within SLA until:

a) We have recruited to the additional posts that will take us to full capacity. Recruitment plans and timelines are currently being developed with the aim of carrying this out during the summer.

b) SLA's are reviewed – with the aim of moving to a target of 10 days for most case types.

4.20 Employer performance in relation to timeliness of data submissions has remained fairly consistent.

4.21 At the end of the quarter, membership of the Fund stood at 179,903.

4.22 There were 556 participating employers with active members at 31 March 2024, compared with 550 at 31 December 2023.

4.23 Three new employers were admitted to the scheme during the quarter.

4.24 No terminations were completed this quarter.

Financial Measures

2023/24 Budget Virements

4.25 The original budget for 2023/24 was approved by the Authority at their February 2023 meeting. A supplementary estimate of £197,500 was approved by the Authority at their December 2023 meeting.

4.26 In the final quarter of the year, approval is now requested for two virements required in relation to technical amendments regarding transfer of functions to different departments that have occurred during the year, requiring transfer of the budget and related expenditure to the relevant budget heads as follows.

a) The Programmes and Performance team and the Communications team transferred from the Management and Corporate budget head to the Finance and Corporate Services budget head.

b) The Pensions Systems team transferred from the Pensions Administration budget head to the ICT budget head.

4.27 The effect of this is shown below.

Budget Virements 2023/24	2023/24 Revised Budget at Q3	Virement Q4	2023/24 Revised Budget at Q4
Pensions Administration	3,253,030	(307,670)	2,945,360
Investment Strategy	635,770		635,770
Resources	1,033,720	170,630	1,204,350
ICT	972,975	307,670	1,280,645
Management & Corporate	869,650	(170,630)	699,020
Democratic Representation	167,920		167,920
Subtotal - Cost of Services	**6,933,065**	**0**	**6,933,065**
Capital Expenditure Charged to Revenue	72,000	0	72,000
Subtotal - Total Expenditure	**7,005,065**	**0**	**7,005,065**
Transfer to / (from) Reserves	(150,000)	0	(150,000)
Total Budget Requirement	**6,855,065**	**0**	**6,855,065**

2023/24 Q4 Provisional Outturn

4.28 The quarter 4 outturn expenditure and variance against the revised budget (including the virements above) is as follows.

South Yorkshire Pensions Authority Operational Budget	2022/23 Actuals £	2023/24 Original Budget	2023/24 Revised Budget £	2023/24 Q4 Outturn £	2023/24 Q4 Outturn Variance £	2023/24 Q4 Outturn Variance %
Pensions Administration	2,870,210	3,077,530	2,945,360	3,231,130	285,770	9.7%
Investment Strategy	526,760	635,770	635,770	569,210	(66,560)	(10.5%)
Resources	942,210	1,033,720	1,204,350	1,236,520	32,170	2.7%
ICT	720,340	972,975	1,280,645	1,124,100	(156,545)	(12.2%)
Management & Corporate	693,470	869,650	699,020	764,770	65,750	9.4%
Democratic Representation	152,540	145,920	167,920	182,870	14,950	8.9%
Subtotal - Cost of Services	**5,905,530**	**6,735,565**	**6,933,065**	**7,108,600**	**175,535**	**2.5%**
Capital Expenditure Charge to Revenue	89,820	72,000	72,000	69,900	(2,100)	(2.9%)
Subtotal before transfers to reserves	**5,995,350**	**6,807,565**	**7,005,065**	**7,178,500**	**173,435**	**2.50%**
Appropriations to / (from) Reserves	(66,360)	(150,000)	(150,000)	(274,235)	(124,235)	82.8%
Total	**5,928,990**	**6,657,565**	**6,855,065**	**6,904,265**	**49,200**	**0.70%**

4.29 The provisional outturn for the year is an over-spend of £49k or 0.7% after transfers from reserves.

4.30 The cost of services subtotal expenditure is forecast to be overspent by £173k, equivalent to 2.5% of the budget. All but £49k of this will be met by the planned transfers from earmarked reserves.

4.31 The overspend of £49k has arisen due to additional unforeseen external audit costs.

4.32 PSAA (Public Sector Audit Appointments) are responsible for appointing auditors and setting the rates they can charge annually, known as scale fees. In preparation for the 2023/24 audit, we had been informed of a significant increase to fees for the new audit contracts let for the five year period commencing with 2023/24 audits, leading to a budget increase of £78k. However, the confirmed fees for the year were only advised after the budget had been approved and included a further increase of £30k per year. In addition, in the final quarter of 2023/24, the Authority's former auditor informed us of their proposed additional fees of £19k in relation to the impact of new audit standards on the 2022/23 audit that will now be put forward to PSAA for approval.

4.33 The details of the significant variances within each budget head are set out below.

2023/24 Cost of Services – Variances

4.34 <u>Pay Costs 2023/24</u>

4.35 The pay award for 2023/24 was agreed by the NJC in November 2023 at an amount of £1,925 on all pay points up to 43, and at 3.88% for pay points above this, with effect from 1 April 2023. The impact of this on salary budget variances is included in the details shown for each department below.

4.36 The outcomes of the pay and benefits review, approved by the Staffing Committee in October 2023, as previously reported, resulted in additional costs of £198k. This cost is to be met in year from the Pay & Benefits Reserve that was set up for this purpose and the details are set out later in this report.

4.37 <u>Pensions Administration –Over-Spend £286k:</u>

4.38 The employee costs budget was over-spent by £210k. This is made up of the following items:

a) The additional cost for this department of applying the pay award for 2023/24 was £99k.
b) The implementation of the pay and benefits review cost £113k for this department. Pay and benefits review costs are offset by a transfer from the pay and benefits reserve noted in the reserves section later in the report.
c) There was a minor under-spend of (£2k) in relation to staff turnover.

4.39 Costs relating to hybrid mail are £4k over budget. Whilst the general direction towards greater use of online and email communications with members is continuing to reduce costs here, the work being done by the team to clear backlogs has resulted in an increase to the usage of mail for these cases which are additional to the normal level of activity, and this has therefore led to the small over-spend.

4.40 The actuarial fees budget is over-spent by a net total of £16k. There are additional one-off costs here of the actuary undertaking processing of a backlog of annual allowance / lifetime allowance tax cases. These costs have been partly offset by savings made on the main actuarial services budget by not requiring take-up of all of the potential services available.

4.41 The professional fees budget has been over-spent by £39k. Approximately half of this was due to a one-off piece of work from the address tracing provider to support the update of email address contacts for scheme members, which will help with the quality and efficiency of communications. The remaining part of the over-spend is due to work required on GMP Reconciliation and Rectification in year. Additional budget requirements for professional fees that are expected next year for this area were included in the budget set for 2024/25.

4.42 A small over-spend for Legal fees of £4k. During 2023/24 there has been a growth in the use of external legal advice for primarily employer-related work; the 2024/25 budget has been set to reflect this increased requirement for legal fees.

4.43 An over-spend of £11k in total, due to a reduction in administration fees income compared to the estimated income for the budget. Fees charged to employers and payroll administration fees have both reduced slightly compared to expectations – mainly related to volume reductions. The 2024/25 income budget has been reduced accordingly.

4.44 The address tracing budget is under-spent by (£12k), due to a new licencing arrangement that has resulted in savings. The reduction in costs is reflected in a reduced budget for 2024/25.

4.45 There was an additional cost of £5k for the year relating to employee relocation expenses.

4.46 The recruitment fees budget has been over-spent by £2k. The main driver of the small over-spend is the costs of specialist, targeted recruitment undertaken for two managerial posts. Some of this over-spend has been offset by a reduced number of recruitment advertising campaigns overall.

4.47 A number of miscellaneous items have resulted in minor over-spends which together come to a total of £7k. The over-spend items include ill health reports, death certificates, venue hire and SMS messaging, offset by small under-spends on miscellaneous expenditure.

4.48 <u>Investment Strategy – Under-Spend (£67k):</u>

4.49 The employee costs budget was over-spent by £14k. This is made up of the following items:

a) The additional cost for this department of applying the pay award for 2023/24 was £9k.
b) The implementation of the pay and benefits review cost £5k for this department. Pay and benefits review costs are offset by a transfer from the pay and benefits reserve noted in the reserves section later in the report.

4.50 The performance measurement budget was over-spent by £16k. Following the previous contract ending, a new contract was implemented with a new provider. This resulted in an on-boarding fee which is driving the majority of this over-spend.

4.51 An over-spend of £3k for investment advisers due to inflationary increases in fees being above the assumptions when the budget was set. The budget for 2024/25 has been set at a higher rate to reflect this.

4.52 The consultancy budget has been under-spent by (£47k). The budget was set based on estimated needs and costs for a number of items in relation to TCFD and impact reporting that did not go ahead during the year; some of the work is being covered by internal resources and the remainder is not required.

4.53 An under-spend of (£50k) on legal and other professional fees based on the activity and requirements during the year. The main driver of this under-spend is an additional professional licence for Bloomberg budgeted for, that was not implemented.

4.54 The training budget has been under-spent by (£3k), due to a lack of activity in the year.

4.55 <u>Resources – Forecast Over-Spend £32k:</u>

4.56 The employee costs budget was over-spent by £28k. This is made up of the following items:

a) The additional cost for this department of applying the pay award for 2023/24 was £55k.
b) The implementation of the pay and benefits review cost £46k for this department. Pay and Benefits review costs are offset by a transfer from the pay and benefits reserve noted in the reserves section later in the report.
c) There was a net under-spend of (£73k) comprising (£81k) driven by staff turnover and recruitment delays, partly offset by £8k costs of an employee exit payment (PILON).

4.57 The recruitment budget has been over-spent by £8k due to having required the services of a specialist agency for a second transactions officer in the financial services team; two posts were required, one of which was filled during 2022/23, however the second was delayed until 2023/24. Additionally, two attempts to recruit a Governance Officer were required due to failing to appoint at the first attempt, and this led to additional recruitment advertising fees.

4.58 Additional income of (£5k) was due to not including a budget for the income for providing secretariat services for the Border to Coast Joint Committee when setting the budget as this was yet to be agreed at that time. The 2024/25 budget has been set to reflect the agreed fee income for this going forward.

4.59 A minor over-spend of £1k on the training budget, through a variety of professional and short courses being undertaken through the year.

4.60 <u>ICT – Under-Spend: (£157k):</u>

4.61 The employee costs budget was under-spent by (£99k). This is made up of the following items:

a) The additional cost for this department of applying the pay award for 2023/24 was £28k.
b) The implementation of the pay and benefits review cost £30k for this department. Pay and benefits review costs are offset by a transfer from the pay and benefits reserve noted in the reserves section later in the report.
c) There was a significant under-spend of (£157k) driven by staff turnover and recruitment delays. A small number of vacant posts were not recruited throughout the year, some of these posts (within the Pensions Systems team) had previously been disclosed under Pensions Administration prior to the virement above. The reason for not recruiting was due to requiring time to take stock following the transfer of the team to ICT and undertaking an assessment of the resourcing needs in order to plan an appropriate strategy

for filling the posts required, given that these are specialist posts that can be challenging to recruit. The 2024/25 budget has been set to reflect the likely plans and timelines for recruitment with an allowance to direct some of the vacancy budget resources to be used on purchasing consultancy support from the system supplier to ensure that the service delivery is not negatively impacted.

4.62 The training budget has been over-spent by £4k due to several additional short courses being undertaken – taking advantage of promotional offers from an external provider that provided good value for money.

4.63 A minor under-spend of (£1k) on the budgets for various software systems:

a) Investment accounting system under-spend (£9k) – the supplier went into liquidation in May 2023 without notice. Arrangements were put in place to replace the system, at no cost to the Authority, using internal staff resource to develop a spreadsheet-based system. This has continued to be used throughout this year pending procurement of a custodian in 2024/25.

b) HR & Payroll system under-spend (£48k) – the procurement and implementation of the new system has been delayed until the summer of 2024. The implementation and additional annual costs have been included in the 2024/25 budget.

c) UPM (Pensions Administration) software system over-spend £56k – a number of additional upgrades have been required in 2023/24 that were not known when setting the budget, partly affected by the vacancy of the AD – Pensions at the time. The Head of ICT has now taken over responsibility for this budget, in close consultation with the AD – Pensions in relation to the needs of the service. Therefore, the estimates for the 2024/25 budget are believed to be more robust – although the nature of pensions administration and potential for new requirements arising from regulations etc., can lead to further costs for enhancements / upgrades arising. For this reason, we do also maintain funds in the ICT reserve as a contingency.

4.64 An under-spend of (£29k) on the hardware replacement budget. The budget included provision for a potential requirement to purchase member devices; an alternative solution was found meaning this has not been required. Additionally, the budget for monitor replacements has not been utilised as the work has been delayed to 2024/25.

4.65 The budget for various software licences and maintenance were under-spent by (£36k). This is due to some licence cost increases not being quite as high as budgeted for, and some costs budgeted for in 2023/24 that will now fall in 2024/25.

4.66 A number of miscellaneous items resulted in a minor net over-spend of £4k. This comprises an over-spend on accessories and consumables, offset by under-spends in relation to insurance and telephony.

4.67 <u>Management and Corporate – Over-Spend: £66k</u>

4.68 The employee costs budget was over-spent by £45k. This is made up of the following items:

a) The additional cost for this department of applying the pay award for 2023/24 was £2k.

b) The implementation of the pay and benefits review cost £1k for this department. Pay and benefits review costs are offset by a transfer from the pay and benefits reserve noted in the reserves section later in the report.

c) There was a minor under-spend of (£2k) in relation to staff turnover.

d) A net over-spend of £44k in relation to the centrally held vacancy allowance and corporate contingency budgets to offset variations across the other Authority budget heads. The vacancy allowance budget is held centrally to account for turnover across the Authority to offset under-spends in relation to time taken to recruit to vacancies across the service areas reported; the outturn on this is an over-spend of £119k. The corporate contingency budget was set to provide for the risk of over-spends in relation to the national pay award, given this was not known at the time of setting the budget and there was a significant level of uncertainty over the assumptions used; the outturn on this is an under-spend of (£75k).

4.69 An under-spend of (£32k) in relation to various budgets relating to the Oakwell House office building:

a) The utility bills budget was under-spent by (£28k), mainly due to the price of electricity reducing in the latter half of the year. The budget was set on a prudent basis without building in these potential reductions.

b) The facilities management and other premises budgets were under-spent by (£1k), following the reduction of some charges on the monthly contract. The under-spend in relation to the facilities management contract is offset by additional costs for miscellaneous building maintenance items.

c) Office furniture has been over-spent by £7k. A number of different furniture needs have been assessed following the appointment of the Operations Management Officer with a dedicated focus on managing the office facility. Further requirements have been taken into consideration when setting the 2024/25 budget.

d) A budget for Oakwell House repairs and maintenance was created in 2023/24 and has been underspent by (£10k). The purpose of the budget is to spread the cost of any significant works that may be required in future over a number of years, such as a new roof for example, through transferring an annual amount into earmarked reserves.

4.70 External audit costs have been over-spent by £49k, as explained in paragraph 4.33 above in regard to the overall Authority over-spend.

4.71 The recruitment budget has been over-spent by £7k. A one-off additional recruitment campaign requiring services of an agency for the Programmes and Performance Manager role is the main driver of this over-spend. This recruitment did lead to a successful appointment, with the role holder joining the organisation in December 2023.

4.72 An under-spend of (£18k) on the corporate training budget. However, this is partly offset by increased training costs at departmental level and is much smaller than has historically been the case when this budget has previously been under-utilised. The positive impact of providing increased focus on support for learning and development, including the appointment to a new role of Business Support Officer – Learning and Development in the HR team from October 2023 – is evident in the increased usage of this budget.

4.73 The budget for HR services provided by Barnsley MBC under a service level agreement was over-spent by £5k as a result of increasing the service provided from 3 days to 4 days per week with effect from September 2023, in order to provide the management resource needed for the increasing workload and increased staffing establishment.

4.74 The budget for Internal audit services provided by Barnsley MBC under a service level agreement was under-spent by (£9k). The driver of the under-spend was fewer plan days being delivered than budgeted for, this was offset by higher daily rate fees due to inflation.

4.75 The professional services budget was over-spent by £22k. The main drivers for the over-spend have been additional actuarial fees for governance consultancy regarding member knowledge and skills development, various corporate legal fees and the 2023/24 portion of costs for the Independent Governance review carried out between February and May 2024.

4.76 The budget for the Multi-Functional Device (Printer / Photocopier) has been under-spent by (£5k). As the Authority has moved towards being paperless, the need for two MFDs dropped to one, and there has been a significant reduction in associated consumables. The reduction in costs have been reflected in a reduced budget for 2024/25.

4.77 An under-spend of (£5k) on the budget for employer secondary rate pension contributions which relates to past service costs and is therefore held as a corporate budget. The secondary contribution rate from 1 April 2023 is set as a negative percentage of pensionable pay costs due to the Authority's own funding position (as an employer in the scheme) being in surplus at the 2022 triennial valuation. As the total pensionable pay for the year was higher than forecast, this has led to a higher than forecast actual on the secondary contributions.

4.78 A number of miscellaneous items resulted in a minor net over-spend of £3k. This comprises an over-spend on apprenticeship levy and insurance, offset by under-spends in relation to subscriptions, transport and other supplies. The Authority receives the benefit of the apprenticeship levy back through drawdowns of our apprenticeship levy pot to pay for the apprenticeships and training in place.

4.79 The Health, Safety & Wellbeing budget was over-spent by £4k. The main drivers are occupational health costs and office-related health and safety costs, which are both gradually having increased demands. The 2024/25 budget has been increased in this area to reflect the additional spending required. This aligns with the organisational commitment to this area.

4.80 <u>Democratic Representation – Over-Spend: £15k</u>

4.81 An over-spend of £1k related to the impact of the pay award on the Director's costs, a third of which is charged to this budget.

4.82 The Authority and Local Pension Board members' training budget was over-spent by £12k. This reflects an increased use of external training providers commissioned for several seminars on specific and current issues in the year (including Scrutiny for LPB members, and Cyber Risk & Scams, and McCloud for all members) as part of the approved Member Learning & Development Strategy and is part of achieving the aim of enhancing support for member knowledge and skills development. The 2024/25 budget includes increases for both the LPB and Authority member training.

4.83 A small over-spend of £2k on miscellaneous items such as travel, catering and adviser fees, based on the activity during the year, and the newly introduced Members Away Day.

4.84 Capital Expenditure Charge – Under-Spend (£2k):

4.85 The capital expenditure budget was under-spent by (£2k) as the costs of laptops purchased during the year were lower than what had been budgeted.

Earmarked Reserves

4.86 The table below shows the transfers to, from and between all four of the earmarked reserves at the end of 2023/24.

Reserve	Balance at 01/04/2023 £	Contributions to Reserves £	Contributions from Reserves £	Transfers Between Reserves £	Balance at 31/03/2024
Corporate Strategy Reserve	110,220	22,000	(91,235)	25,000	65,985
Pay & Benefits Reserve	200,000	0	(200,000)	0	0
ICT Reserve	78,030	10,000	0	(25,000)	63,030
Subtotal Revenue Reserves	**388,250**	**32,000**	**(291,235)**	**0**	**129,015**
Capital Projects Reserve	34,290	15,000	(30,000)	0	19,290
Total Earmarked Reserves	**422,540**	**47,000**	**(321,235)**	**0**	**148,305**
Net Total Transfer		**(274,235)**			

4.87 The contribution of £22k into the Corporate Strategy reserve is for setting aside of funds to meet the costs of the next investment strategy review due in 2026. The contributions from this reserve are to meet the costs incurred this year associated with:

a) Legal fees for the final stage of the Constitution review.
b) Additional over-spends in Pensions Administration.
c) Costs of the staff retention scheme.

A transfer of £25k from into the Corporate Strategy Reserve from the ICT reserve is proposed in order to achieve the required balance between these reserves at the end of the year based on the needs going forward.

4.88 The Pay & Benefits reserve was created to meet the then unknown costs in 2023/24 of the pay & benefits review outcomes. This work was concluded during the year with a total cost of £198k and therefore the total balance available in this reserve has been fully used to meet this cost.

4.89 The contribution into the ICT reserve was to set aside the income received from software sales in line with policy to be used for future ICT development requirements.

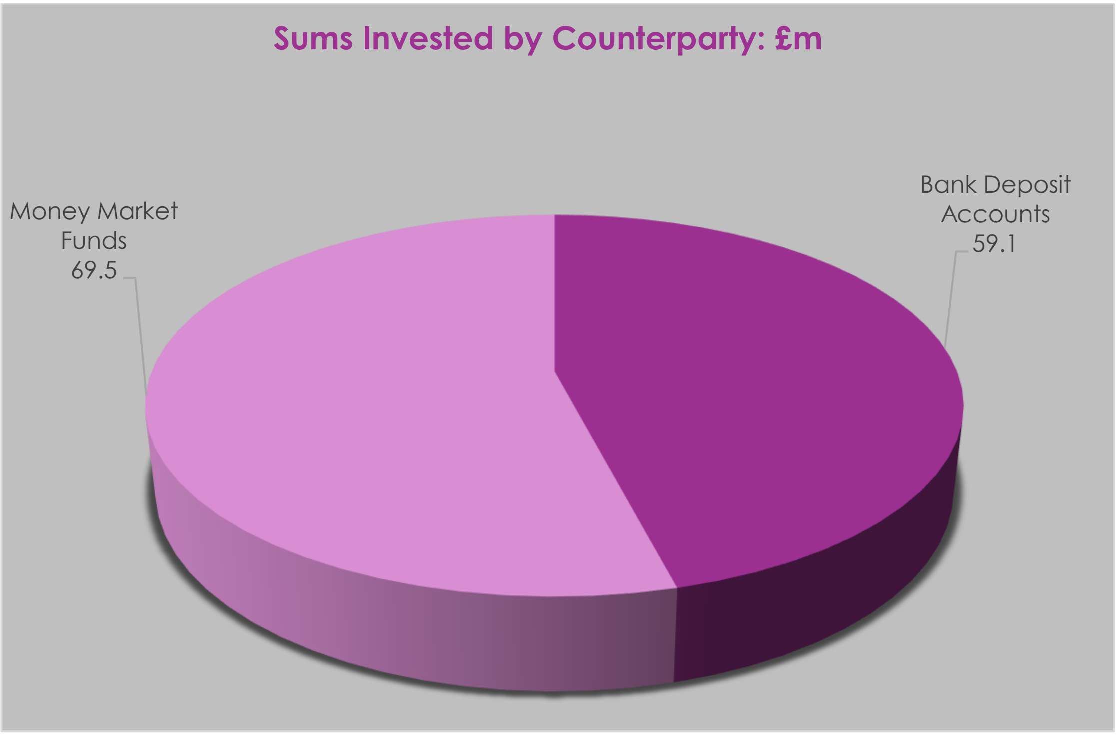
4.90 The contribution into the Capital Projects reserve is setting aside of funds for meeting future costs of upgrades required to the office building. The contribution from this reserve is to finance the expenditure incurred this year on the laptop replacement programme.

4.91 The result of the above is a net total transfer out from reserves of (£274,235). Members are asked to approve this transfer.

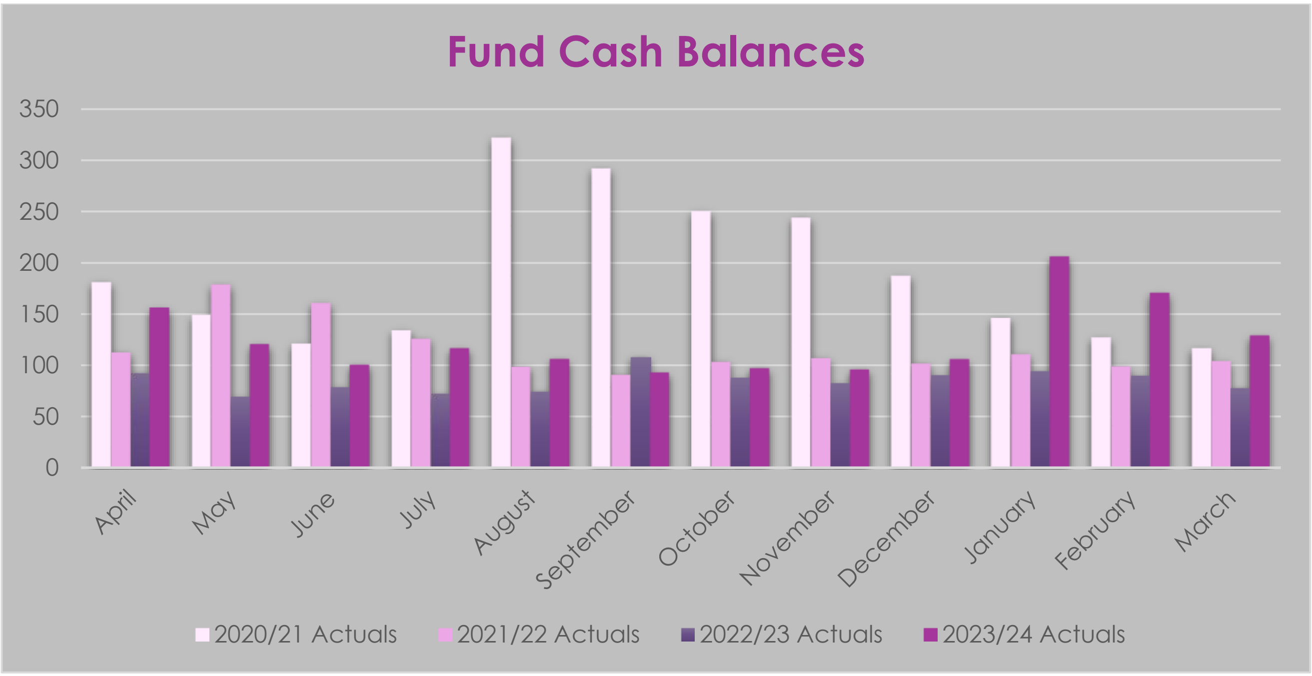
4.92 The balance of the revenue reserves at the end of the year, following the transfers, is £129k in total, equating to 1.9% of the Authority's total revenue budget, which falls well within the limit of 10% set in the Medium-Term Financial Strategy for 2023/24 onwards.

Treasury Management

4.93 The Fund's cash balances at 31 March 2024 stood at £128.6 million (£105.5 million at 31 December 2023). The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



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



4.95 Cash is only held pending Fund investment and the balance of cash at the end of the year represents 1.17% of the Fund, compared with 0.99% at 31 December 2023.

4.96 The significant increase that can be seen in the chart above of cash held as at the end of January 2024, and shown to be steadily reducing in February and March, is due to the conclusion of Project Chip which resulted in a large cash inflow that was held temporarily pending re-investment by the Fund, which is taking place on a phased basis.

5. What is getting in the way – Risk Management

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

5.2 The register is now held on risk management software system, enabling a more streamlined process for reviewing, recording and reporting on risks as well as assisting managers through the use of triggers and action reminders for example.

5.3 The Corporate Risk Register report is attached at Appendix A and is set out in a new format compared to previous reports as it has been produced directly from the new risk management software system.

5.4 The results of the latest review of the Authority's risks undertaken in May 2024 are set out in the commentary shown in the final column of the table in the report.

5.5 No risk scores have changed since the last review reported and no new risks have been added.

6. Learning from things that happen

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

	Received in Q4 2023/24	Received in Q3 2023/24	Received 2023/24 Full Year	Received in Previous Year: 2022/23
Complaints	4	7	26	24
Appeals Stage 1	2	4	7	4
Appeals Stage 2	0	0	2	4

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

6.3 The bulk of complaints continue to be concerned with the quality and timeliness of information provided. It is clear that some of the identified backlog issues are resulting in complaints.

6.4 Appeals received were due to an incorrect retirement quote not being honoured and one that involved incorrectly calculated benefits due to information received from an employer.

Breaches of Law and Regulation

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

6.6 Two breaches were recorded this quarter, taking the total for this year to date to six.

6.7 These breaches related to payment of a refund after the 5-year legislative cut-off period. It is likely that we will continue to see these as we work through our backlog.

Satisfaction Surveys

6.8 A survey of retiring members between November 2023 and January 2024 found that 94% of the 122 respondents were satisfied with the service they received.

6.9 A customer centre survey for the same period showed that of the 94 respondents, 90% were satisfied with the service they received.

Corporate Performance Report 2023/24 Quarter 4 – Appendix A

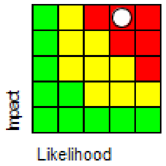
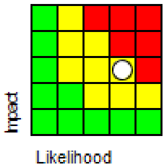
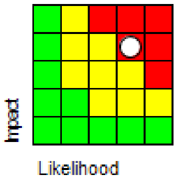
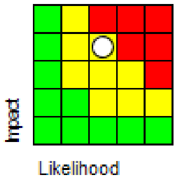
South Yorkshire Pensions Authority – Corporate Risk Register

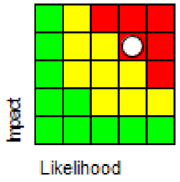
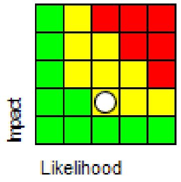
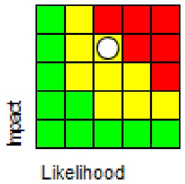
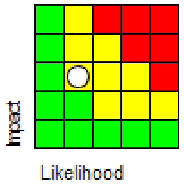
The table below sets out the register of strategic level risks, these are shown ordered by current risk score from the highest to the lowest.
The risk scores are shown on a matrix of impact and likelihood – this equates to scores as shown on this key:

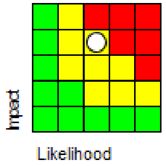
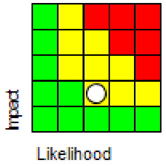
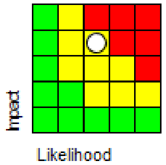
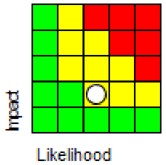
IMPACT					
5 Very High	5	10	15	20	25
4 High	4	8	12	16	20
3 Medium	3	6	9	12	15
2 Low	2	4	6	8	10
1 Very Low	1	2	3	4	5
	1 Very Low	2 Low	3 Medium	4 High	5 Very High
	LIKELIHOOD				

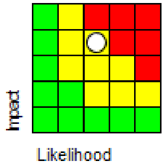
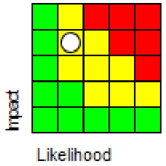
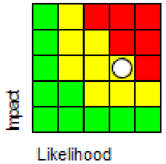
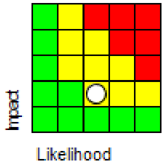
Underneath each matrix in the table, an icon is included to show the trend in the score since the previous review. As no scores have been changed in this latest review, these are all shown as which indicates no movement.

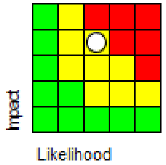
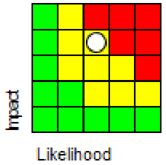
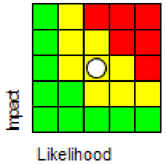
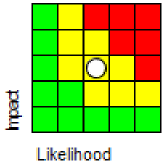
Appendix A

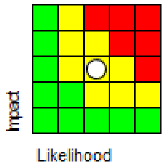
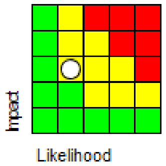
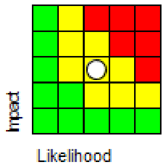
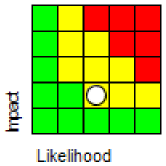
Existing Preventative Measures	Existing Mitigation Measures	Current Risk Score Matrix	Target Risk Score Matrix	Linked Actions	Commentary from latest review
Risk: IAF - 002 Failure to mitigate the impact of climate change Risk effect: Significant deterioration in the funding level				**Risk Owner: George Graham, Director** Risk Last Modified Date: 7 May 2024	
None possible.	▪ Climate Change Policies and Net Zero Goals adopted by both the Authority and Border to Coast. ▪ Asset allocation tilted to favour more climate positive investments. Review of Investment Strategy following the 2022 Valuation to integrate the achievement of Net Zero within the Strategic Asset Allocation. ▪ Reporting in line with the requirements of TCFD and regular monitoring of the level of emissions from portfolios, with outline targets for reductions.	 Trend:	 Trend:	▪ Additional engagement with Border to Coast to identify potentially climate positive investments. ▪ Analysis of end of year climate data to gain a detailed understanding of the current emissions trajectory. ▪ Clear targets for emission reduction to be set for remaining portfolios. ▪ Climate Change Policies and Net Zero Goals adopted by both the Authority and Border to Coast.	At this stage there is no justification to change the risk score
Risk: OPE - 002 Cyber security attack Risk effect: Significant disruption to the provision of services; loss / unauthorised release of key data.				**Risk Owner: Andy Ramsbottom, Head of ICT** Risk Last Modified Date: 8 May 2024	
▪ Regularly updated policies, software and hardware e.g., firewalls etc. to ensure multi-layer cyber security defences. ▪ Regular penetration testing. ▪ Cyber Security Essentials Plus Certification ▪ Regular refresher training on cyber security for all staff with a requirement to achieve a minimum level of pass. ▪ Policies and Codes of Practice in place	▪ Effective ICT business continuity plan in place. ▪ Incident response retainer with specialist security provider ▪ Cyber Security Incident Management Policy in place.	 Trend:	 Trend:	▪ Ongoing review and implementation of ICT action plan to enhance cyber security defences	Cyber awareness training delivered to LPB in April 2024. The ICT project plan continues be progressed however there is no justification to change score at this point.

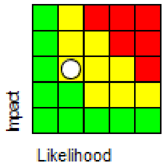
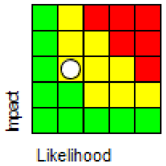
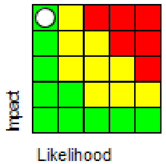
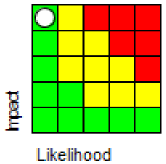
Existing Preventative Measures	Existing Mitigation Measures	Current Risk Score Matrix	Target Risk Score Matrix	Linked Actions	Commentary from latest review
▪ Targeted threat protections ▪ Regular internal and external audits.					
Risk: OPE - 005 Backlogs in work flows Effect: Declines in the overall level of service performance; regulatory penalties; reputational damage				**Risk Owner: Debbie Sharp, Assistant Director - Pensions** Risk Last Modified Date: 9 May 2024	
▪ Improved processes and staff training ▪ Targeted overtime to focused areas ▪ Changes to work tray allocations ▪ Pre live launch testing processes in place.	▪ Capacity planning exercise has been undertaken. ▪ An action plan considering a range of specific actions to address aspects of problems identified has been developed and is being worked through.	 Trend:	 Trend:	▪ Capacity planning exercise and focus group outcomes will be considered by members over the Autumn. However, this may take some time to have an impact. ▪ Continuation of implementation of the action plan (particularly the automation of certain bulk processes) will provide some mitigation in the interim. ▪ Overarching action plan to be developed. Review of processes and policies.	The overarching action plan has been approved and was actioned in February 2024. As per the last update this is still at early implementation stage and being monitored monthly. Whilst progress has been made against some of the additional preventative and mitigating actions there is no justification to reduce the score at this stage.
Risk: GOV - 004 Delivery of Key Objectives in Corporate Strategy Effect: Failure to deliver the service to our scheme members set out in our mission statement.				**Risk Owner: Will Goddard, Head of Finance & Performance** Risk Last Modified Date: 8 May 2024	
▪ Programmes and Performance Management Team established. ▪ Installed Programmes and Performance Management System	Regular monitoring and review of objectives delivery	 Trend:	 Trend:	▪ Development and implementation of a programme management framework ▪ Implementation and go live of Programme and Performance System	Project management methodology has been rolled out across the organisation, but adoption is currently at an early stage, and we'll be seeking to increase engagement with this as teams and managers get used to the new processes. We are tracking adoption with plans to start sharing this data to help determine where any further support is needed for adopting the framework more fully. Development of the Performance Management Framework is now in progress, but currently in early stages. Risk score remains unchanged.

Existing Preventative Measures	Existing Mitigation Measures	Current Risk Score Matrix	Target Risk Score Matrix	Linked Actions	Commentary from latest review
Risk: GOV - 004 Failure to apply data protection requirements Effect: Financial / regulatory penalties; reputational damage; inability to deliver the service.				**Risk Owner: Gillian Taberner, Assistant Director - Resources** Risk Last Modified Date: 9 May 2024	
▪ Access to expertise through BMBC Corporate Assurance Team and DPO. ▪ ICT control measures. ▪ Data protection policies, procedures and training in place.	▪ Data breach process in place to ensure correct action taken in the event of a breach and improvements identified. ▪ Close liaison with DPO. ▪ Reporting to ICO and implementing any recommendations. ▪ Data recovery plan in place.	 Trend:	 Trend:	▪ Data Protection Training ▪ Implement Information Governance Action Plan	The update to the suite of Data Protection Policies is now complete. Internal Audit review in progress on new policies and procedures with any actions arising to be added to the Data Protection Action Plan. Training will be delivered to identified staff by the end of June 2024. Phase 2 of the action plan is in progress. At this stage there is no justification to reduce the risk score.
Risk: OPE - 003 Poor data quality Effect: Inaccurate information leading to incorrect benefits paid; reputational damage; penalties; impact on valuation of liabilities; delays to processing and increase in backlogs.				**Risk Owner: Debbie Sharp, Assistant Director - Pensions** Risk Last Modified Date:	
▪ Implementation of front end validation of employer data submissions. ▪ Use of DART to run daily validations (200 per day) ▪ New system testing, releases and updatesDedicated systems team in place Issues and errors reported to System Providers ▪ Checking process in existing systems. ▪ Targeted staff overtime worked	▪ Ongoing development of data improvement plan. ▪ Dedicated Programmes and Performance Team ▪ Use of DART to run daily validations (200) ▪ Projects Team resource to target highlighted issues - bulk data corrections. Use of Hymans data cleansing tool as part of valuation process. ▪ Targeted overtime with focus on priority casework	 Trend:	 Trend:	▪ Capacity exercise outcomes ▪ Further preventative measures to be assessed to address root cause ▪ In house system improvements and efficiencies ▪ Robust contract management ▪ Targeted staff training	The data improvement plan has been updated. The primary focus is still the GMP Reconciliation and Rectification exercise, and this is still on track for completion Summer 2024. Data corrections for annual exercises have been undertaken but data improvement strategy is still to be implemented. The impact of the revised plan will be monitored however there is no justification to reduce the score at this stage.

Existing Preventative Measures	Existing Mitigation Measures	Current Risk Score Matrix	Target Risk Score Matrix	Linked Actions	Commentary from latest review
Risk: OPE - 004 Failure of the Authority to comply with relevant Regulations Effect: Enforcement action by relevant regulatory authorities				**Risk Owner: Jo Stone, Head of Governance & Corporate Services** Risk Last Modified Date: 8 May 2024	
▪ Service areas are aware of key points of reference for relevant regulations ▪ Reporting of compliance within relevant standards. ▪ Basic assessment of compliance with TPR General Code of Practice in place.	▪ Regular reviews of key policies and processes ▪ Ongoing process of awareness raising and training for staff in relation to operational matters ▪ Oversight of key updates and awareness of milestone approvals	 Trend:	 Trend:	▪ Additional training for Authority and Pension Board Members to enable improved oversight. ▪ Central policy tracker that is regularly reviewed ▪ More detailed assessment of compliance with emerging regulatory requirements. ▪ Use of tool to assess compliance with TPR General Code and report on this twice per year.	Initial assessment of TPR compliance completed for the new General Code of Practice. Policy Tracker template created, work ongoing to populate this and develop timeline and procedures to ensure policies are in place and kept up to date. There is no justification to adjust this score at the moment.
Risk: PEO - 002 High level of vacancies within the organisation Effect: Inability to deliver the service; negative impact on staff wellbeing; poor staff retention resulting in loss of specialist knowledge.				**Risk Owner: Gillian Taberner, Assistant Director - Resources** Risk Last Modified Date: 8 May 2024	
▪ Career grade scheme in place to develop in house specialists. ▪ Targeted advertising including using social media ▪ Introduction of hybrid working and existing flexi scheme	▪ Capacity planning to identify additional resources. ▪ Regular one to ones, review of workload and work life balance. Promotion of wellbeing initiatives. ▪ Provision of Counselling, Occupational Health and Employee Assistance Programme. ▪ Investment in training and development. ▪ Market supplements to secure specialist roles.	 Trend:	 Trend:	▪ Develop action plan following 2023 employee survey findings. ▪ Implementation of Pay & Benefits review and talent attraction via Employee Value Proposition ▪ Increase in staffing following capacity planning.	The planned actions are in progress currently but not yet sufficiently progressed to result in a change to the risk score at this stage.

Existing Preventative Measures	Existing Mitigation Measures	Current Risk Score Matrix	Target Risk Score Matrix	Linked Actions	Commentary from latest review
Risk: PEO - 003 Single point of failure in specialist knowledge roles Effect: Failure to deliver service and reduced service quality; reputational damage; impact on staff morale and wellbeing.				**Risk Owner: Gillian Taberner, Assistant Director - Resources** Risk Last Modified Date: 8 May 2024	
▪ Revised pay and benefits package ▪ Range of policies for supporting wellbeing ▪ Documented procedures and work instructions ▪ Learning and development plans and knowledge transfer	▪ Organisational Resilience Plan. ▪ Lessons learned to identify single points of failure. ▪ Ability to call on external third party support. ▪ Regular one to ones, review of workload and work life balance. ▪ Promotion of wellbeing initiatives. ▪ Provision of Counselling, Occupational Health and Employee Assistance Programme.	 Trend:	 Trend:	▪ Identify single points of failure in each service. ▪ Service- specific plans to address this through: ○ Knowledge transfer ○ Succession Planning ○ Identifying options for third party support / services as appropriate or for contingency purposes ○ Actions being taken as part of Pensions Administration structure change.	There have been no specific changes since the last review. No justification for changing the risk score. The actions required encompass a range of activity across the organisation that will be progressed and implications for the risk score reviewed on an ongoing basis.
Risk: IAF - 001 Material changes to the value of investment assets and/or liabilities Effect: Sharp and sudden movements in the overall funding level				**Risk Owner: Sharon Smith, Assistant Director – Investment Strategy** Risk Last Modified Date: 7 May 2024	
▪ Having a diversified Investment Strategy focussed on relatively lower risk and less volatile investments.	▪ Element of inflation protection built into the asset allocation both through specific assets (such as index linked gilts) and proxies such as property and infrastructure.	 Trend:	 Trend:	▪ Ability to implement protection strategies if market circumstances indicate they are appropriate.	This risk remains at the target score. Given nature of the risk it will remain on the register.

Existing Preventative Measures	Existing Mitigation Measures	Current Risk Score Matrix	Target Risk Score Matrix	Linked Actions	Commentary from latest review
Risk: IAF - 003 Failure to manage key risks in the Border to Coast Strategic Plan Effect: Decline in investment performance; increased costs if need to move to more expensive products; potential changes in the risk and volatility levels within the portfolio				**Risk Owner: George Graham, Director** Risk Last Modified Date: 7 May 2024	
▪ Process of engagement between the Company and stakeholders to agree the Company's Strategic Plan and Budget containing appropriate mitigations. ▪ Succession and contingency planning arrangements in place within the Company	▪ Programme of specific risk mitigations agreed as part of the 2022 - 2025 Strategic Plan and Budget	 Trend:	 Trend:	▪ Ongoing monitoring of Programme of specific risk mitigations set out in 2022 - 2025 strategic plan	This remains as the last update - The progress against the plan will be reviewed at the September Authority meeting and it is likely that the risk score will reduce following the June review.
Risk: IAF - 005 Employer contributions become unaffordable Effect: Default on the making of contributions by employers				**Risk Owner: George Graham, Director** Risk Last Modified Date: 7 May 2024	
▪ Investment strategy that is focused on long term returns and reduced volatility ▪ Reviews of employer covenant and ongoing monitoring of funding levels	▪ Phasing of increases and stabilisation mechanism in the valuation ▪ Negotiated exit depending on the type of employer ▪ Ability to undertake contribution reviews	 Trend:	 Trend:	▪ More systematic review of employer covenants ▪ More systematic use of the funding monitoring tools provided by the actuary	Initial engagement with larger employers indicates that there is likely to be pressure to reduce the overall level of contributions at the next valuation. At this stage it is not clear what the valuation outcome will be so it is not possible to judge where any balance between the differing interests of the fund and employers will be struck. Therefore, the score for this risk remains as previously.

Existing Preventative Measures	Existing Mitigation Measures	Current Risk Score Matrix	Target Risk Score Matrix	Linked Actions	Commentary from latest review
Risk: GOV - 001 Insufficient knowledge and understanding of Authority and LPB Members Effect: Poorly informed decision making; regulatory / legislative non-compliance; insufficient questioning and challenge of officers.				**Risk Owner: Jo Stone, Head of Governance & Corporate Services** Risk Last Modified Date: 8 May 2024	
▪ Member Learning and Development Strategy and associated mandatory training requirements in place.	▪ Annual effectiveness review and action plan ▪ Identify changes to legislation and key regulatory requirements that require enhanced knowledge and skills development ▪ Continuation of collaborative engagement of Independent Advisers, Internal Auditors and Officers	 Trend:	 Trend:	▪ Any new members will be required to undertake mandatory training to meet essential requirements. ▪ Continuous review of the pensions landscape for legislative and regulatory change	Introduction of new away day for members' CPD was successfully delivered in November 2023 and planned for Nov 2024 (to be run annually). With some turnover of membership as we move into the new municipal year, there will be increased activity to support new members through induction and on-boarding.
Risk: IAF - 004 Imbalance in cashflows Effect: Inability to pay pensions without resorting to borrowing or "fire sale" liquidation of investments; potential negative impacts on individual pensioners.				**Risk Owner: Sharon Smith, Assistant Director – Investment Strategy** Risk Last Modified Date: 7 May 2024	
▪ Maintenance of "cash buffer" of liquidity sufficient to cover more than one monthly payroll.	▪ Process for monitoring and forecasting cashflows	 Trend:	 Trend:	▪ Further improvements in cashflow forecasting ▪ Implementation of strategies to more regularly harvest income from investments	This risk remains at target score but will remain on the register due to potential fluctuating circumstances.

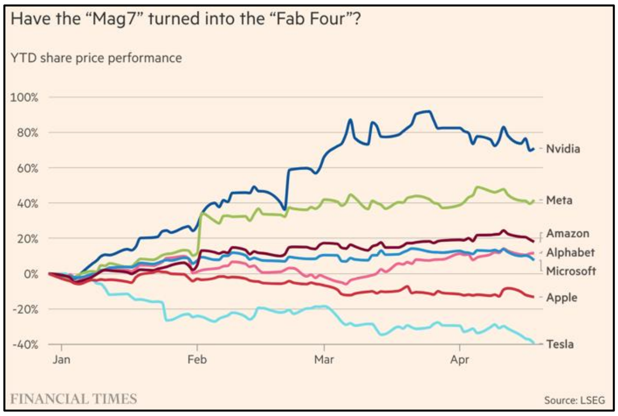
There may be trouble ahead…

The last update reflected on market relief that inflation seemed to have been tamed (or at least was falling) and that recessionary fears which had existed for much of the latter half of 2023 seemed to have passed (or at least been diluted) in the US - although those fears had been (just about) confirmed in the UK and Europe. The belief was that growth would soon be returning and that whilst some may be *technically* in recession, economies were bouncing back despite last year's severe monetary tightening.

However, things might not be turning out quite as rosily as people may have hoped?

Bullets continued to spray all over the markets, in some cases, unfortunately, quite literally - with continuing escalation of hostilities in Gaza and Iran briefly getting involved leading to fears of region-wide escalation, adding to an already protracted Russia/Ukraine conflict and global supply restrictions caused by Houthi attacks on shipping in the Red Sea, forcing major transporters to divert to the more expensive and longer route around the African Cape.

Equity markets continued to focus on technology stocks, specifically the "Magnificent Seven" (*Amazon, Apple, Google, Microsoft, Meta, Nvidia and Tesla*) although more recently several members have appeared to have lost some of their shine, with examples such as Tesla declaring disappointing results and Apple abandoning their self-driving / electric car project. Will life imitate art with only three surviving, like in the Movie?



Share buybacks have continued to focus investors' attention along with the ever-increasing theme of Artificial Intelligence.

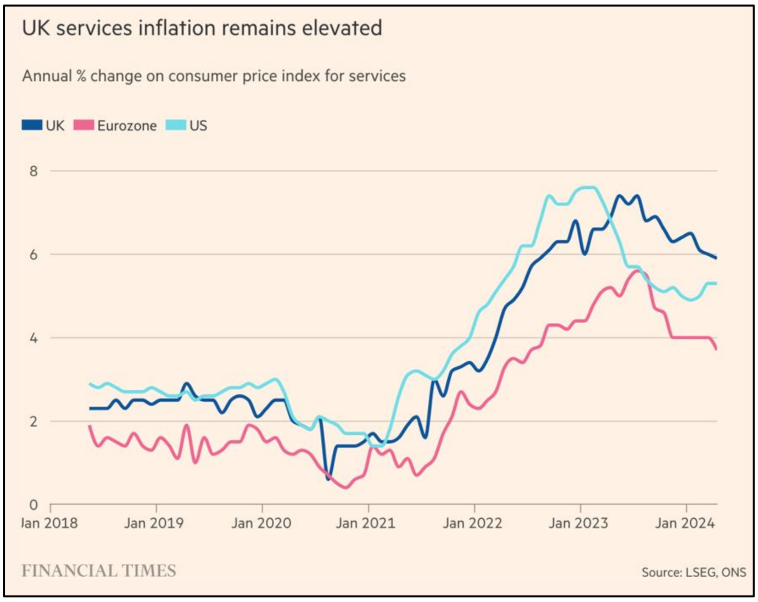
Major central banks maintained tight monetary policy throughout the first quarter continuing emphasis on data dependency and again pivoting to warning of rates being higher for longer. In contrast, Japan saw the end of its easy monetary regime with rates now positive.

Inflation, GDP & Interest Rates:

After initially showing further encouraging declines, confidence in inflation falling easily back in line has started to wane as inflation picked up slightly. Service sector inflation is continuing to prove stubborn such that headline levels are still nearly double target levels. US inflation rose from 3.1% (January) to 3.5% (March), although it has fallen back in the latest data to 3.4% (April). The US Federal Reserve Board (FED) prefers the personal consumption expenditure metric (PCE) as an inflation indicator, and this remained flat at 2.8% in Q1.

The picture in the UK was slightly better with inflation falling to 3.2% in March and again to 2.3% in April (4.0% December 2023). Behind this latest drop, however, is a significant cut in the regulated energy price cap – commentators speculate that the Prime Minister thinks that this headline figure is as good as it is going to get, because he promptly called a general election after that data was released.

The Euro area, meanwhile, had reasonable news, with mid-May releases of data showing modest GDP growth and stable month-on-month inflation at 2.4%, nicely down from the 7% it was running at last year; and with the all-important services inflation coming down again.



Major central banks pivoted their messaging as inflation numbers showed a reluctance to continue their end '23 declines, and official statements and unofficial comments focused on the importance of future data to indicate if monetary policy might be relaxed anytime soon.

One reason is that the US economy is showing resilience and healthy growth and might not therefore need stimulus from reduced interest rates, whilst the risk of inflation taking off still lingers.

The US, UK and European central banks all left interest rates unchanged over the period.

Only the European Central Bank is seen as having the right conditions to reduce rates any time soon, with the market predicting June, although given European ‘inflationphobia’, the market may be getting ahead of itself a little.

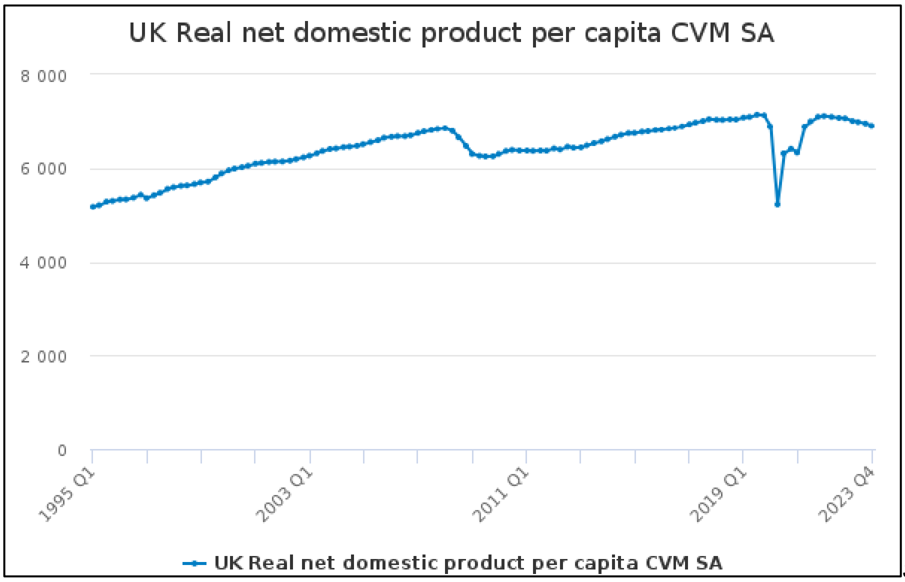
Market predictions of interest rate cuts in the US have fallen off a cliff; and if the FED doesn’t do anything in the next couple of months, it is unlikely to do anything until after the elections in November for fear of being accused of political motivations (fairly or otherwise) – and there doesn’t seem to be any great rush.

Meanwhile, the UK is unlikely to risk importing inflation in the short term as a drop in rates is likely to weaken Sterling – and for similar political reasons can’t realistically do anything during the election campaign.

Economic Growth

In the US, the trusty consumer continues to show resilience. Q1 US GDP was released at a very respectable 1.6% (albeit down on Q4 ’23 3.4%) with personal consumption accounting for the majority of the growth. Employment remained robust and manufacturing indicators have signalled expansion for the first time after 16 straight months of negative data.

Following a technical recession in the UK in the latter half of 2023, Q1 growth recovered slightly rising by 0.6% - although as some sides of the political spectrum might be pointing out over the coming few weeks, real net net domestic product *per capita* remains lower than it was in 2017.



Source: ONS

The Euro area, meanwhile, showed modest GDP growth of 0.3% as well as an equally modest increase in employment rates of 0.3%, but these are seen as steps in the right direction after a stagnant period.

Macro Snapshot

As we entered 2024, with annual rates of inflation in developed economies having peaked in 2022, concerns about further interest rate hikes had been eliminated and replaced by thoughts on how quickly, and how far, interest rates would fall. While the broadly accepted narrative has not really changed and investor sentiment has remained strong, the predicted *timing* of **US** interest rates cuts has been pushed back dramatically.

As referenced above, initial market expectations had been for as many as seven US rate cuts starting as soon as Q1 2024 but these expectations dramatically reduced over the period to one (possibly two), potentially after the November US election date.

Very recent whispers from the fringes (and no one dare say it too loudly) are that the FED's next move could possibly even be upwards in interest rates. Although this is definitely not a consensus view, the first quarter if the year illustrates how rapidly consensus views can change.

The US, the world's largest economy, continued its steady momentum, instilling confidence in global equity markets and dispelling fears of imminent economic turmoil. While European economies faced greater challenges, in particular the UK, where economic output has stagnated, the much anticipated economic fallout from interest rate increases has yet to materialise.

In **Europe**, improvements in the GDP forecast drove up economic-sensitive stocks while banks benefited from announcements regarding enhanced shareholder returns. Eurozone inflation cooled throughout the quarter. Addressing the European Parliament in February, European Central Bank (ECB) President Christine Lagarde sought to temper expectations of an immediate interest rate cut, emphasising the central bank's cautious approach to avoid the potential need to reverse any cuts – but the market still thinks that Europe might ‘go first’.

The **Japanese** central bank ended its negative interest rate policy, yield curve control and halted its purchases of equity exchange traded funds and real estate investment trusts. Furthermore, new governance regulations requiring that management focus on shareholder returns have prompted strategies like share buybacks and increased dividend payments and this has supported Japanese stocks. The country still grapples, however, with challenges such as an ageing population and historically low birth rates, which pose obstacles to achieving the productivity growth necessary for sustaining Japan's prosperity. The JCB had to intervene in markets to try to support the extremely weak Yen – which, although theoretically supportive of its high-tech exporters, runs the risk of starting to import significant inflation (as well as lots of annoying tourists which are starting to become a bore, apparently).

The **British** economy had entered a technical recession in the last quarter of 2023. This downturn came as momentum from post-pandemic spending of pent-up savings waned and the adverse effects of elevated inflation and interest rates, A.K.A. the ‘cost of living crisis’ began to impede economic activity. The BoE's Monetary Policy Committee opted to maintain rates at 5.25% at its March meeting. The yearly inflation rate, as indicated by CPI, has declined from its peak of 11.1% in October 2022 to 2.3% in April 2023, marking the lowest pace of price increases since September 2021, but prices are still increasing.

The climate agenda has been given new impetus as the energy crisis revealed the dependency of industry and consumers on carbon-based fuels – often produced in countries controlled by dictators or unelected autocrats with values that don't align with liberal democracy. While the measurable reality is still that we live in a richer, safer and healthier world than we once did, the stresses of geopolitics look very real indeed, and peaceful co-development is the historical exception rather than the rule.

A secondary effect of climate change has been the significant increase in the prices of various soft commodities, such as cocoa (which has moved from $2,000 per ton to over $10,000), where yields have dramatically reduced as a result of weather fluctuations; although little of this increased price will find its way back to the farmers, leaving little scope for investment in new tress that might be more resilient over time compared to the current old-growth plantations. Consumers should prepare for continuing 'shrinkflation' in their easter eggs..

Globalisation is still very much alive, as measured by trade flows and foreign direct investment (FDI) and portfolio investment – yet there are significant changes already underway and protectionist activities are on the rise.

Figure 6. **World trade volumes still near records, despite tariffs and sanctions**

Source: Aviva Investors, CPB World Trade Monitor, US Treasury, Census Bureau, Macrobond as at 31 March 2024.

Equities

The chart below shows recent performance in the main equity indices in local currency (L/c) terms (as May 20th 2024).

	L/c %	L/c %
Equity Index	Last 12 months	Year to date
		20-May-24
FTSE 100	8.80	9.12
S&P 500	26.51	11.18
Nasdaq	31.82	11.16
Dax (Europe)	15.31	12.04
Hang Seng	0.95	15.19
Shanghai Comp	(6.43)	7.57
Nikkei 225	26.82	16.75

Global stock markets performed strongly for the most part in Q1 with several markets reaching all time highs - continuing the trend seen in late 2023. In the US, the earnings season brought good news for *some* of the 'Magnificent Seven', enabling stock markets to overcome the broader disappointment that could have been expected to come from the higher-for-longer interest rates message. However, divergence within the group became apparent as performance has become more nuanced. **Nvidia** notably led with a stellar return of over 80%. **Meta** and **Amazon** also produced impressive returns of 37% and 18% respectively. The performance of **Apple** and **Tesla** was, however, more disappointing with both companies seeing their share prices decline, reflecting weaker-than-expected demand for their products. Other sectors that performed well included energy and financials.

The continued dominance of just a few stocks in driving US stock market returns becomes increasingly concerning, with increasing numbers of commentators identifying the risk of calamity if Nvidia, for example, were to announce an issue with its supply chains, a chip that wasn't quite as fast as they'd hoped, or – and they say this quietly – a slow down in earnings growth!

More concerning for the AI narrative which is driving markets ahead, may be the growing realisation that in a few years' time, there might not in fact be enough electricity generating capacity (or sufficient wires to move it around) to run AI data centres as well as the coffee machines and air conditioning of US citizens. Something has got to give?

The sector trends driving US stock performance were repeated in most major markets over the period with improving economic conditions boosting the more economic sensitive sectors. **European** consumer discretionary and industrial sectors were amongst the top performing sectors whilst utilities, consumer staples and real estate continued as laggards.

The **UK** saw financials, industrial and the energy sectors outperform as inflation undershot the Bank of England's forecasts leading the market to price in earlier monetary policy easing - although this has yet to be delivered of course.

The **Japanese** market showed strong performance in the first quarter, with the Nikkei 225 index finally surpassing the previous peak ***set in 1989***, helped by weakness in the yen which dropped to multi-year lows. Japan stands to gain from advancements in technology, especially in artificial intelligence (AI), leveraging its strengths in machinery and electronics manufacturing.

Foreign investors played a leading role in driving the rally, fuelled by the increased optimism over Japan's positive economic cycle and evidenced in large-cap stocks, particularly 'value' stocks in the automotive and financial sectors.

Nikkei index – it can take a LONG time to recover from a burst bubble…

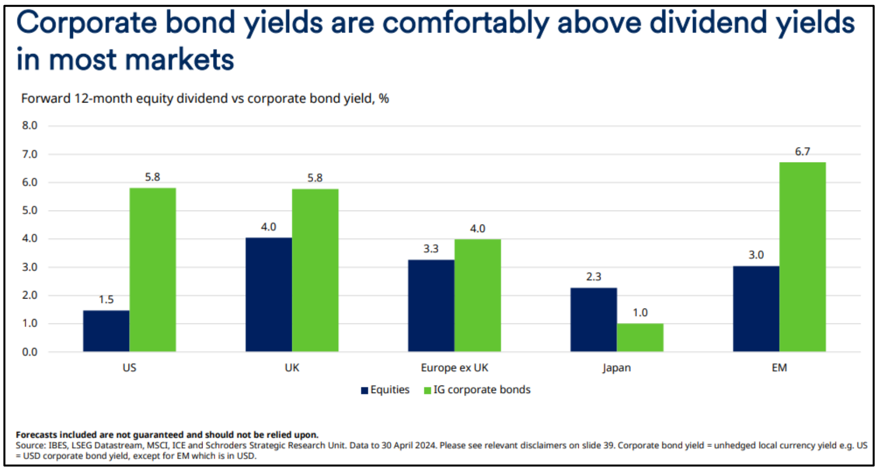
source: CNBC markets data

The rest of Asia saw more dispersed returns with **China** continuing to be the poor relation and this having knock-on effects on the Hong Kong market. Chinese stocks had ended Q1 lower as investors continue to be cautious on the market as the domestic property problems continue. Several stimuli have been introduced in May around mortgage rules and payments but these are still insignificant given the size of the problem. In contrast, Indian stocks continued to attract investors and performed well in Q1.

Fixed Income

The global debt markets saw a reversal of performance relative to their equity counterparts as yields rose (i.e. prices fell) in most major markets as inflation continued to be the primary focus. As already mentioned, the initial expectations for significant monetary easing in terms of timing and amounts were reversed as inflation proved sticky and the central banks pivoted their messaging. This saw 2-year US treasury yields rise to above 5% and US, European and UK 10 year benchmark yields rise by 0.34%, 0.40% and 0.26% to 4.21%, 3.94% and 2.03% respectively.

Credit markets continued to see record amounts of issuance which was easily absorbed by investor demand given the nominal high level of yields and the desire to lock in yield levels that haven't been seem for many years. Despite the rising yields and increased supply, the added yield differential that high quality credit offered ('Investment Grade credit spread') narrowed over the quarter, leading credit markets to outperform government debt. Corporate bond yields remain well above dividend yields in many markets. *Source : Schroders*



Real Estate and Real Assets

Real estate values have fallen in most key markets over the last two years mainly due to the sharp rise in interest rates and fears of economic downturns. US commercial real estate prices peaked in March 2022 and have fallen by 16% from there, obviously depending on property quality and location. With anticipation of interest rate declines during Q1, there have been the nascent signs of price recovery and investors returning to the market – but we are not out of the woods.

Starwood, a $10bn US REIT (Real Estate Investment Trust) – maybe a canary in the coal mine. It has put limitations on withdrawals and is widely reported to be running out of credit lines; if the situation cannot be resolved, they will face possible bankruptcy and firesale of assets which would do the market further damage.

With banks' capital being more controlled, much Real Estate debt financing is now coming from the private markets and there has been significant interest in quality property loans. Sector choice remains important with retail still being avoided but storage and high quality multi purpose units have seen some positive price moves.

This theme of a flight to quality in both Real Estate debt and equity markets is repeated around the globe.

Meanwhile, in the world of infrastructure investing, and talking of canaries in coalmines, Thames Water's biggest investor revalued its stake in the company to zero. The Canadian pension fund Omers wrote off its 31.7% stake its annual report published in mid-May.

It is too early to say whether there will be significant contagion into other UK water companies and indeed across the infrastructure sector, but this acts as a salutary reminder that infrastructure investing is not risk free, especially when highly leveraged to boost returns -Omers valued its stake in Thames Water at £700m at the end of 2022 and £990m at the end of 2021.

Private Credit

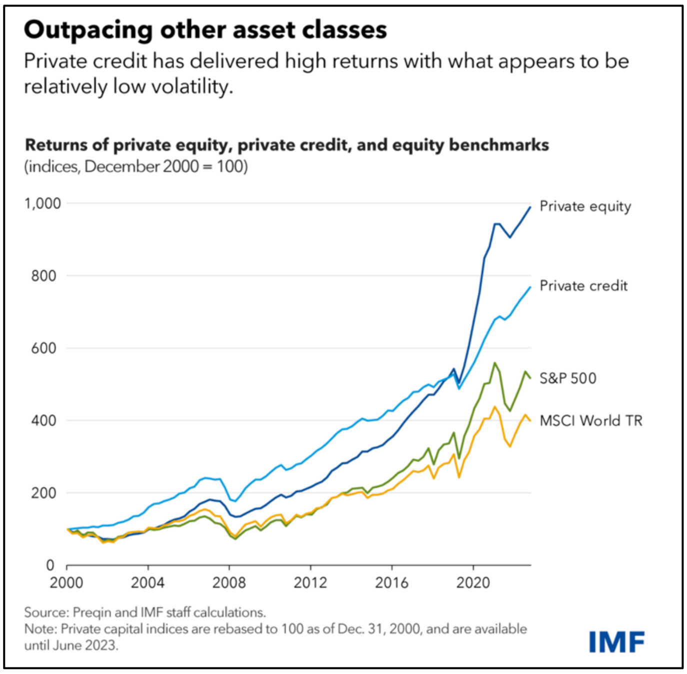
Private credit continues to appear highly resilient and with fund managers on the whole not reporting significant upticks in credit distress.

Conditions for existing investors look good with higher interest rates benefitting returns as nearly all debt is floating rate. The short-term outlook, at least, continues to be favourable.

Detractors point to the fact that existing piles of debt may well be managing to pay the current high levels of interest but repaying the principal of all these loans – which at the end of the day needs to be refinanced, is a different matter.

Nonetheless, with huge amounts of dry powder in the private debt world, getting refinancing may not in fact be too difficult, if lenders are willing to get a little lax in their terms and conditions. Surely this is not just a ponzi scheme…? If so, will it's unwind bite this next vintage of commitments, the one after that, or just slowly work itself out as debt is refinanced into the public markets?

The one reassurance to investors should be that before private credit starts taking losses, the Private Equity that sits below them in the capital stack will have need to be wiped out altogether – in theory at least.



Nonetheless, the IMF is suspicious; and included an entire chapter in its April 2024 Global Financial Stability Report entitled 'The Rise and Risks of Private Credit' and commenting in a blog 'Rapid growth of this opaque and highly interconnected segment of the financial system could heighten financial vulnerabilities given its limited oversight.'

However, in the absence of any actual evidence of dsitress, many scorn the report as a pretty obvious land grab by some folk whose jobs it is, after all, to monitor things. The main thrust of the argument is that Private Credit has been successful in growing market share - and because it's not traded, the IMF don't know what it's worth (and nor do investors). One should be suspicious of anything that doesn't conform to traded market norms, they say.

If it looks too good to be true, maybe it is? Perhaps they are right in the light of the Thames Water example – another private market asset that may have been carried at the wrong value for years.

Private Equity

PE continues to see investments being retained for longer with the absence of IPO releases given the continuing trends from 2023 where attractive IPO opportunities dried up with market illiquidity and lack of attractive multiples. There is still money looking for attractive investments but investors are being far more selective in their targets.

Outlook

As 2024 progresses, election risk should be built into markets with over 40% of the worlds' population going to the polls (India has already been going through their particularly complicated version of that experience during late April – and we now know that the UK will follow on (US) Independence Day). Given the nature of the candidates, the outcome of the US election will have huge ramifications on a variety of economic, social and possibly even constitutional levels and is currently too close to call.

This global electoral tsunami will likely have an effect on investor sentiment and be in the minds of central banks who will do their best to avoid being seen as politically coerced. Inflation is declining although still well above target levels but there is evidence that central banks' targets for inflation have been misguided and that interest rates should already have been cut given signs of economic slowdown (without the normally associated unemployment problem).

So:

Are markets correctly pricing in the size and speed of rate cuts? It looks as though the US' FED will be the last major central bank to cut rates – ECB is likely to cut earlier, but may delay further cuts and the latest UK inflation numbers may mean that they *should* cut in June too, but might not due to politics. Current views have the FED cutting once, perhaps twice, before September and then in December to avoid the November elections.

Is inflation really beaten or do the targets need re appraisal? Two percent inflation and two percent growth were the old targets for many major economies. Inflation remains stubbornly high, specifically due to service inflation which is not cured by higher interest rates. Recent geopolitical events have disrupted supply chains and weather has had an effect on crop productions likely to cause food prices to rise. The central banks remain nervous of these influences, and this could spill over to the markets.

If rates remain higher for longer, what effect will this have on some of the alternative asset classes? The vulnerable areas will be private debt, property and any other areas that are sensitive to refinancing needs and will include listed market such as high yield (below investment grade or 'junk' bonds). Default rates have been lower than many expected but credits will remain vulnerable if any are forced to re finance unexpectedly with rates at these levels. Market stress will likely be exacerbated the longer rates remain high.

Are equity markets in a bubble? Whilst Nvidia's earnings growth continues to be impressive, some cracks are beginning to show in the performance of other magnificent seven stocks. There appear to be more downside risks to US equity prices than upside potential, but this has been true for a while, and markets have continued to rally.

Central banks have a very tricky course to plot, and geo-politics too. Let's hope there is not too much trouble ahead…

24 May 2024

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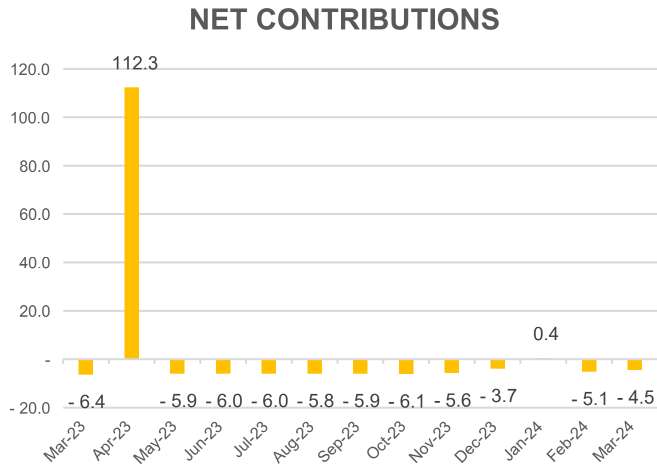
SOUTH YORKSHIRE
PENSIONS AUTHORITY

QUARTERLY REPORT
TO 31 MARCH 2024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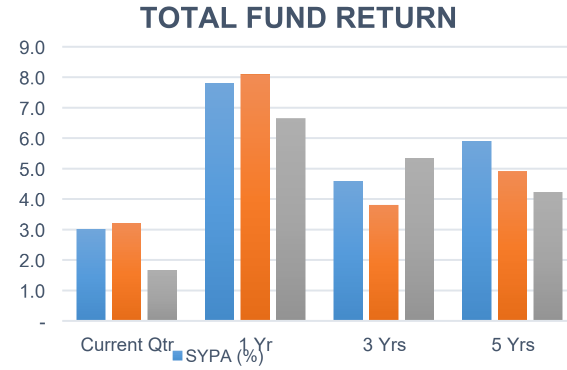
TOTAL FUND RETURN
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8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
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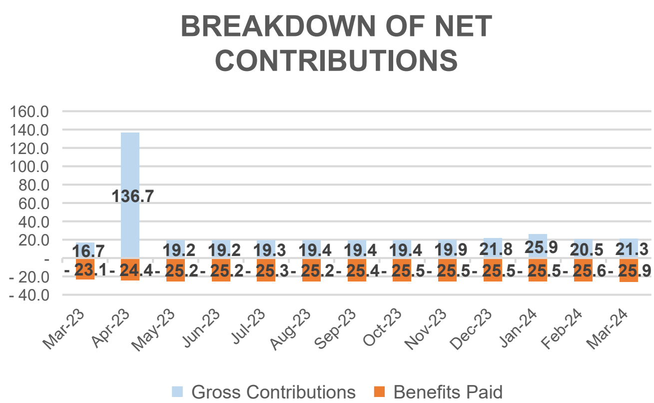
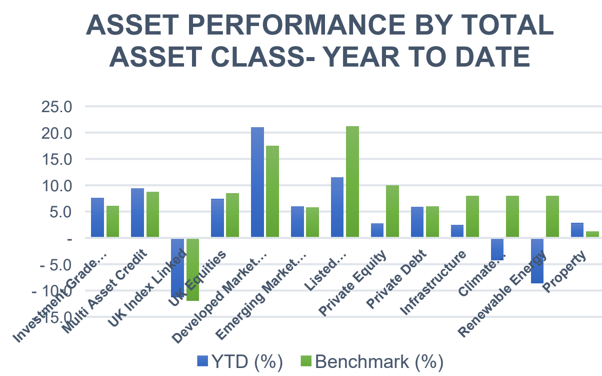
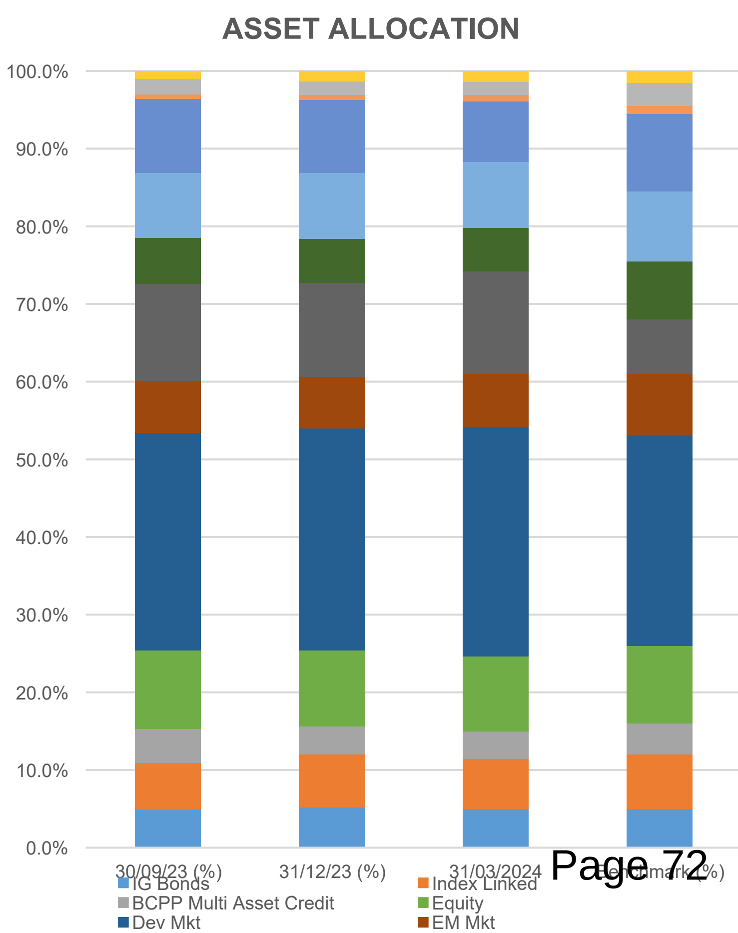
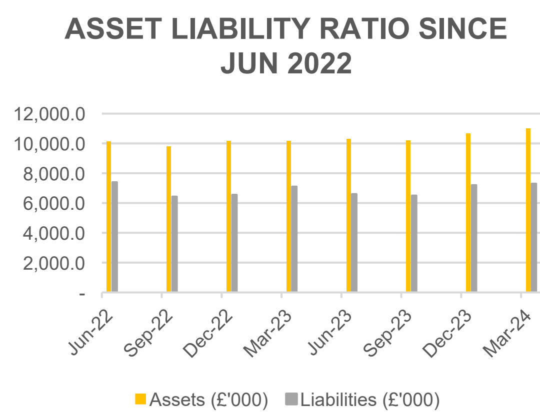
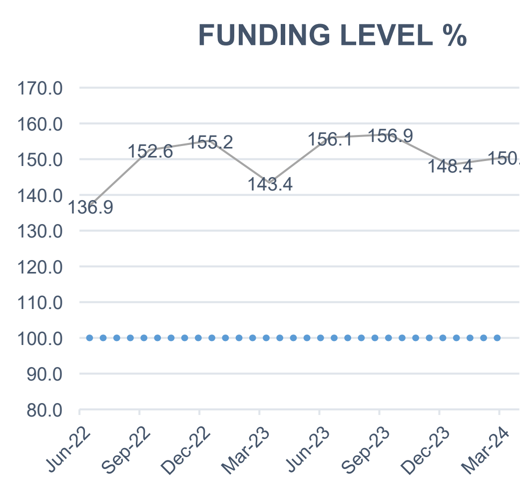
Current Qtr
1 Yr
3 Yrs
5 Yrs
SYPA (%)


BREAKDOWN OF NET CONTRIBUTIONS
160.0
140.0
120.0
100.0
80.0
60.0
40.0
20.0
-
- 20.0
- 40.0
136.7
16.7 19.2 19.2 19.3 19.4 19.4 19.4 19.9 21.8 25.9 20.5 21.3
- 23.1 - 24.4 - 25.2 - 25.2 - 25.3 - 25.2 - 25.4 - 25.5 - 25.5 - 25.5 - 25.5 - 25.6 - 25.9
Mar-23 Apr-23 May-23 Jun-23 Jul-23 Aug-23 Sep-23 Oct-23 Nov-23 Dec-23 Jan-24 Feb-24 Mar-24
Gross Contributions
Benefits Paid


ASSET PERFORMANCE BY TOTAL ASSET CLASS- YEAR TO DATE
25.0
20.0
15.0
10.0
5.0
-
- 5.0
- 10.0
- 15.0
Investment Grade...
Multi Asset Credit
UK Index Linked
UK Equities
Developed Market...
Emerging Market...
Listed...
Private Equity
Private Debt
Infrastructure
Climate...
Renewable Energy
Property
YTD (%)
Benchmark (%)


ASSET ALLOCATION
100.0%
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
30/09/23 (%)
31/12/23 (%)
31/03/2024
Benchmark (%)
IG Bonds
Index Linked
BCPP Multi Asset Credit
Equity
Dev Mkt
EM Mkt
Priv Equity
Priv Debt


ASSET LIABILITY RATIO SINCE JUN 2022
12,000.0
10,000.0
8,000.0
6,000.0
4,000.0
2,000.0
-
Jun-22 Sep-22 Dec-22 Mar-23 Jun-23 Sep-23 Dec-23 Mar-24
Assets (£'000)
Liabilities (£'000)


FUNDING LEVEL %
170.0
160.0
150.0
140.0
130.0
120.0
110.0
100.0
90.0
80.0
136.9
152.6
155.2
143.4
156.1
156.9
148.4
150.7
Jun-22 Sep-22 Dec-22 Mar-23 Jun-23 Sep-23 Dec-23 Mar-24

Market background

Global equity markets had another quarter of strong gains. As the quarter began the market was anticipating central banks to cut interest rates quite substantially over 2024 and this boosted share prices, but expectations were scaled back as data surprised on the upside and inflation proved to be a little stickier than hoped for. Consensus estimates are now calling for two rate cuts this year, down from the six cuts expected at the start of the year.

Annual inflation in the UK fell to 3.4% in February but remains above the Bank of England's 2% target. Data showed that the economy had entered a technical recession in the second half of 2023 and the Bank of England maintained interest rates at 5.25%. UK equities continued to show some improvement over the quarter but underperformed other developed regional markets.

Many of the global markets achieved record highs. US stocks were led higher by a strong earnings season, resilient US economic data and ongoing enthusiasm for AI. Fears of a global recession diminished given the robust economic performance seen in the US.

The Japanese equity market rallied strongly on the back of improving macroeconomic conditions and the Nikkei 225 reached a new high. Contributing to the positive news was the fact that corporate earnings exceeded expectations and there was positive revisions for the next couple of years. Significant progress was also made in the spring wage negotiations, and this is expected to boost the inflationary environment. The criteria for monetary tightening was finally met and the Bank of Japan lifted the negative interest rate policy setting short term rates at 0-0.1%. This demonstrated the Bank's confidence in Japan's macroeconomic development.

Emerging markets gained over the quarter but still lagged developed market peers. A detractor was China which ended the quarter slightly down amid ongoing fears about the outlook for the Chinese economy and Brazil also underperformed on profit taking after the market's strong performance in 2023.

Market background

Taiwan showed strong growth driven by enthusiasm for AI related stocks and technology companies and Indian stocks continued to progress gaining from overseas investment in manufacturing as companies seek to diversify supply chains outside of China.

As the quarter progressed government bond yields reacted to the reset in interest rate expectations, with yields rising and thus leading to a pullback in bond markets. The compression in spreads meant that corporate bonds outperformed government bonds with UK high yield a notable outperformer.

Commodity indexes rose over the quarter with energy and livestock being the best performing components. Within energy, all subsectors showed strong price growth except for natural gas, which had a sharp price fall. In industrial metals, copper, lead and nickel were higher, whilst zinc and aluminium prices fell. Both silver and gold prices rose over the quarter.

The property index had another lacklustre quarter, returning 0.6%. The industrial sector continued to outperform, while offices lagged again.

Fund Valuation
as at 31 March 2024

	Dec-23		Quarterly Net Investment	Mar-24		Benchmark	Range
	£m	%		£m	%	%	%
FIXED INTEREST							
Inv Grade Credit - BCPP	555.4	5.2	0.0	552.5	5.0	5	
UK ILGs - BCPP	726.9	6.8	0.0	703.5	6.4	7	
MAC - BCPP	387.8	3.6	-4.5	390.2	3.6	4	
TOTAL	**1670.1**	**15.6**	**-4.5**	**1646.2**	**15.0**	**16**	**11_15**
UK EQUITIES	**1041.7**	**9.7**	**-20.0**	**1055.5**	**9.6**	**9.5**	**4.5 -14.5**
INTERNATIONAL EQUITIES							
Developed Market - BCPP	3053.5	28.6	-70.0	3248.7	29.6	27.125	
Emerging Market - BCPP	709.6	6.6	0.0	736.6	6.7	7.875	
Emerging Market - SYPA	0.7	0.0	0.0	0.8	0.0		
TOTAL	**3763.8**	**35.2**	**-70.0**	**3986.1**	**36.4**	**35**	**30-40**
LISTED ALTERNATIVES -BCPP	**172.3**	1.6	**-20.0**	**153.0**	1.4	0	
PRIVATE EQUITY							
BCPP	323.9		26.0	340.8			
SYPA	799.3		1.1	806.0			
TOTAL	**1123.2**	**10.5**	**27.1**	**1146.8**	**10.5**	**7**	**5_9**
PRIVATE DEBT FUNDS							
BCPP	154.5		17.1	170.5			
SYPA	453.8		-1.2	457.6			
TOTAL	**608.3**	**5.7**	**15.9**	**628.1**	**5.7**	**7.5**	**5.5-9.5**
INFRASTRUCTURE							
BCPP	430.8		32.9	456.1			
SYPA	469.8		-19.4	452.9			
TOTAL	**900.6**	**8.4**	**13.5**	**909.0**	**8.3**	**9**	**7_11**
RENEWABLE ENERGY	**192.0**	**1.8**	**4.5**	**189.9**	**1.7**	**3**	**1_5**
CLIMATE OPPORTUNITIES	**64.2**	**0.6**	**26.8**	**91.4**	**0.8**	**1**	**0-3**
NATURAL CAPITAL			**149.1**	**149.1**	**1.4**	**1.5**	**0-2.5**
PROPERTY	**1009.0**	**9.4**	**-144.8**	**855.5**	**7.8**	**9**	**7_11**
CASH	**142.6**	**1.3**		**153.2**	**1.4**	**1.5**	**0-2.5**
TOTAL FUND	**10687.8**	**100.0**		**10963.8**	**100.0**	**100**	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	**1652.7**			**1776.3**			

Asset Allocation Summary

We continued to reduce our overweight position to listed equity funds. We sold £20m from UK equities and 70m from Overseas Developed equities.

The only transaction within bonds was a £5m reduction of the Multi asset Credit fund by means of the monthly cash withdrawal plan.

Within the property portfolios the largest transaction was the completion of Project Chip, the joint venture with RLAM. Our agricultural holdings formed the seed assets for a new Natural Capital fund. £100m was released from these holdings and we purchased units in a RL Commercial Property fund as part of the overall transaction. There were a further £6m of drawdowns on the CBRE local loans and £6m drawdowns into property impact funds that we hold.

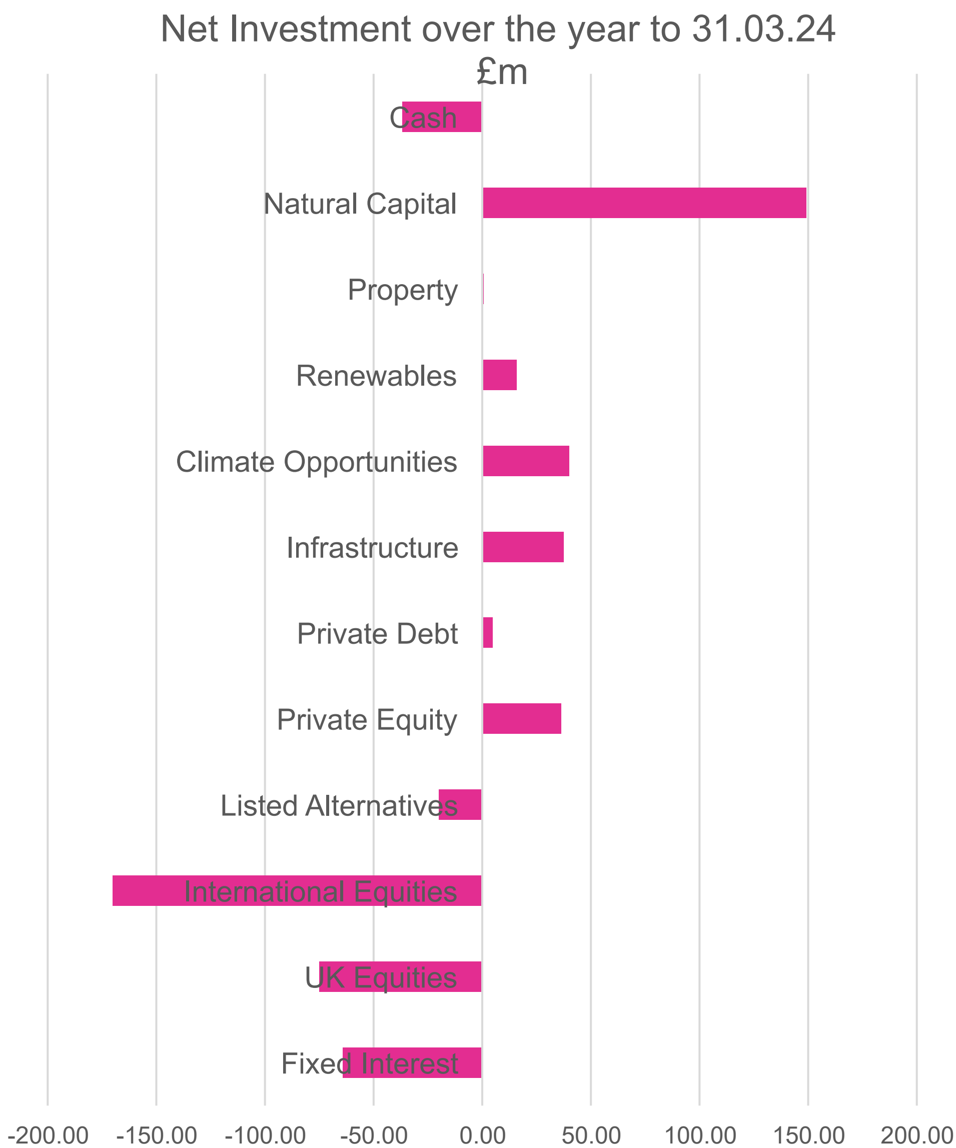
We sold £20m from the Listed Alternatives fund and had £26m drawdown into Climate Opportunity funds, £18.5m drawdown into infrastructure funds, £15.9m into private debt funds and £27.1m drawdown into private equity funds.

After the trades mentioned above there is still only one category that is outside its tactical range, and that is private equity.

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

The current Fund allocation can also be seen in the chart below.

Asset Allocation Summary



Asset Allocation Summary

Strategic vs Current Asset Allocation					
Asset Class	SAA Target	Range	Current Asset Allocation		
	%	%	£m	%	OW/UW
Index Linked Gilts	7	5 - 9	703.5	6.4	**-0.6**
Sterling Inv Grade Credit	5	4 - 6	552.5	5.0	**0.0**
Multi Asset Credit	4	2 - 6	390.2	3.6	**-0.4**
UK Equities	9.5	4.5 - 14.5	1055.5	9.6	**0.1**
Overseas Equities	35	30 - 40	3986.1	36.4	**1.4**
Private Equity	7	5 - 9	1146.8	10.5	**3.5**
Private Debt	7.5	5.5-9.5	628.1	5.7	**-1.8**
Infrastructure	9	6 - 12	909	8.3	**-0.7**
Renewables	3	1-5	189.9	1.7	**-1.3**
Listed Infrastructure	0	0-2	153	1.4	**1.4**
Climate Opportunities	1	0-2	91.4	0.8	**-0.2**
Natural Capital	1.5	0-2.5	149.1	1.4	**-0.1**
Property	9	7 - 11	855.5	7.8	**-1.2**
Cash	1.5	0.5 - 2.5	153.2	1.4	**-0.1**
Total	100		10963.8	100	

OW/UW 'RAG' ratings

Green ratings indicate that current asset allocation is within agreed tolerances

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

Red ratings indicate that current asset allocation is out of range

Performance

as at 31 March 2024

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Investment Grade Credit - BCPP	0.6	0.1	7.6	6.1
UK ILGs	-3.2	-3.4	-11.3	-11.9
Multi Asset Credit - BCPP	1.8	2.2	9.4	8.7
UK EQUITIES	**3.3**	**3.6**	**7.4**	**8.4**
INTERNATIONAL EQUITIES				
Developed Market - BCPP	8.9	7.8	21.0	17.5
Emerging Market - BCPP	3.9	3.3	6.0	5.8
TOTAL	**8.0**	**6.8**	**18.0**	**14.8**
PRIVATE EQUITY	**-0.3**	**2.4**	**2.7**	**10.0**
PRIVATE DEBT FUNDS	**0.8**	**1.5**	**5.9**	**6.0**
INFRASTRUCTURE	**-0.5**	**1.9**	**2.4**	**8.0**
RENEWABLES	**-3.0**	**1.9**	**-8.6**	**8.0**
CLIMATE OPPORTUNITIES	**-0.4**	**1.9**	**-10.8**	**8.0**
PROPERTY	**0.1**	**1.5**	**2.8**	**1.2**
CASH	**1.2**	**1.3**	**4.2**	**5.0**
TOTAL FUND	**3.0**	**3.2**	**7.8**	**8.1**

Performance Summary

For the quarter to the end of March, the Fund returned 3.0% against the expected benchmark return of 3.2%.

Asset allocation decisions together contributed 0.2% with stock selection detracting by 0.4%.

The breakdown of the stock selection is as follows:-

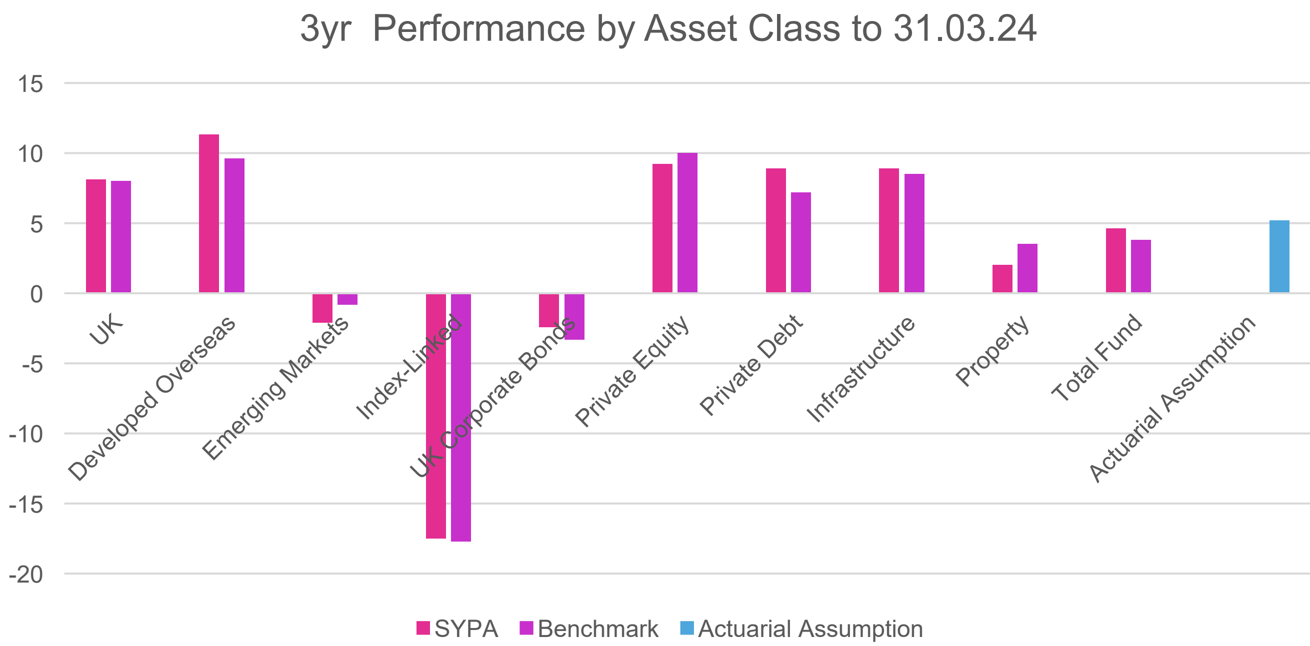
Overseas equities	0.4%
Total bonds	0.1%
Listed Alternatives	-0.1%
Renewables	-0.1%
Private Equity funds	-0.3%
Infrastructure funds	- 0.1%
Property	-0.1%

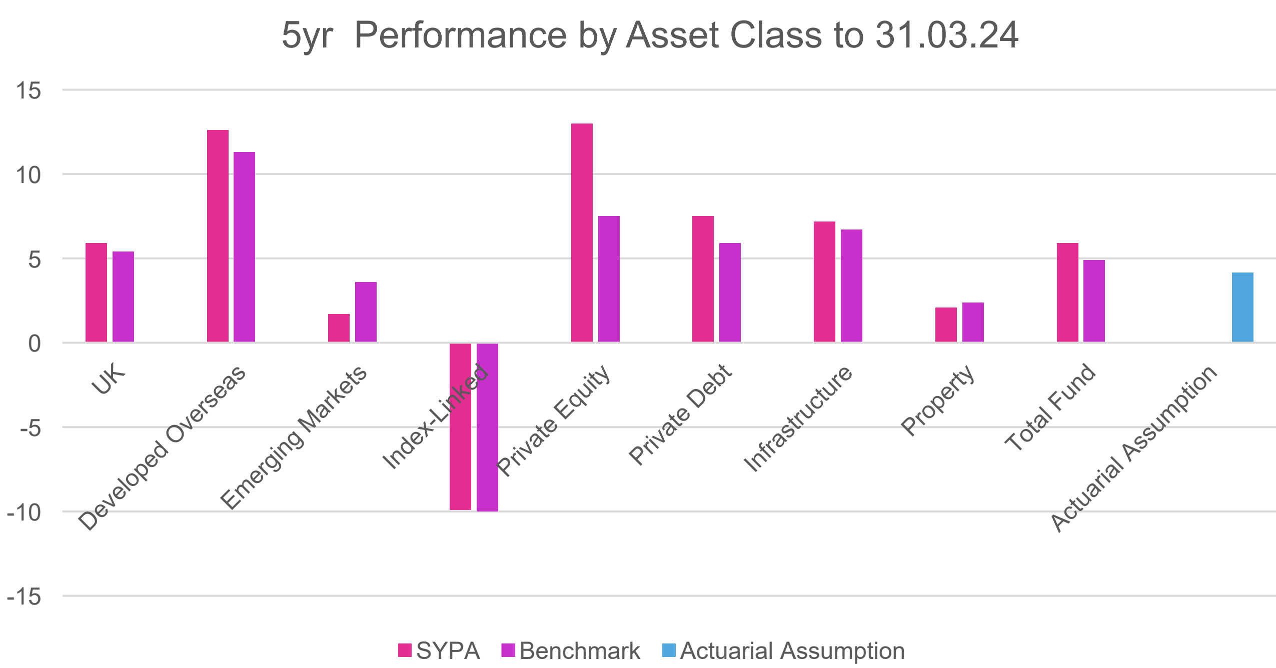
For the financial year the Fund has returned 7.8% against the expected return of 8.1%.

Asset allocation decisions during the year contributed 0.4% with stock selection detracting by 0.7%

UK equities	-0.1%
Oversea equities	0.9%
Total bonds	0.3%
Listed Alternatives	-0.1%
Climate Opportunities	-0.1%
Renewables	-0.4%
Private equity funds	-0.8%
Infrastructure funds	-0.5%
Property	0.1%

Performance-Medium term





Performance – Border to Coast Funds

The UK equity portfolio showed underperformance of its benchmark this quarter, returning 3.3% against the benchmark return of 3.57%. It is outperforming since inception by 0.63% which is below the target of 1% outperformance . The portfolio was impacted by stock selection decisions in industrials and financials

The Overseas Developed Market portfolio continued to outperform the benchmark return. The key contributor to relative performance was the fund's North American exposure, The US was the strongest performing market and the fund's allocation outperformed its regional benchmark by 1.6%. Nvidia was the largest contributor to returns over the quarter, returning 82% and the fund was overweight. Sector wise the largest contributor to relative returns came from the Consumer Discretionary sector, where the fund wasn't invested in high-risk stocks such as Tesla. Both Europe and Japan also contributed positively to performance, with Japan being the region that delivered the best relative performance of 3.0%. The portfolio is ahead of its target since inception.

The Emerging Market portfolio showed positive absolute performance of 4.0% and outperformed the benchmark by 0.6%. All the managers outperformed with Fountaincap in particular, showing relative outperformance of 4.7%. They have now recovered their underperformance. Some of their holdings reported strong quarterly results, exceeding expectations and this led to the outperformance. On a since inception basis the Fund has also delivered positive absolute performance of 3.34% but it remains behind the benchmark by 1.43%. (although this has improved).

Bond yields generally increased as the market repriced interest rate cut expectations. The index-linked portfolio generated a total return of -3.22% during the quarter, compared to the benchmark return of -3.44%. The outperformance was driven by narrowing credit spreads on corporate holdings as the overweight duration position was negatively impacted by rising yields. The portfolio has met its target since inception.

The Sterling Investment Grade Credit fund generated a return of 0.6% and was ahead of the benchmark return of 0.06%. All managers delivered positive excess returns over the quarter with RLAM being the key driver of outperformance with relative performance of +0.9%. The Fund has performed well over the year adding 1.44% in excess return. From inception all the managers have achieved outperformance of their target.

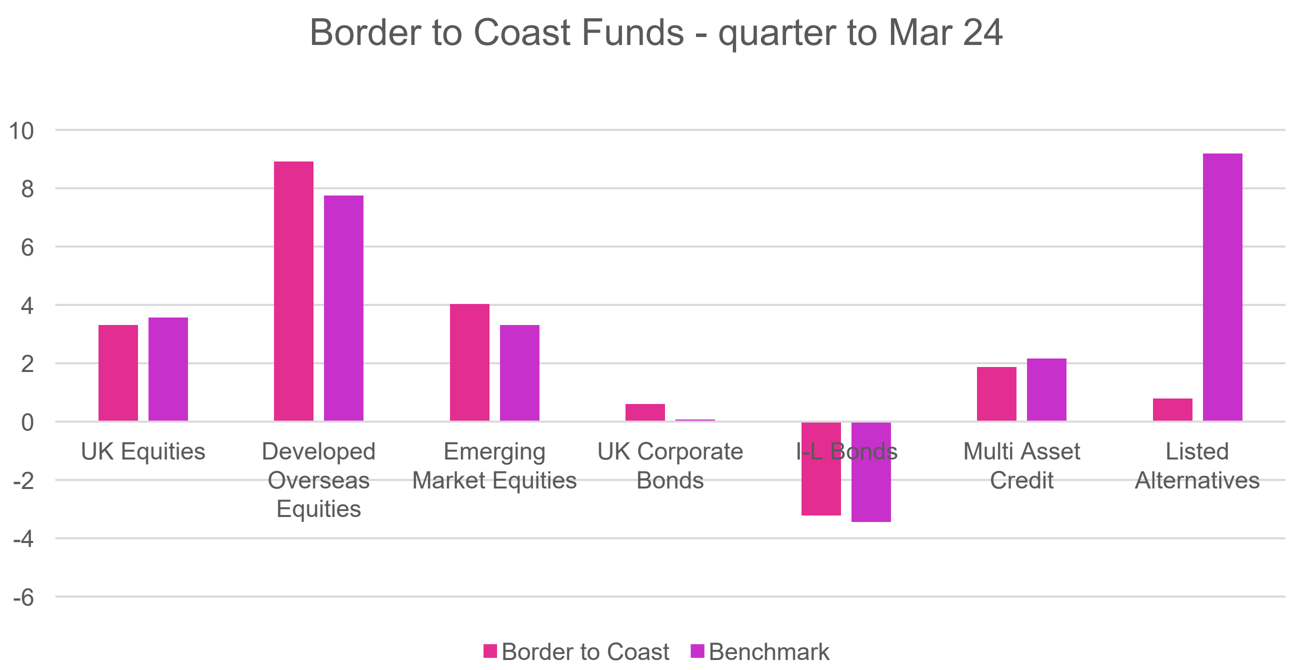
Performance – Border to Coast Funds

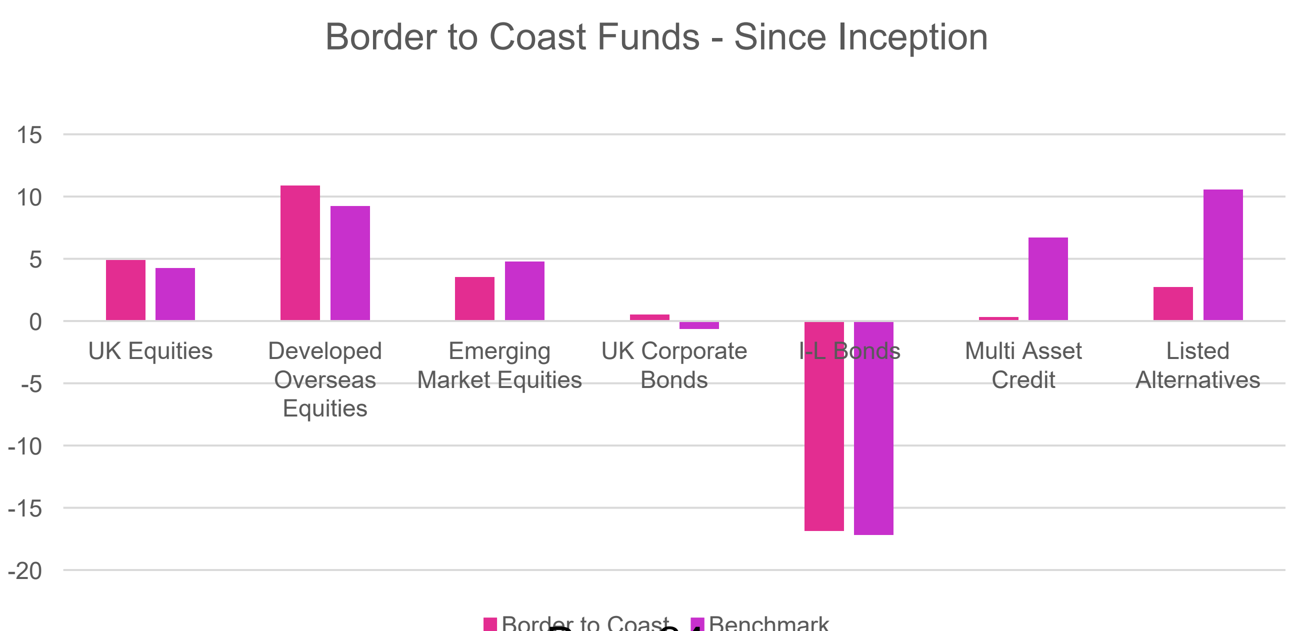
The Multi-Asset Credit fund gave a positive absolute return of 1.8% but underperformed its cash+ benchmark by 0.3%. and brought its annual return to 9.41% which was ahead of its benchmark by 0.68%. Only PIMCO and PGIM outperformed their benchmarks over the quarter. The fund is still behind target from inception but now PIMCO, the internal team and Wellington are outperforming their benchmarks.

The Listed Alternatives fund showed underperformance for the quarter. The portfolio has a diversified portfolio which includes listed assets in infrastructure, specialist real estate, private equity and alternative credit. The Fund returned 0.78% over the quarter, taking returns since inception to 2.73%. Global equity markets as measured by the MSCI ACWI Index returned 9.18% in the last quarter and 10.56% since the launch of the Fund. The Fund's sensitivity to interest rates was the primary driver of underperformance this quarter, as there was an upwards repricing in interest rate expectations and so the interest rate sensitive areas of the portfolio such as specialised real estate and infrastructure had a challenging quarter.

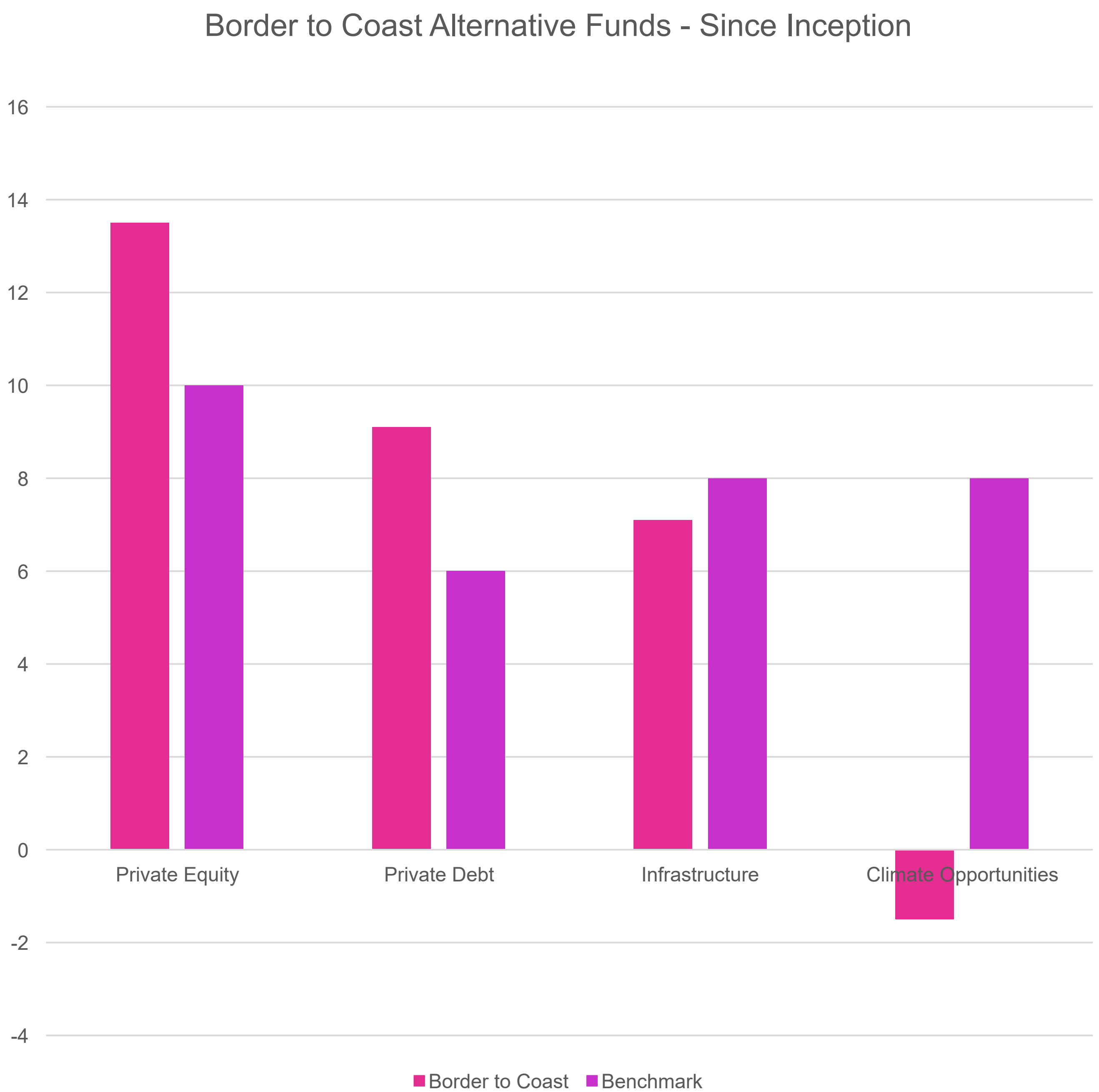
The charts below show quarterly returns but also the longer-term position of each of the Border to Coast funds that we hold.

Performance-Border to Coast Funds





Performance-Border to Coast Alternative Portfolios



Funding Level

The funding level as at 31 March 2024 is estimated to be 151%

The breakdown is as follows:

Fund's Assets at 31 March	£10,963.8
Funds estimated Liabilities at 31 March	£7,300

Caveat
This estimate is calculated on a rollforward basis. This means that there is no allowance made for any actual member experience since the last formal valuation on 31 March 2022

Outlook

Views on underlying inflation are being informed by released data and it suggests the biggest challenge in returning inflation to 2% amongst the developed regions is in the US. Thus, although everyone believes that rate cuts are likely later this year, they are now expected to be steady rather than rapid cuts. It is more than likely that the ECB and the Bank of England may be ahead of the US Federal Reserve in cutting rates.

UK Equities

The UK equity market continues to lag other developed equity markets. It has a positive gearing to commodities and if the China economy does improve then this could be a catalyst for these stocks to improve. The pessimism around UK equities is fully priced in with the UK market looking cheap historically and relative to other international markets. Would like to have a neutral weighting.

Overseas equities

We expect market conditions to remain volatile. The US stock market looks expensive relative to history, but this is largely due to gains in leading technology companies. The US economy looks to be in relatively good shape, and we have had a positive earnings season which has helped the market rally to broaden out, European and Japanese company shares are trading below their historical averages and so have attractions. Emerging markets have lagged developed markets due to the impact of China's disappointing recovery. This could change if the policies announced by the Chinese government manages to stabilise the property sector and thus boost consumer confidence. Will look to continue rebalancing total overseas weighting towards neutral.

Outlook

Bonds

The prospect of easier monetary conditions has already led to a sharp decline in the yields offered by government bonds, although this moderated a little over the last quarter as the expected timing for rate cuts was reset. A comparatively healthier economy in the US suggests that the upside from here in US Treasuries is finely balanced. The UK and Europe look to offer more value and if inflation continues to fall it could lead to more recovery in these bond markets.

Real Estate

Activity in the real estate sector is expected to remain subdued in the short term, but with the increased prospect of interest rate cuts in 2024 it is expected that UK real estate performance will improve as investor confidence improves, and greater liquidity returns to the market.

The portfolio remains heavily weighted towards industrials and very underweight in offices, with a marginal overweight position in 'other' and an underweight holding in retail.

The recommendation is to maintain the overweight industrial position and we are under offer on the purchase of three newbuild low-rise residential blocks in Springfield Place, Tooting. This is expected to complete before the end of June.

Natural Capital
Due diligence has been completed on two funds, one a UK fund and one a global fund. Subscription is expected to take place during this quarter.

Alternatives

We are looking to add further investments into this asset class with the allocations being weighted more towards private credit and to infrastructure investments, in particular to renewable energy funds that have secure income characteristics. We are also adding further to climate opportunity funds.

Outlook

Cash

The deployment to the alternative sectors has reduced cash to a level that further cash requirements would necessitate switching among the asset classes.

SOUTH YORKSHIRE PENSIONS AUTHORITY

Responsible Investment Update Quarter 4 2023/24

June 2024

Contents

Highlights and Recommendations

Highlights over the quarter to the end of December include:

- A quarter-on-quarter increase in the level of voting activity with over 900 votes cast at close to 85 company meetings.
- An increase, over last quarter, in the overall level of engagement activity, with invested companies, as Border to Coast, LAPFF and Robeco all stepped up engagement as we move towards peak voting season.
- Continued focus on engaging with companies to provide clearer plans for the transition to Net Zero and their business strategies to achieve these plans.
- The overall ESG performance of the listed asset portfolios with Border to Coast has continued to be strong and better than, or in line with, the respective benchmarks.
- Overall financed emissions of the Border to Coast invested assets fell modestly over the quarter. However, the Emerging Markets Equity Fund was the outlier and saw a marginal increase in the Fund's overall financed emissions.
- Emissions coverage continued with the small incremental improvements seen over the last quarters. However, the Sterling Investment Grade Credit Fund is still lagging other funds.

The Authority are recommended to note the activity undertaken in the quarter.

Background

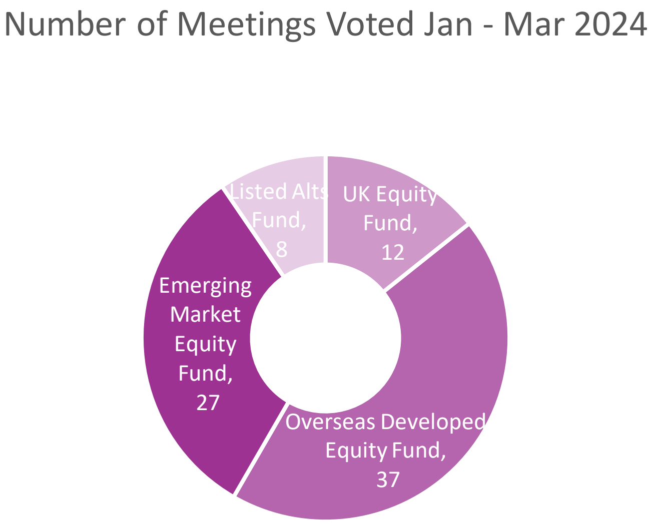
The Authority has developed a statement which sets out what it believes Responsible Investment is and how it will go about implementing it within its overall approach to investment. This statement is set out in the Responsible Investment Policy which is available on the website here.

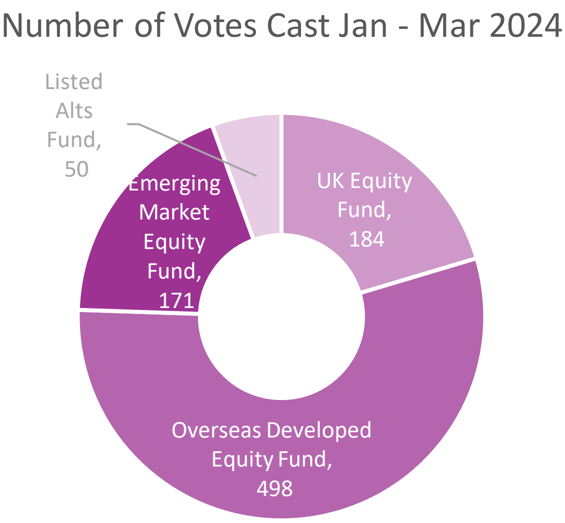
Our approach is largely delivered in collaboration with the other 10 funds involved in the Border to Coast pool. This report provides an update on activity in the last quarter covering:

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

Voting Activity

This quarter saw an increase in both the number of meetings and votes cast as we approach peak voting season. Detailed reports setting out each vote are available on the Border to Coast website here. The charts below show a breakdown of the meetings and votes cast by Border to Coast on behalf of SYPA investments.





Robeco highlighted the below in their Q1 2024 Active Ownership report how they have seen continuous encroachment on minority shareholders rights, as investors have been taken to court upon proposing stronger climate commitments and new share classes with higher say are hitting the market. Further detail is provided in the box below:

Shareholder Rights Under Pressure

Over the past decade institutional investors received additional rights and responsibilities in relation to the public companies in which they own shares. For example, Say on Pay votes in the United States (US) and the amendments to the Shareholder Rights Directive in the European Union (EU), have granted shareholders a right to vote on remuneration. This allows shareholders to feedback on the right incentives for management and in the US, shareholders can file resolutions with a relatively low amount of capital.

In the EU, regulators mandated institutional shareholders with a responsibility to be responsibility stewards and to make use of their influence in the long-term interests of their beneficiaries. Investors are making increased use of these rights, reflected in higher AGM attendance in many markets.

In the 2024 AGM season there were several events that indicate signs of pushback towards active stewardship. For example, the US oil giant Exxon Mobil sued its shareholders Follow This and Arjuna Capital to prevent their proposal calling for stronger climate targets from going to a vote. While the shareholders withdrew their proposal, Exxon continued to move ahead with the lawsuit, arguing that “the current process to get proxy proposals excluded is flawed”.

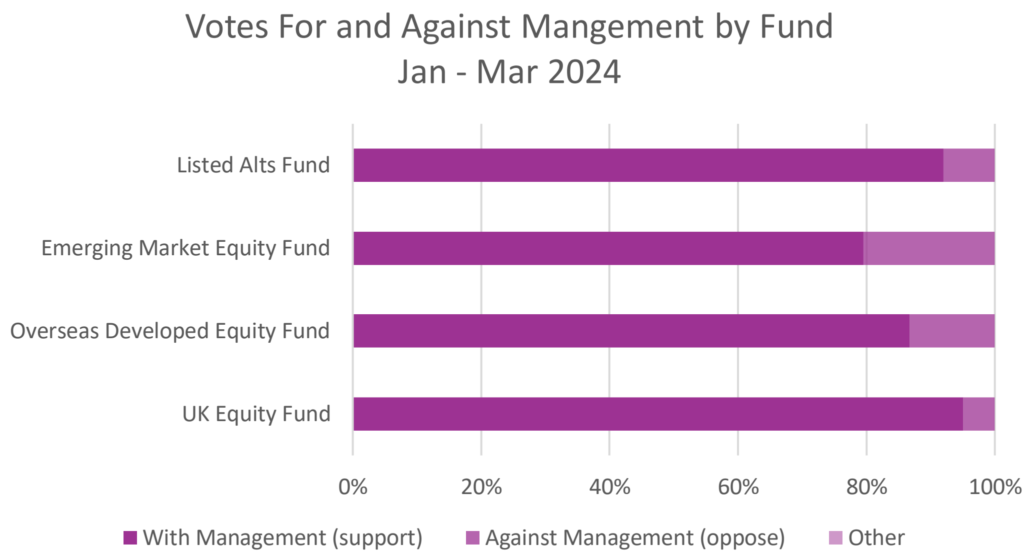
Stewardship responsibilities and shareholder rights are often introduced with the intent that they should be used by investors to address risks and facilitate dialogue with management. Robeco view the shareholder proposal process as a key means of engagement between companies and their shareholders, allowing for a variety of ESG issues to reach the ballot and contribute to governance reform and accountability. Defending a shareholder proposal in court is prohibitively expensive, so it is reasonable to assume that many US investors will start to think twice before submitting one. Besides that, a favourable ruling for Exxon could set a dangerous precedent for future engagement between investors and investees, potentially marking the beginning of a new era where companies sue investors to prevent shareholder proposals from reaching ballots.

In Europe, regulatory changes intended to make the listing environment more attractive for companies could also make it more difficult for investors to make use of their shareholder rights and may be a disadvantage for minority shareholders. In the UK, discussions were triggered on changes proposed by the Financial Conduct Authority to replace premium and standard listing segments into a single segment. These changes would allow for the creation of dual share classes and investors would no longer be granted a vote on significant transactions.

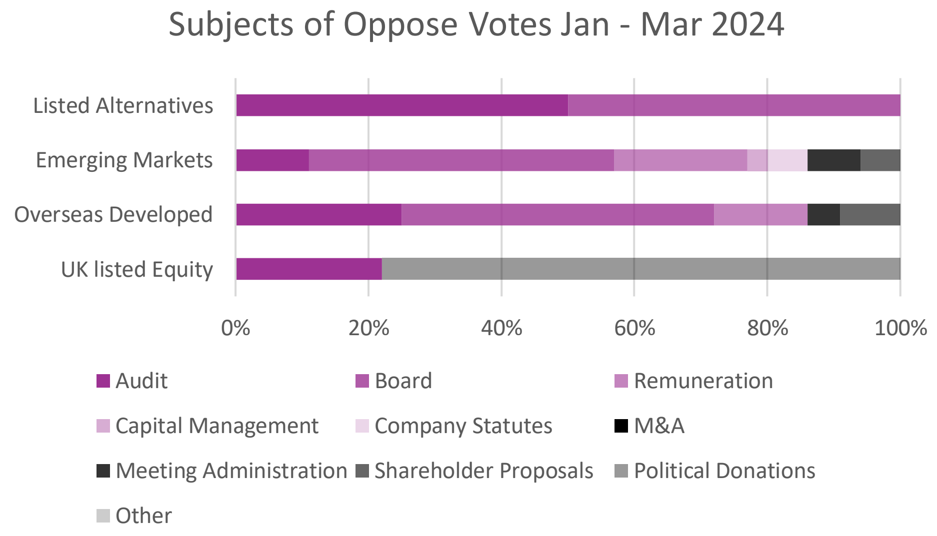
If institutional investors are expected to be stewards of capital and have a positive long term effect on markets, they should have the right tools to hold management to account. Shareholders should carefully review any changes to articles of association during the upcoming AGM season, before approving them. Proxy season is likely to include heated debates around climate change, remuneration and shareholder proposals. Shareholders should not overlook the threat of losing their influence as active stewards like sliding down a slippery slope.

Robeco Active Ownership Report April 2024

The breakdown of support and oppose votes, which align with votes for or against management, is shown in the chart below.



The above graph shows the breakdown of votes cast for (in support of management) and against (in opposition to management) resolutions during the quarter. The proportion of votes against the line taken by company management remained above 10%, with 12.6% of total votes cast against management, albeit slightly down on the 15% against from last quarter. However, as an absolute number, the number of votes against increased from 96 to 114 across all publically listed funds. As has been previously reported, this reflects the continued "ratcheting up" of the voting guidelines in a number of areas, as can be seen from the analysis below of the subjects of oppose votes.



The above graph indicates that votes against remain more concentrated across topics. The three largest areas where we continue to oppose management relate to Board composition, remuneration, and in the case of the Overseas Developed and Listed Alternatives fund, Audit. As was the case last quarter, votes against political donations, in the UK Equity Fund, remained over over 70% of the votes made against management of UK listed companies. Further, it is worth reviewing the reasons why it is the case that votes are made against management.

- In the case of Board composition there are a number of things which under the voting guidelines automatically trigger an oppose vote. These include insufficient independence, insufficient diversity within the Board, and insufficient progress in terms of adapting the business to the risks posed by climate change.
- In the case of remuneration votes against are triggered by executive pay packages which are either excessive in absolute terms and/or where incentive packages are not aligned with shareholder interests and/or the performance targets are poorly defined or too easily achieved.
- In the case of votes against political donations in the UK, this reflects the fact that in the UK donations must be put to a shareholder vote and the voting guidelines oppose any donations of this kind.
- Auditor appointments are automatically opposed if reappointment would result in an unduly long term which is viewed as compromising the independence of the Auditor.

Shareholder resolutions, as can be seen within the information on notable votes in these reports linked below, can cover a whole range of issues. Over the course of the last year the focus of shareholder resolutions, aside from climate issues, has tended to be on diversity and human rights issues, particularly for US companies. The voting policy does not automatically support such resolutions, rather analysis is undertaken on a case-by-case basis covering both the company's and proponent's positions before votes are decided by Border to Coast on the advice of Robeco.

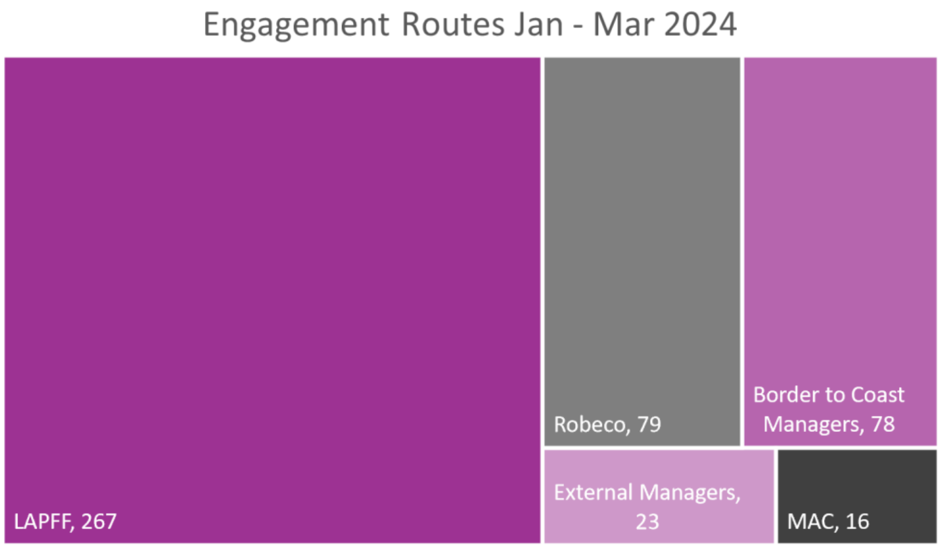
Notable votes in the quarter are summarised below and further details on the voting undertaken can be found here.

Apple Inc, is held in the Overseas Developed Equity Fund and held its AGM during the quarter. Robeco voted against the remuneration proposal as it was not tied to clear and objective ESG metrics and was not aligned with long term investor aims. In addition, there were five shareholder proposals, two of which were particularly noteworthy; Robeco supported the first a proposal around use of AI technology and the disclosures requested in the resolution to ensure Apple is conducting itself in an ethical manner. Robeco also supported the second proposal on median gender and racial pay equity. Robeco determined that it addresses a material topic for the company and that the additional disclosures requested would allow investors to better assess how Apple is performing on this topic.

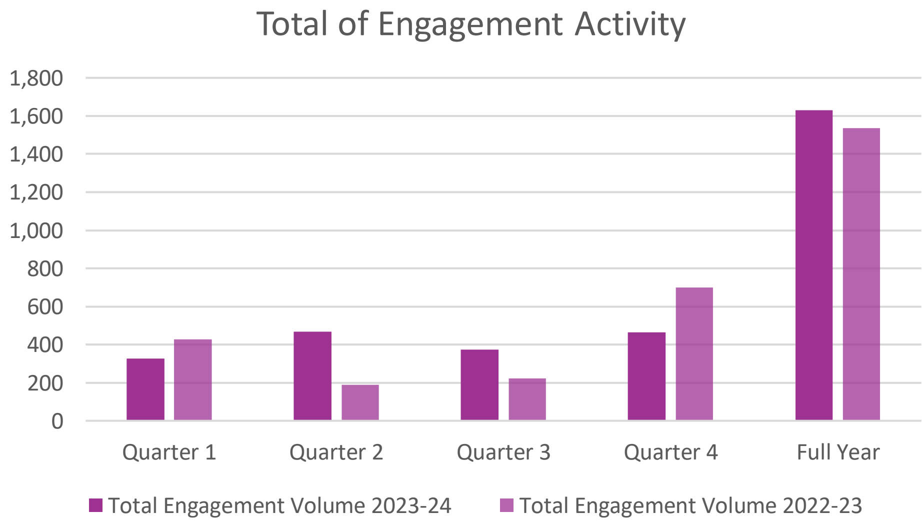
Nordea Bank Abp - Finland, is held in the Overseas Developed Equity Fund and provides commercial and personal banking services. Nordea held its AGM during the quarter which included a shareholder proposals as well as the standard items. The proposal put forward by shareholders focussed on the bank's practices regarding climate financing. Robeco evaluated the expectations set out in the proposal - which amounted to halting all future financing that expand fossil fuel extraction, which lack phase out plans, with the goal of aligning the company with the Paris Agreement. Though Robeco support the spirit of the proposal, they decided to vote Against due to the prescriptive nature of the ask combined with the lack of feasibility and alignment with the end-goal. With no proposed timeline, Robeco deemed the implementation gap to be unfeasible.

Engagement Activity

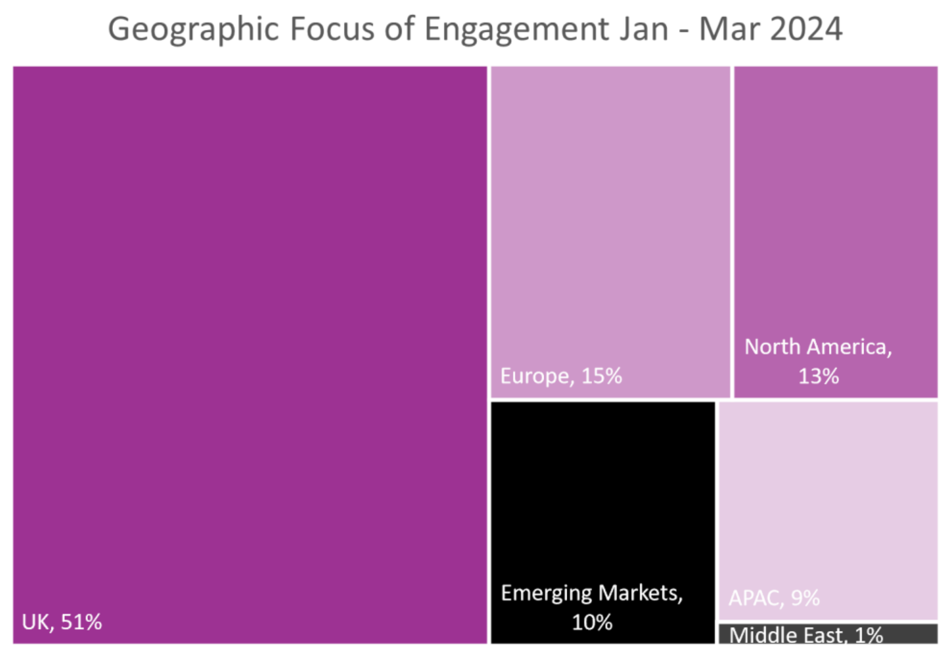
Engagement is the process by which the Authority, working together with other like-minded investors, seeks to influence the behaviour of companies on key issues. Engagement (in distinction to voting) is an ongoing process and is undertaken by those directly managing money for the Authority. This includes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



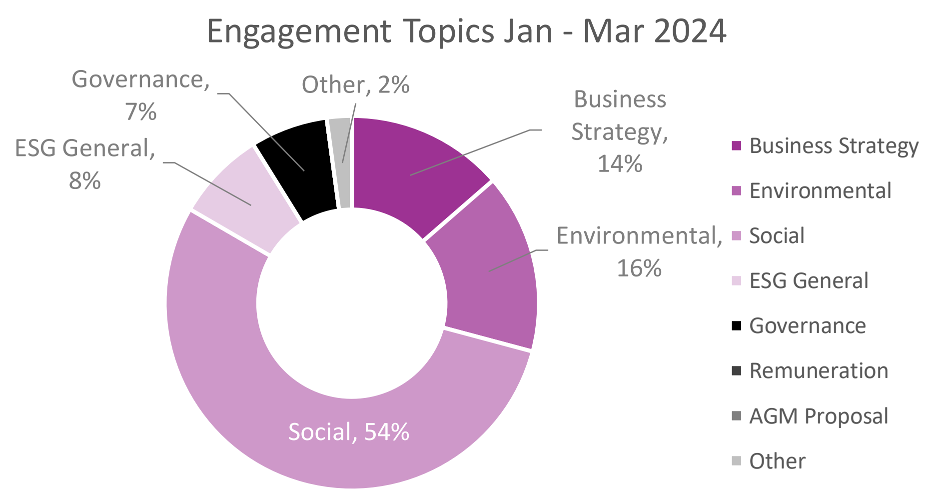
The graph below shows the level of engagement activity in the quarter is below the same quarter last year. The lower level of total engagement was due to LAPFF taking a more targeted approach with less letters sent this quarter compared to Q4 2022-2023. However, year-on-year the total engagement activity for 2023-2024 has increased, predominantly driven greater engagement with companies by LAPFF.



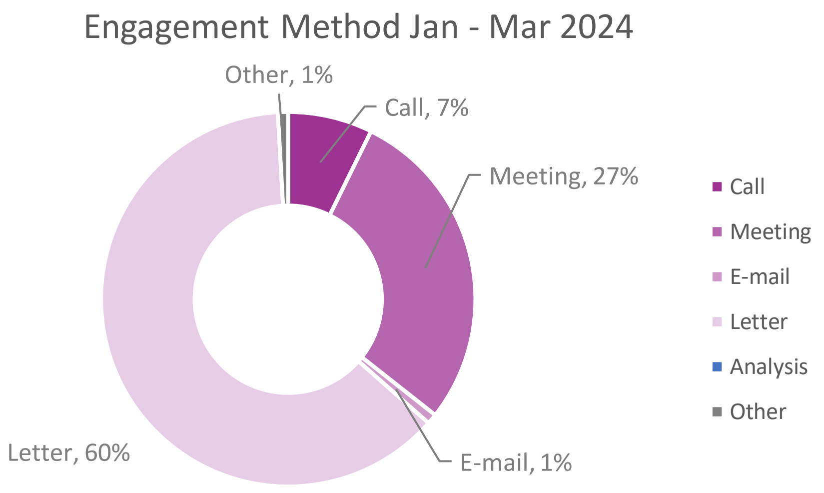
The chart below shows a breakdown of the geographic market focus in engagement over the last quarter. The focus of engagement continues to be weighted towards the UK which is likely reflective of an element of home market bias and LAPFF's focus on UK companies in the lead up to the AGM season. The number of companies held in markets outside of Europe and the US is much smaller and, particularly in emerging markets, companies in these markets tend to be harder to engage with.



The range of topics covered through engagement is set out in the chart below with a continuing strong focus on environmental and climate issues although the proportion of business strategy engagement increased on last quarter and also received a high degree of focus.



The method by which companies are engaged is important. Letters and emails are much more easily ignored or likely to generate a stock response from companies, whereas calls or meetings allow for more effective and genuine interaction with the company. During the quarter, there was a decrease in the proportion of engagement taking place via calls or meetings from c60% to c30%.



More details of the engagement activities undertaken by Border to Coast and Robeco in the quarter are available [here.](#) Robeco provided updates over the quarter on their engagement covering the following areas: Fashion Transition; Tax transparency; and Natural Resource Management. The highlights from Robeco's engagement report are summarised below.

Fashion Transparency

The fashion industry employs over 300 million people globally and produces over 100 billion articles of clothing each year. The industry is expected to grow by 40% by 2030. However, due to business models based mostly on the 'take, make, waste' linear economy, the industry is grappling with grave social and environmental impacts. Fashion's record on water, air and soil pollution is far from flattering, and the industry struggles with worker rights and wages throughout many parts of its opaque supply chains.

Ultimately, the unsustainable and obscure operations of the fashion industry create risks for society, the environment and businesses. There is increasing attention on sustainable consumption, a tightening regulatory landscape and a growing threat from climate change on crops and global infrastructure. This means companies – and therefore investors – are increasingly exposed to transition, physical, regulatory, litigation and reputational risks.

Businesses that pro-actively integrate responsible and transparent supply chain practices, eco-design and circular considerations into their production systems, and adopt appropriate end-of-life management initiatives for their products, are likely to mitigate these risks and identify new cost saving and business opportunities, likely leading to better long-term performance.

Robeco's new Fashion Transition engagement theme aims to accompany companies in this transition, pushing them to rethink traditional production models to reduce their negative footprint and tap into the opportunities hidden behind sustainable business models. It is known that the most effective way to reduce corporates' environmental footprints is reducing absolute volumes, which the three-to-five-year engagements aim to achieve by pushing for more circular and less wasteful production and sales structures. The theme engages with publicly listed companies across the entire global fashion value chain and product lifecycle, from raw material cultivation and sourcing, to preparation, garment production, consumption and end-of-life management.

The fashion industry's reliance on fossil fuels and polluting chemicals makes it one of the most polluting sectors, accounting for 10% of global greenhouse gas emissions. It also directly impacts biodiversity and deforestation through dependency on natural resources such as cotton, leather, and rubber. Robeco believe that there is a need to address the sector's high emitting and polluting sourcing and production practices and ensure compliance with a tightening regulatory landscape. Under their 'Natural resource management' objective, Robeco expect companies to have clear, scientific and timebound climate and biodiversity strategies which are backed by adequate financial resources. The engagement will aim to identify and minimize the unavoidable environmental impacts, with a particular focus on climate, water and waste, biodiversity and animal welfare.

Tax Transparency

Corporate taxation has become a key point of attention for investors, and Robeco have launched a new engagement theme focusing on tax transparency where they aim to promote better disclosures from companies. This below highlights why tax transparency is relevant for investors and wider society, as well as takes the reader through Robeco's expectations towards companies, how they selected the engagement cases, and what challenges they expect.

A company's effective tax rate dictates the level of profit distributions to shareholders, as dividends are distributed on a post-tax basis and affect any modelling of discounted future cash flows. These factors inform the valuation of a company's stock, so the effective tax rate of any portfolio company affects the returns for investors.

The impact of tax-related risks on returns is not the only consideration for institutional investors. Increasingly, investors are expected to apply a double materiality view, which means that they are expected to not only look at how and why tax is a material topic for an investment case (the outside-in perspective), but also how the investment makes an impact on the wider society (the inside-out perspective).

When profits and taxes are shifted away from countries that have insufficient financial resources to invest in basic healthcare, education, and other necessities, tax optimization strategies can be detrimental to many of the UN Sustainable Development Goals that are closely tied to government spending. The actual impact will depend on which countries' profits are shifted away from, and to what degree.

The goal of the Tax Transparency engagement theme is to push for more accountability and meaningful disclosures on corporate tax practices. Robeco have grouped their expectations into three main categories: policy and principles, tax governance and systems, and tax transparency.

Robeco conducted a similar engagement program on corporate taxation from 2016-2019 with the aim of further enhancing disclosures on tax practices by multinationals. Out of the four objectives that were set at the time, the least progress was made on reporting of tax payments, as most companies were reluctant to disclose their country-by-country reporting publicly unless required by law. Additionally, Robeco learned that companies are not the only ones with a disincentive to publish this information, as governments may also have an interest in not providing full disclosure. Robeco expect to face similar challenges throughout this engagement theme.

Natural Resource Management

In 2022, Robeco expanded their environmental engagement theme to include the responsible management of natural resources and the mitigation of significant Principal Adverse Impacts (PAIs) on the environment. PAIs, as defined under the European Sustainable Finance Disclosure Regulation, refer to any consequence arising from investment decisions or guidance that leads to an unfavourable impact on sustainability factors. The theme focuses on companies for whom the management of water and waste is a financially material issue, or where they have a significant actual or potentially negative environmental impact.

The aim is to improve companies' performance by focussing on several environmental indicators related to water and waste. One of them is that companies need to account for the amount of fresh water that is needed to make certain products, particularly where it is drawn from places where water is already scarce. Companies that have operations in locations with high water stress or that generate large amounts of (toxic) waste, are more likely to experience production disruptions, regulatory action, stranded assets, community conflicts and higher comparative operational and fixed costs, reducing their overall rate of return. A recent example of this are the UK water utilities that were faced with news headlines raising concerns around the health of the UK's rivers.

In their engagement with companies, Robeco observed a continuing effort by companies to work across their sites to explore alternative uses for waste to external landfills. Alternative uses for waste found for instance include its use in cement, road base and bricks. Also adding chemicals in water treatment basins are a way of exploring opportunities to extract minerals and metals from waste. This way rare earth materials can be retrieved, turning waste into an opportunity.

In July 2022, Robeco started engaging with the first batch of companies from three high water use or water scarce sectors: Chemicals; Oil & Gas; and Paper & Pulp. Then in November 2022, Robeco nearly doubled the companies under engagement by adding cases from the Breweries sector, because of its high-water consumption rate, and the UK water utilities sector, because of controversies around wastewater management in the UK.

In 2023, Robeco closed the engagement with the first couple of companies; 50% successfully and 50% without success due to them being unresponsive to Robeco's outreaches. At the end of 2023, Robeco transferred some cases to a different theme with an aligned but more holistic engagement focus, such as biodiversity and climate change. Robeco will engage with the remaining companies for another one-and-a-half years.

Border to Coast Engagement

Border to Coast produced their quarterly Stewardship report which outlined a number of their key engagement highlights during the quarter and can be viewed here. Overall, the last quarter was busier for voting and engagement as the main AGM season in most markets approaches for 2024. Border to Coast continued to engage with investee companies, most notably with oil and gas company, TotalEnergies.

Border to Coast met the Company in January to discuss its current medium-term targets and any plans for improvement. Border to Coast explained that Paris-aligned medium-term emissions reduction targets that cover Scope 3 is a priority indicator for them with implications as per Border to Coast's climate voting and engagement escalation policies. The meeting was constructive, open, and honest with areas of improvement since their last meeting in 2023. The Company is performing well on renewables development, methane emissions reduction, and capex disclosure. However, total Scope 3 emissions are only expected to plateau to 2030 as oil production is reduced but gas production increases. The absence of a medium-term absolute emissions reduction target for gas production means TotalEnergies does not currently meet Border to Coasts expectations in this area and engagement with TotalEnergies is continuing.

Additionally, Border to Coast joined a Royal London Asset Management led meeting with National Grid to feedback on its new just transition disclosure.

Just transition is the integration of social risks and opportunities, and a place-based impact, into decarbonisation strategies. It enables investors to address systemic threats to long-term stability and value creation and is a key consideration for Border to Coast in our RI and voting policies.

National Grid presented its ‘Fair Transition’ report, which signposts to existing commitments and provides a narrative based on just transition principles.

The investor group shared some initial responses and recommended that just transition be measurably connected to achieving net zero. This included via integration into National Grid’s Climate Transition Plan with KPIs to measure progress against social-related targets.

Local Authority Pension Fund Forum (“LAPFF”) are another relevant organisation that SYPA are members of where LAPFF carry out activity and engagement with invested companies. A detailed report of the work undertaken by LAPFF in the quarter is available here. A selection of key issues worked on during the quarter are summarised below and include:

- LAPFF have coordinated engagement with banking sector with the aim to see banks developing and implementing clear policies to support the energy transition, scales down fossil fuel exposure and commit to assess all client businesses on exposure to climate change. LAPFF have prioritised focussing on two UK banks with significant exposure to the fossil fuel sector, HSBC and Barclays. Following extensive engagement with both firms in 2023, LAPFF met with HSBC and has an upcoming meeting with Barclays. Both banks have made progress with HSBC publishing its latest transition report in January and Barclays publishing in February 2024 an updated Climate Change Statement. LAPFF would like to see further progress from Barclays on the clarity of its climate statement and would like to see strengthened restrictions on oil and gas lending from HSBC. Further, LAPFF will expand engagement in the banking sector to include five Canadian banks.

- LAPFF engaged with Drax this quarter to understand the time scale over which new growth of trees will compensate for the >10MT of CO_2 Drax power station emits each year. Since the last AGM the chair has changed, as expected given tenure, and LAPFF await a meeting with the new chair to discuss the Department of Energy Security and Net Zero consultation. LAPFF responded to the consultation on prolonging the subsidy to Drax. LAPFF’s response to the consultation covered the evidence that Drax’s supplies of wood are not carbon neutral, nor sustainable as a supply source. LAPFF will follow up to discuss the true sustainability of the wood sources used by Drax in the wood pellets they burn.

- Water stewardship has been a topic that LAPFF have engaged utility companies on over the last two years, particularly on reducing sewage outflows. LAPFF has held meetings with United Utilities to discuss the company’s plans to reduce overflows and also fed into Ofwat’s price review process to ensure affordability and value for money for customers.

LAPFF has also continued to respond to wider developments and consultations, for example the 30% Club Investor Group which aims to increase gender diversity and will continue to respond to consultation opportunities where it believes it can contribute helpfully with the aim helping investors to understand the link between human rights and financial materiality.

Portfolio ESG Performance

Equity Portfolios

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

Overseas Developed

- Weighted ESG Score 7.3
- 54.9% of portfolio ESG leaders v 52.5% in the benchmark.
- 1.6% of portfolio ESG laggards v 2.7% in the benchmark.
- 3.8% of portfolio not covered all of which are investment trusts etc higher than benchmark
- Lowest rated 5 companies 1.6% of portfolio
- Emissions below or inline with benchmark on all metrics.
- Weight of fossil fuel holdings greater than benchmark
- All 5 top emitters rated on the Transition Pathway with 4 TPI scoring of 4
- 4 of 5 top emitters engaged through Climate Action 100+

United Kingdom

- Weighted ESG Score 7.8
- 74.1% of portfolio ESG leaders v 71.3% in the benchmark
- 0% of portfolio ESG laggards
- 6.5% of portfolio not covered, mainly investment trusts marginally less than benchmark
- Lowest rated 5 companies 10.6% of portfolio, all MSCI rated BBB or above
- Financed emissions and carbon intensity metrics are below or inline with the benchmark
- Lower weight of fossil fuel holdings than in benchmark.
- 4 of 5 top emitters rated 4 or 4* (highest ratings) on the Transition Pathway, 4 of 5 engaged through Climate Action 100+

Emerging Markets

- Weighted ESG score 6.0
- 25.1% of portfolio ESG leaders v 23.5% in the benchmark
- 9.1% of portfolio ESG laggards v 13.0% in the benchmark
- 4.5% of portfolio not covered largely investment trusts etc
- Lowest rated 5 companies 5.3% of portfolio.
- Emissions materially below benchmark on all metrics
- Lower weight of oil and gas holdings than in benchmark.
- 2 of the top 5 emitters engaged with the Transition Pathway with average scores of 3
- 2 of top 5 emitters engaged through Climate Action 100+

Listed Alternatives

- Weighted ESG score 7.3
- 42.6% of portfolio ESG leaders v 44.4% in the benchmark
- 0.5% of portfolio ESG laggards v 3.4% in the benchmark
- 38.5% of portfolio not covered largely investment trusts etc
- Lowest rated 5 companies 8.6% of portfolio.
- Emissions below benchmark on 2 of 3 measures
- Materially lower weight of fossil fuel holdings than in benchmark.
- 4 of the top 5 emitters engaged with the Transition Pathway with three scoring TPI level 4 and another score of 3
- 2 of 5 top emitters engaged through Climate Action 100+

Overall, this shows a broadly positive picture, with all funds continuing to score better than, or in line with, the benchmark for the overall Weighted ESG Score. However, the overall trajectory of improvements within these funds has slowed with progress largely flat, or reflective of changes in proportion to the benchmark, during the quarter.

Each quarter Border to Coast's reporting on carbon emissions features particular stocks and their plans for decarbonisation. To increase the level of transparency on the engagement undertaken with companies and the assessment of their future decarbonisation plans, case studies for each listed fund are included below.

Overseas Developed Fund

Financed emissions decreased in line with the benchmark the quarter. This was largely driven by reduced holdings in some of the higher emitting companies such as RWE, POSCO, ArcelorMittal, Rio Tinto and Engie and an 18.5% decrease in POSCO's reported emissions.

Featured Stock: Holcim

Holcim is a global leader in innovative and sustainable building materials, manufacturing and selling cement, aggregates, ready-mix concrete, and asphalt products. Cement manufacturing remains one of the world's top polluting industries and accounts for around a twelfth of global emissions. However, Holcim has innovated and promoted low-carbon products (last year the Company acquired 20 companies) and is selling off some of its more polluting core cement assets, particularly in emerging markets such as Brazil, India and Indonesia.

Holcim's decarbonisation plan has been approved by the Science Based Targets initiative. The Company has been at the forefront in developing lower carbon cement products such as ECOPact (a ready-mix green cement), which uses limestone substitutes. Clay is an alternative to limestone and is seen as a less carbon-intensive cement ingredient. Holcim has launched Europe's first production line of Calcined Clay for use in cement. Metakaolin (calcined clay) is produced by heating sources of kaolin (clay, paper sludge etc.) to between 650°C and 750°C to produce a material that can be added to cement in place of a clinker, which is where most of the cement's carbon footprint comes from.

Hitting net zero emissions by 2050 will also rely on reabsorbing some of the carbon released in the manufacturing of cement, for which Holcim is building carbon capture and utilisation plants supported by EU funding. At the same time the Company is investing globally in less-polluting building materials, including heat-reflective roofing materials.

UK Listed Equity Fund

Financed emissions fell marginally as the benchmark emissions remained unchanged. This was driven by reduced positions in three of the significant contributors in the portfolio; Shell, Glencore and Rio Tinto. However, the weighted average carbon intensity (WACI) for the Fund remains slightly above benchmark. This is largely due to the Fund's relatively larger holdings of higher emitting entities such as Shell, National Grid, easyJet and Intercontinental Hotels

Featured Stock: Shell

Shell has a climate target in line with the Paris Agreement, intending to move its portfolio away from oil to natural gas as a transition fuel for meeting carbon targets. Shell is a leading global producer of liquified natural gas with strong positions in downstream operations (refining, petrochemicals). Shell is a disciplined capital allocator with a strong balance sheet. Shell supports the goal of the Paris Agreement to limit the rise in the average global temperature well below 2° Celsius and has set an ambition to become a net zero emissions energy business by 2050 or earlier. The recently published Energy Transition Strategy 2024 introduced a new absolute emissions reduction target, including Scope 3, for oil of 40% by 2030, albeit there is no equivalent target for gas as Shell intends to expand LNG production to 2030. Shell has also weakened its intensity targets with the expected reduction to 2030 changed from 20% to 15-20% and the 2035 intensity target of 45% has been "retired". Shell reiterated it will invest $10-15 billion between 2023 and the end of 2025 in low-carbon energy solutions. Shell is well placed to reduce its own carbon footprint and facilitate the infrastructure required to decarbonise other sectors previously reliant on fossil fuels in line with the EU's strategic targets. Though Shell has a Net Zero GHG Emissions ambition for 2050 it only partially meets Climate Action 100+'s short- and medium-term ambition criteria. We continue to actively engage with the Company on its decarbonisation strategy.

Emerging Markets Equity Fund

The Fund remains significantly below the benchmark for carbon emissions. However, the Fund saw an increase in all emissions metrics whilst the benchmark's financed emissions and carbon intensity decreased by 5%. This was largely driven by the Fund's increased position in particular high emitting and carbon intensive companies, Grasim Industries, Qatar Gas Transport, PetroChina and Reliance Industries.

Featured Stock: Gruppo Traxion

Traxion provides a full suite of specialist logistics services to large corporates and multinational companies in Mexico. For these customers, safety and reliability of service is more important than price. There is no other player in Mexico with Traxion's scale, breadth of specialised transport services, or access to capital. Traxion operates a fleet of 2,200 owned and 3,200 third-party cargo trucks, a fleet of 8,000 buses, and manages 9m sq.ft. of third-party logistic warehousing. The key ESG challenges facing the Company are managing carbon emissions and high staff turnover. With regards to staff turnover, which is running at around 50% and is a feature of the trucking industry, Traxion has introduced benefits such as paternity leave for staff and training to improve road safety to improve working conditions and encourage longer service.

Carbon emissions are an ongoing challenge for Traxion as the very nature of its business exclusively relies on internal combustion engines as cost-efficient alternatives are not yet available. What is within Traxion's power relates to maintenance of a fuel-efficient fleet, integrating natural gas vehicles where possible, optimising routes, reducing empty backhaul, and having advanced telemetry systems in place to monitor fuel consumption of the driving habits of its staff. The fleet has an average age of between 4.6 years and 5.2 years in buses and trucks, respectively, which means the fleet is up-to-date in terms of safety standards as well as fuel-efficiency. Traxion is also installing solar power generation where possible in its warehousing operations. Traxion has calculated that its interventions have achieved emissions savings of 134,900 tCO^2 annually, as compared to total annual emissions of 594,000 tCO^2 (a saving of 23%).

Sterling Investment Grade Credit Fund

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

Weighted ESG score 7.2 which is worse than benchmark at 7.5	40.5% of portfolio ESG leaders compared to 56.6% in the benchmark	0.7% of portfolio ESG laggards compared to 0.9% In the benchmark
23.4% of portfolio not covered compared to 8.7% in the benchmark	The 5 lowest rated issuers represent 1.2% of the portfolio	Emissions below benchmark on all three carbon emission and intensity metrics.
Materially below benchmark weight of companies with fossil fuel reserves.	4 of top 5 emitters being engaged by Climate Action 100+ and all four rated 4 on the Transition Pathway	

The Fund's emissions metrics are all below the benchmark, this is largely driven by the Fund being relatively underweight in high emitting sectors (materials, industrials, energy and utilities). Financed emissions dropped by 8%, falling below the benchmark. This was primarily driven by the Fund's reduced holding in Enel, last quarter's largest contributor to financed emissions.

Commercial Property Portfolio

As reported in the last quarterly update the overall ESG performance of the commercial property portfolio as measured by the GRESB (Global Real Estate Sustainability Benchmark) was improved during 2023. The portfolio achieved a 3-star score with an increase in the percentage score from 74% to 78%, compared to a peer average score of 73%. In comparative terms the portfolio's ranking, over the year, moved up to 22 out of 100 from 22 of 80, reflecting the increased focus on these issues by abrdn.

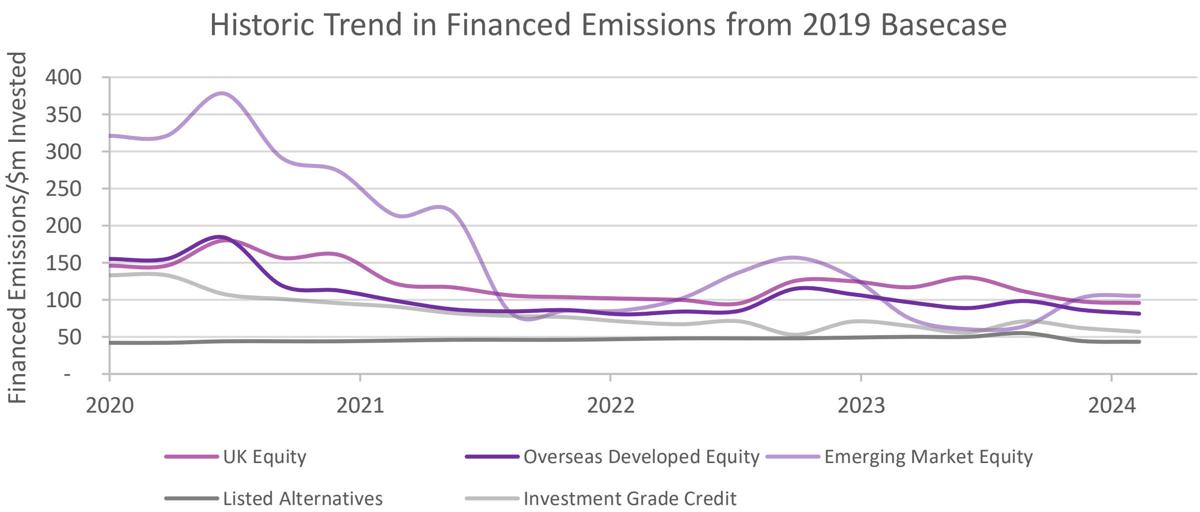
However, total emissions (scope 1 & 2) increased year-on-year by 8% as occupancy levels, particularly in office assets, increased hence increasing energy consumption. As a recap, scope 1 covers emissions from sources that an organisation owns or controls directly – for example from burning fuel in a fleet of vehicles (if they're not electrically-powered) and Scope 2 are emissions that a company causes indirectly and come from where the energy it purchases and uses is produced. For example, the emissions caused when generating the electricity that is used buildings would fall into this category.

Over the year, due to valuation changes, the proportion of the total portfolio by AUM with sustainability green building certification decreased from 37% to 32%. Abrdn remain concentrated on retaining the best performing assets, and divesting from the worst performing, in both financial and sustainability terms and on an individual property basis we expect the sustainability of the portfolio to improve.

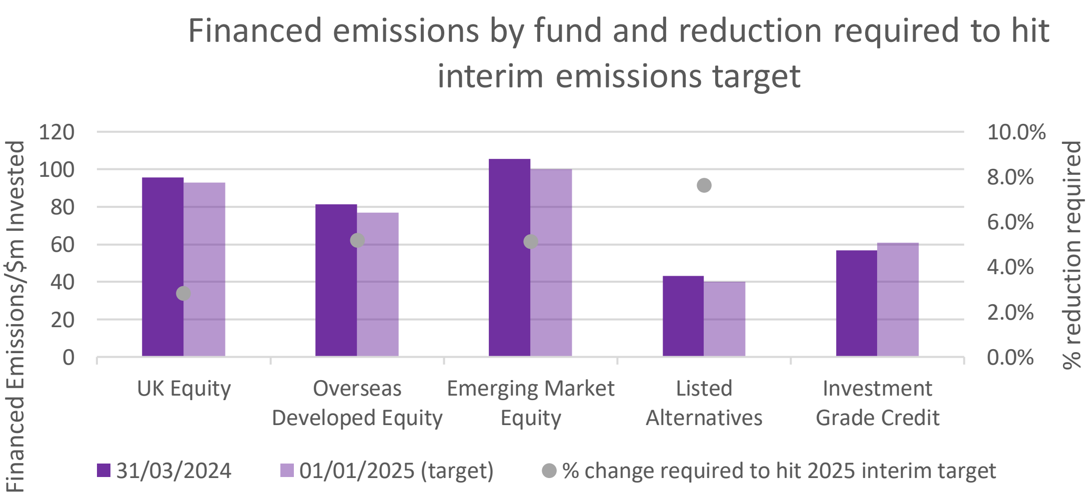
Progress to Net Zero

This section of the report considers progress towards Net Zero using the emissions data provided on a quarterly basis by Border to Coast. The graph below shows the historic trend for what is now termed financed emissions (i.e. absolute carbon emissions) which is the main indicator for which targets have to be set. This now includes emissions data for the Listed Alternatives fund, therefore covers five publicly traded funds held with Border to Coast for which carbon emissions data is available.

The below graph shows the movement of actual financed emissions of the listed funds held over time. It should be noted that some volatility in financed emissions quarter-on-quarter is to be expected. However, the financed emissions trend has been directionally reducing, albeit at a slowing rate over recent quarters.

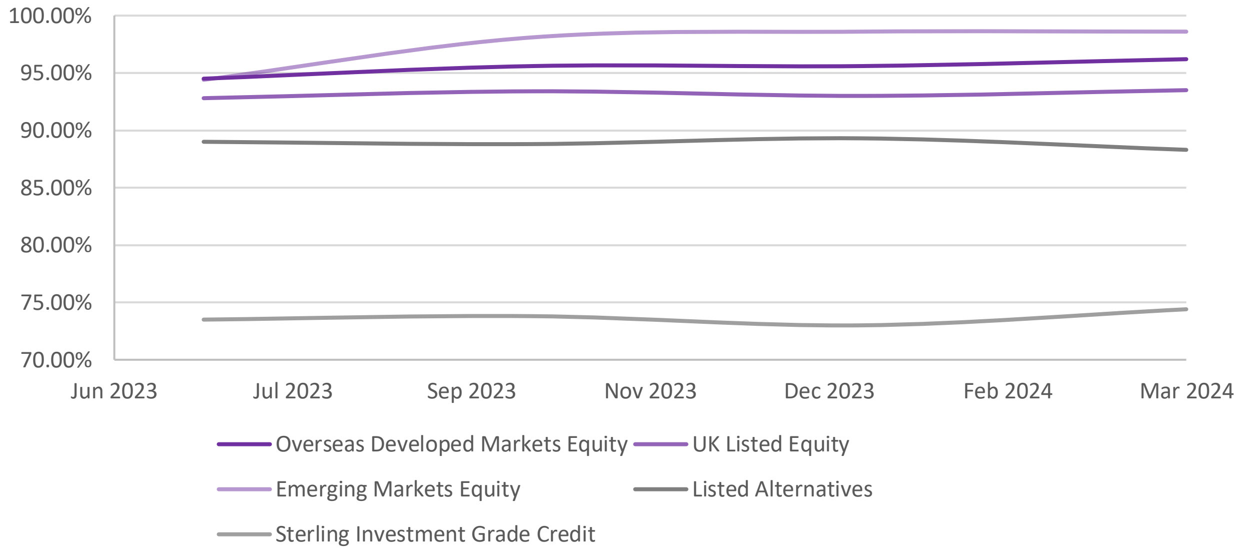


The below chart shows that only the Investment Grade Credit Fund is currently below the interim 2025 financed emissions target to meet the net zero goal by 2030. All other funds require modest reductions in financed emissions of between 7.5% and 2.8% by 2025. When analysed alongside the historic trend graph above, it can be seen that the trend in the reduction of financed emissions will have to speed up if the interim targets are to be met by all listed equity and the listed alts fund.



Coverage

The proportion of companies covered is an important metric when assessing the progress made to net zero. Without a high level of coverage, the emissions reduction picture will not be complete or accurate. The graph below outlines how the level of coverage in the funds held with Border to Coast has developed over time. It can be seen that over time the % of the individual funds covered has increased, however the progress has largely plateaued within the last year. It should also be noted that there are further improvements to be made, particularly on the Sterling Investment Grade Credit Fund.



As has been made clear previously, the forecast reduction in emissions shown is dependent upon Border to Coast delivering the targets set out in their own Net Zero Strategy. This further depends on changes within the investment process as well as on the actions of individual companies. Officers continue to engage with Border to Coast to further understand both the nature of the changes being made to the investment process and their likely impact.

Beyond this the recently revised investment strategy, that is undergoing implementation, will result in changes to the mix of assets that reduce the level of emissions from the portfolio. However, this process is too early stage to determine the scale of any reduction. As has previously been reported there remains a very strong probability that the Net Zero Goal will be missed although there is a possibility, should all portfolios achieve the reductions targeted by fund managers, that a date earlier than 2050 could be achieved.

It should also be noted that while there is, rightly, a significant focus on emissions there is no credit in the calculations for the emissions avoided by the significant investment by the Authority in renewable energy, natural capital and other climate solutions and this is something that we will look to begin reporting on in future.

Stakeholder Interaction

In February the Director met with the Climate lobby group to discuss the Authority's plans and actions taken to address climate change, with a particular focus on the engagement process with listed companies. In addition, Responsible Investment related questions have been largely focussed on climate change and submitted at the Annual Fund meeting.

Collaborative Activity

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

LAPFF's most recent business meeting approved the workplan for the coming year and agreed the budget.

During the quarter, some managers, notably JP Morgan Asset Management, State Street and PIMCO left Climate Action 100+ with BlackRock changing participation from "BlackRock Inc" to "BlackRock International". As one of the founding network partners, the IIGCC responded with the following statement.

"Although we recognise every financial institution operates within a distinct political and social context, the concept of fiduciary duty is recognised across jurisdictions.

The fundamental principle that underpins Climate Action 100+ is that climate risk is a financial risk. Climate Action 100+ is about investors engaging companies on improving climate change governance, cutting emissions and strengthening climate-related financial disclosures, in the interests of long-term shareholder value for those investors' clients and beneficiaries.

The preservation of long-term shareholder value is central to a fiduciary relationship. Across jurisdictions, it is recognised that climate risk and the transition to a low-carbon economy are economic factors, like interest rates and inflation, that may impact the long-term financial returns of portfolios.

As an example, the UK's Financial Markets Law Committee (FMLC) recently published a paper, commissioned by the UK government, which provides assurance on the legal position on pension fund trustees' fiduciary duty when considering sustainability and climate change.

However, it is a foundational principle of how the initiative works that the choice to use guidance and best practice tools provided by Climate Action 100+ is always at the ultimate discretion of individual signatories, based on their own decision making. All participating investors are independent fiduciaries responsible for their own investment and voting decisions, and they agree to always act independently in setting strategies, policies and practices, based on their own understanding of their best interests. It is also a matter for individual signatories to make their own decisions regarding ongoing participation in the initiative."

In summary, Climate Action 100+ is about managing risk and preserving long-term shareholder value, making it fully aligned with its signatories' fiduciary duty.

Policy Development

This section of the report highlights the key pieces of policy related activity which have taken place that will impact SYPA in the future.

FRC review of Stewardship Code

This quarter, the FRC launched a review of the 2020 UK Stewardship Code to ensure that the Code's principles are still driving the right outcomes for investors without creating burdens on both issuers and signatories. The revised Code will likely be published in early 2025 following engagement with issuers, asset managers, asset owners and service providers

FRC review of Stewardship Code

In January, the FRC announced revisions to the UK Corporate Governance Code. Boards will now need to disclose in their annual report how they review the effectiveness of the company's risk management and internal control framework and their conclusions. The FRC dropped proposed revisions to the role audit committees hold on ESG issues.

UK March 2024 Budget

In the Spring 2024 UK Budget, the Government stated that it will regulate providers of ESG ratings to UK users, bringing rating providers into the regulatory scope of the FCA. Legislative steps are due to be published later this year. This follows a similar EU ruling in February requiring ESG rating providers to be authorised and supervised by the European Securities and Markets Authority (ESMA) and comply with transparency requirements.

New UN PRI Guidelines

The PRI has published three new guides on responsible investment. The resources provide asset owners and managers with guidance on how to consider biodiversity, corporate governance and human rights in the investment process. This supports the industry's growing need to consider "ESG" factors in addition to climate.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Agenda Item

Subject	**“Levelling Up” Plan**	**Status**	For Publication
Report to	Authority	**Date**	6th June 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 for the Authority’s plan to invest up to 5% of the Pension Fund in projects which support the Government’s “Levelling Up” missions in preparation for expected regulatory requirements.

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2 Recommendations

2.1 Members are recommended to:

a. Approve the plan set out at 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 plan at Appendix A balances the need to achieve a positive impact from investments with the need to deliver the financial returns required to pay pensions thus impacting the corporate objectives concerned with investment returns, responsible investment and scheme funding.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report impact the investment related risks included in the Corporate Risk Register.

5 Background and Options

5.1 The Authority approved a strategy for Place Based Impact Investment in March 2023. This strategy was an initial response to the Government's desire (which is intended to be placed into regulations) that LGPS funds should invest up to 5% of their assets in projects supporting the Government's "Levelling Up" Missions. The Authority does not recognise "levelling up" as something that is necessarily investable and therefore prefers to refer to the place-based impact investing which is a recognised investment approach. Subsequently the Government's consultation on LGPS investments indicated a forthcoming requirement for funds to have a plan for so called "levelling up" investments and specified certain elements of the contents of the plan, as well as specifying certain new elements of the Investment Strategy Statement and reporting requirements.

5.2 Given the progress already made in this area, including reflecting the necessary content in the Investment Strategy Statement, it is desirable to put this plan in place in advance of the detailed guidance and a draft plan for approval is set out at Appendix A.

5.3 The plan set out at Appendix A specifically addresses the following areas which are set out in the Government's expectations of such plans as set out in their consultation response.

- The approach to measurement of impact as related to specific "levelling up" missions and metrics.
- The role pooling will play within the approach to investments of this type.

5.4 Beyond this the attached plan sets out a forecast of the build up of the place-based impact portfolio over the period to 2032 (in line with the broader Transition Plan, approved in March) and a number of actions required to ensure delivery of the plan which are reflected in the Investment Strategy Team's workplan.

5.5 In future this plan will be updated alongside the Investment Strategy Statement as part of each triennial strategy review.

6 <u>Implications</u>

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

Financial	The implementation of the plan set out at Appendix A will incur a range of fees which as they are related to specific investments will be charged directly to the Pension Fund thus being a charge against the performance of the relevant investments as would be the case for any other investment.
Human Resources	None
ICT	None
Legal	No specific implications identified.
Procurement	The delivery of the proposed South Yorkshire specific investment mandates will require full procurement processes which will be undertaken in line with the relevant regulations and with appropriate external advice.

George Graham

Director

Background Papers	
Document	**Place of Inspection**

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Place-Based Impact Investment Plan

June 2024

Contents

Introduction

This plan is produced to meet the emerging requirement from Government for LGPS funds to produce a plan to invest up to 5% of assets under management in projects that support "levelling up" across the UK.

South Yorkshire Pensions Authority does not recognise "levelling up" as framed in the Government's proposals as something that is necessarily investable. However, it does recognise that investing in specific places can achieve impacts which will support the Government's "levelling up" missions. Therefore, the Authority's plan to address the Government's requirement addresses place-based impact investing which is a recognised approach to investment. This means that this plan is framed in the context of finding new ways of delivering return to meet pension liabilities which also achieve positive impact as is right for a pension fund rather than solely focussing on the impact.

This plan is based upon work delivered by a Member Working Group in 2023 which framed a strategy for place-based impact investing for the Authority with a specific focus on South Yorkshire and sits in the context of the Authority's overall investment and funding strategies.

The Strategic Context

This plan needs to be seen in the context of the following overarching strategies:

- The Funding Strategy Statement which sets out the Authority's investment return targets and broad approach to achieving a balance between contributions from employers and scheme members and investment returns in meeting the Fund's liabilities.
- The Investment Strategy Statement which sets out a strategic asset allocation intended to deliver the returns required in the Funding Strategy Statement and in line with the Authority's investment beliefs including its risk appetite.

The Funding Strategy requires the Fund to return 4.45% pa to maintain full funding based on the data available at the 2022 triennial valuation. This is, therefore, broadly the minimum return target for any investment although SYPA expects fund managers to manage portfolios of assets to deliver return targets specific to the particular asset class, thus equity returns would be expected to be greater than returns from property.

Another key aspect of the Funding Strategy Statement is the need for investments to generate income to bridge the increasing gap between the value of contributions received and benefits paid out.

These factors are then reflected in the investment strategy along with a reflection of the Authority's investment beliefs which results in a strategy which aims to deliver the required return through:

- A lower volatility approach consistent with a moderate risk appetite,
- A focus on income generating assets,
- A focus on key themes supporting the climate transition as a means of delivering return,
- A broader focus on responsible investment and environmental, social and governance risks.

So, in developing a response to the Government's requirement for a plan to invest up to 5% of assets under management in projects that support "levelling up" across the UK we need to design something that achieves at least the returns set out in the Funding Strategy Statement and which is consistent with the aims of the Investment Strategy. The following sections set out our plan for doing this.

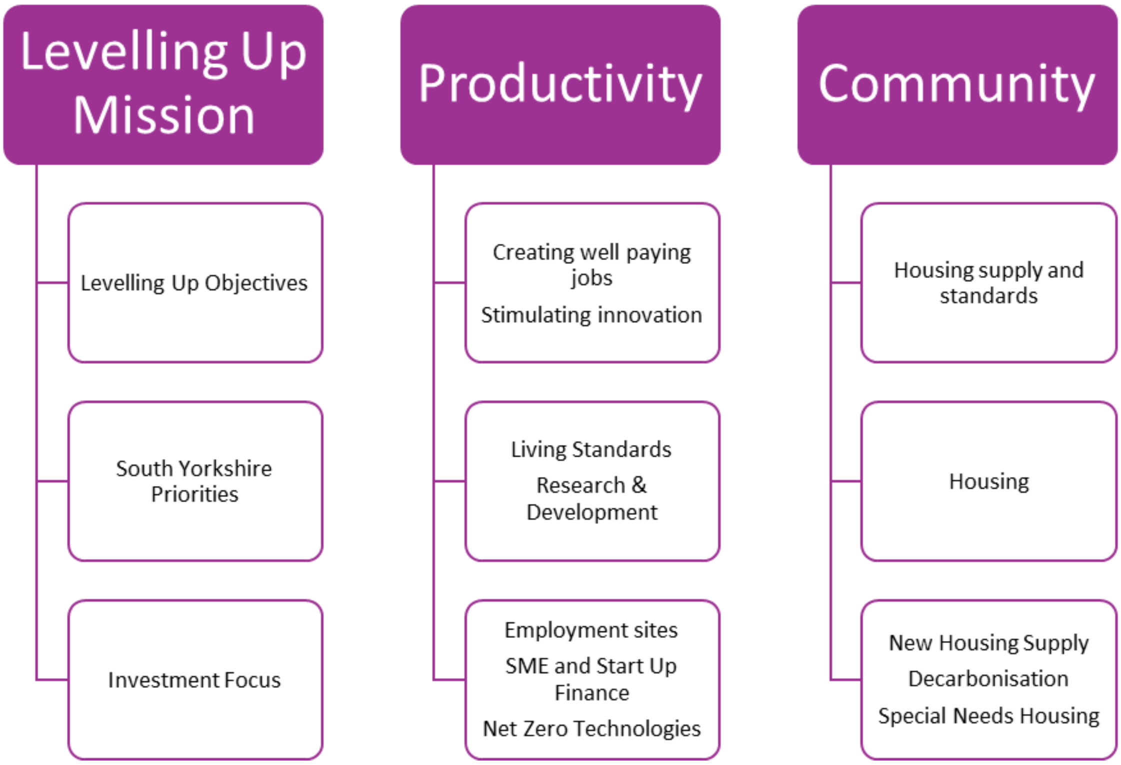
Place Based Impact as Part of the Investment Strategy

Firstly, it must be recognised that place-based impact investments are not an asset class in themselves. They can be virtually any type of asset but for the purpose of this plan we are concentrating on assets which fall into the following asset classes:

- Infrastructure
- Private Credit
- Private Equity
- Real Estate

Within these asset classes we will want to look to achieve specific impacts in areas which relate to the Government's "levelling up" missions. However, it is also important to SYPA that the impacts which are targeted both align with South Yorkshire's own priorities and are also genuinely investable and deliver the return targets specified for the fundamental asset class.

Consequently the 2023 Member Working Group Report recommended the areas of investment focus shown in the graphic below which link specifically to both the Government's objectives and South Yorkshire's priorities as defined by the South Yorkshire Mayoral Combined Authority.

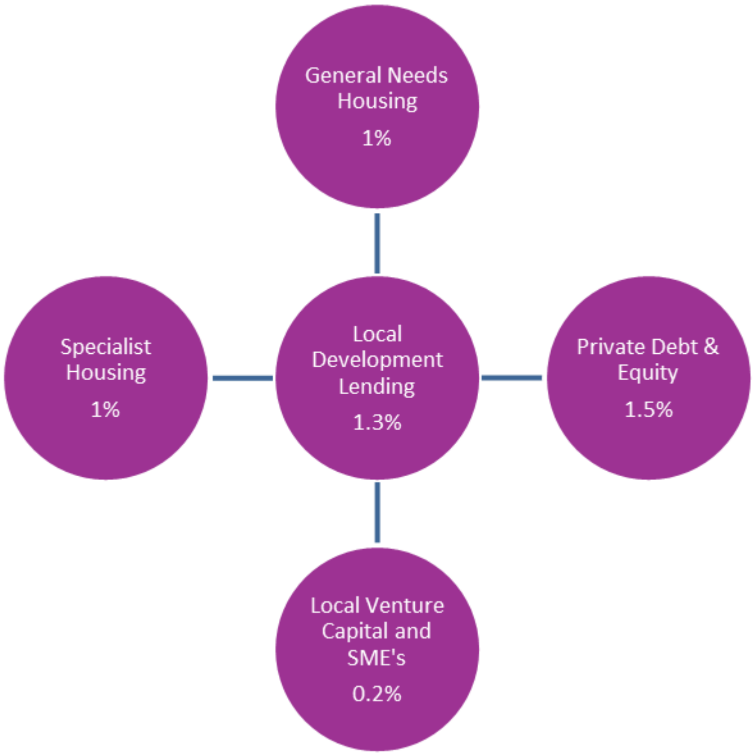


If this strategic approach is to be successful not just in terms of investment performance but in terms of delivering impact, then it is important to ensure that positive relationships are maintained with local partners which respect the different roles of the Fund as an investor and local authorities as stewards of place. To this end a Memorandum of Understanding has been agreed between SYPA and the South Yorkshire Mayoral Combined Authority (which brings together the 4 districts) which seeks to regulate the way in which information about potential investments will be shared between local partners and SYPA.

The Place Based Impact Portfolio

This is not an area where SYPA is starting from scratch. As set out in the Appendix SYPA has a significant scale of legacy holdings which provide a foundation on which the Place Based Impact portfolio will be built.

The portfolio designed to deliver the intentions of the Member Working Group in terms of the areas where impact should be achieved balanced with the Authority's overall risk appetite is shown in the diagram below. The percentages in the diagram reflet the percentage of the whole Pension Fund to be invested in the various types of investment. At the time of writing 1% of the Fund is approximately £109m.



The vertical spine of the portfolio as set out in the diagram above is South Yorkshire focussed while the remainder is UK focussed as it consists of strategies that are unlikely to be deliverable solely on a South Yorkshire footprint. Over time the intention is that investments in the spine will grow as a proportion of the Fund while those in the satellite areas will reduce as a proportion of the Fund although it is unlikely that they will reduce in cash terms.

This portfolio is likely to evolve at future strategy reviews to include some forms of local infrastructure investment. However, at this stage the capacity does not exist to implement a further form of local mandate.

Pooling As Part of the Place Based Impact Strategy

SYPA’s investment strategy starts from the point of view that assets will be managed through pooled structures unless there is extremely good reason otherwise and the Authority’s transition plan aims to achieve well over 90% of assets managed within the pool once legacy alternatives have run off. However, elements of the place-based strategy, particularly those with a South Yorkshire focus, cannot effectively be implemented through pooled structures because:

1. They are direct investments (e.g., a development loan) which is a one-to-one relationship.
2. The lot sizes are too small to be accommodated in a pooled structure. This can be true of both fund investments and direct investments.
3. There is a degree of geographic concentration which is not acceptable within the pooled structure.

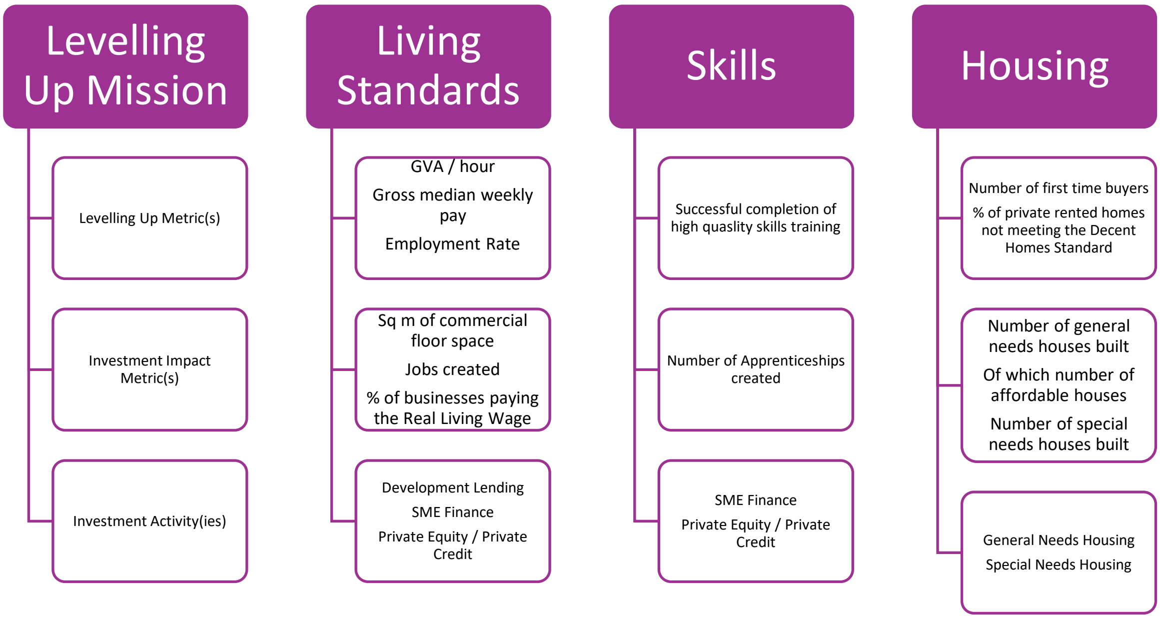
However, the Border to Coast operating company does have resources in terms of skilled staff and relationships with technical advisers that SYPA can and will leverage in relation to issues such as due diligence in relation to investments that will ultimately be made outside of the Pool.

In addition, Border to Coast has developed a UK Opportunities product as a response to the Government’s call for “levelling up” investments. This is a £500m (at launch) UK focussed multi-asset fund of funds which will in its first iteration be invested over 3 years. This is defined as an “impactful” rather than an impact fund with no targeting of specific impacts. This Fund will provide a useful diversifier in a portfolio which over time is intended to become more concentrated on South Yorkshire and a commitment of £100m (c.1% of the Fund) has been made to the first iteration of this product.

Measuring Impact

It is important that the impact delivered by the various investments within the place-based portfolio is measured and reported. This will be done annually as part of the process of producing the Authority's Annual Report with the work being undertaken by an independent specialist firm to ensure that neither the Authority nor fund managers are "marking their own homework".

The graphic below sets out the broad framework we will use to demonstrate that the investments we are making within our place-based impact portfolio are delivering positive impact in terms of the Government's "levelling up" missions and the associated metrics.



The Government's "Levelling Up Metrics" are not easily measurable for individual investments and therefore metrics which will contribute to improvements in the "Levelling Up Metrics" and which can be relatively easily provided by fund managers have been identified here.

We will also look to report against the following additional metrics:

- The proportion of businesses invested in / jobs created which are located within the 20% most deprived areas as measured by the indices of multiple deprivation (IMD).
- Tonnes of Green House Gas (GHG) emissions avoided because of clean energy investment.

The first of these is important as an indicator that investment is being made in the areas where it might have most impact, while the second represents a further important priority for the Pensions Authority in terms of its overall journey to Net Zero.

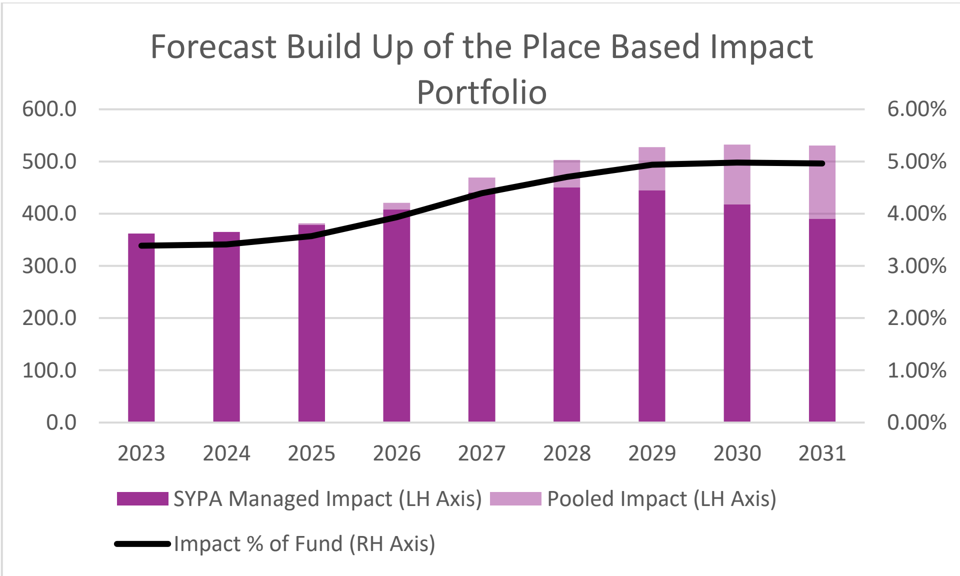
At this stage reporting will simply be based upon data gathered from fund managers. However, it will be necessary to introduce a degree of verification into the process once the portfolio is fully established. It is likely that this will be introduced in 2026 following the next review of the Investment Strategy.

Implementation

Implementation of the Strategy will be undertaken by SYPA's internal team who will be responsible for

- Overall portfolio design and construction.
- Manager and fund selection.
- Performance monitoring.
- Approval of direct investments subject to advice from relevant fund managers or advisers.
- Commissioning of impact measurement services.

The intention is to build the strategy from the current level (set out in the Appendix) to 5% of the Fund over several years as set out in the Authority's published transition plan and illustrated in the graph below. This graph also calls out as additional information the elements of the portfolio to be managed through the pool and managed directly.



As can be seen this forecast indicates that the portfolio will reach around 5% of the Fund by 2028 with cash inflows and outflows then stabilising once the allocation has reached the planned level. Clearly increases in the overall value of the Fund could result in delays in reaching the 5% level, although the absolute level of cash invested might as a result increase beyond the currently forecast levels, with the reverse being true should the absolute value of the Fund decline.

The remaining key tasks required to fully implement the place-based impact allocation are:

1. The appointment of fund managers to run South Yorkshire focussed mandates for General Needs Housing and SME / Start Up Capital. [By Dec 2024]
2. Negotiation with existing managers to increase the South Yorkshire focus of private equity and private credit investments. [Ongoing]
3. Establishing the performance track record of the portfolio based on the performance of existing investments to establish a performance baseline. [By Dec 2024]
4. Establishing a clear reporting framework for this portfolio encompassing both financial performance and impact. [By March 2025 for inclusion in the 2024/25 Annual Report]

Appendix – Existing Holdings

Fund	Vintage Year	Value at 31.3.24 £000	Outstanding Commitment £000
Private Equity			
BRIDGES SUSTAINABLE GROWTH IV (B)	2021	13,772	6,418
BRIDGES VENTURES FD III L	2012	2,102	-
FORESIGHT REGIONAL INV FD	2016	10,761	861
FORESIGHT REGIONAL INV FD III	2024	-	15,000
NORTHERN GRITSTONE	2023	6,000	14,000
PALATINE IMPACT FUND II	2022	4,488	10,215
PALATINE PEF II LP	2012	2,766	-
PALATINE PEF III LP	2015	5,909	1,710
PANORAMIC ECF	2010	865	-
PANORAMIC GROWTH FUND 2LP	2015	2,800	614
PANORAMIC SME 3	2023	1,535	-
SCOT EQUITY PARTNERS VI	2022	6,126	13,384
SCOT.EQTY.PART.III LP		19	-
SCOT.EQTY.PART.IV LP		4,205	-
SCOT.EQTY.PART.V LP	2017	25,047	1,956
WESTBRIDGE SME FUND LP	2012	991	-
WESTBRIDGE II LP	2018	18,213	2,071
WESTBRIDGE III LP	2023	3,741	11,321
Total Private Equity		**109,340**	**77,550**

Fund	Vintage Year	Value at 31.3.24 £000	Outstanding Commitment £000
Private Debt			
BEECHBROOK UK SME CR I LP	2015	1,317	-
BEECHBROOK UK SME CR II L	2019	7,459	550
BEECHBROOK UK SME CR III	2023	9,275	5,853
INDUSTRIAL LENDING 1	2014	10,001	-
INDUSTRIAL LENDING 2	2018	4,495	-
PALATINE GROWTH CREDIT	2023	190	9,810
PREFEQUITY	2024	-	10,000
Total Private Debt		**32,737**	**26,213**
Development Lending (CBRE S Yorkshire Loans)		**84,856**	**84,331**
Real Estate			
BRIDGES PROPERTY ALT III	2014	6,220	997
BRIDGES PROPERTY ALT IV	2016	8,373	823
BRIDGES PROPERTY ALT V	2020	19,426	9,281
BRIDGES PROPERTY ALT VI	2023	16,414	13,586
CHEYNE IMPACT REAL ESTATE TRUST		6,603	3,377
DARWIN BEREAVMENT SERVICES FUND		20,922	-
HEARTHSTONE RESIDENTIAL	2021	23,504	3,472
HENLEY SIPUT II		4,710	5,000
NATIONAL HOMELESS PROPERTY 2 TRUST		7,399	1,595
ST BRIDE'S WHITE ROSE LP		12,324	-
ST BRIDE'S WHITE ROSE RESIDENTIAL LP	2021	25,900	-
Total Real Estate		**151,795**	**38,131**
Total Portfolio		**378,728**	**226,225**

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Subject	Update on Pensions Administration Improvement Plan	Status	For Publication
Report to	Authority	Date	6 June2024
Report of	Assistant Director - Pensions		
Equality Impact Assessment	Not Required	Attached	
Contact Officer	Debbie Sharp, Assistant Director Pensions	Phone:	012260666480
E Mail:	dsharp@sypa.org.uk		

1 Purpose of the Report

1.1 To update the Board on the Pensions Administration Improvement Plan.

2 Recommendations

2.1 Members are recommended to:

a. **Note and comment on the plans for Administration improvement that are being put in place.**

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. The report includes information about the engagement with the employers in the scheme and how SYPA can support them to complete their responsibilities.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times. The report includes detail on the overall administration performance to ensure Members are able to scrutinise the service being provided to our customers.

Valuing and engaging our Employees

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

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report seek to address operational risks around data quality and backlogs in work (O2 and O6) and the people risks around vacancy levels and single points of failure (P1 and P2). The key mitigants of these risks identified are the plan to address backlogs on a systematic basis and the recruitment to new roles approved by the Authority which will increase the resilience of the team and ensure that there are sufficient resources to handle incoming work.

5 Background and Options

5.1 The Corporate Plan introduced an Administration Improvement Plan. The Plan is a series of interlinked activities, intended to address long standing issues, which have affected the underlying performance of the administration service, and to place the service on a stable and sustainable basis.

The plan was influenced by;

- 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.
- Developments within the Local Government Pension Scheme and the wider pensions industry such as the Pensions Dashboard.
- Technological developments.
- Feedback from stakeholder groups, including scheme members, employers and our staff.

This programme of work incorporates the need also to address things over which the Authority has 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. The improvement plan represents a significant volume of work for the team over a number of years and must not be underestimated.

5.2 The Administration Improvement Plan is to deliver:

A1 – Improvements in Data Quality

A2 – Recruit to the Pensions Administration structure approved at the end of 2023.

A3 – System Improvements to ensure that the Authority is making the best use of technology.

A4 – Clear backlogs

A5 – Implement the McCloud Remedy

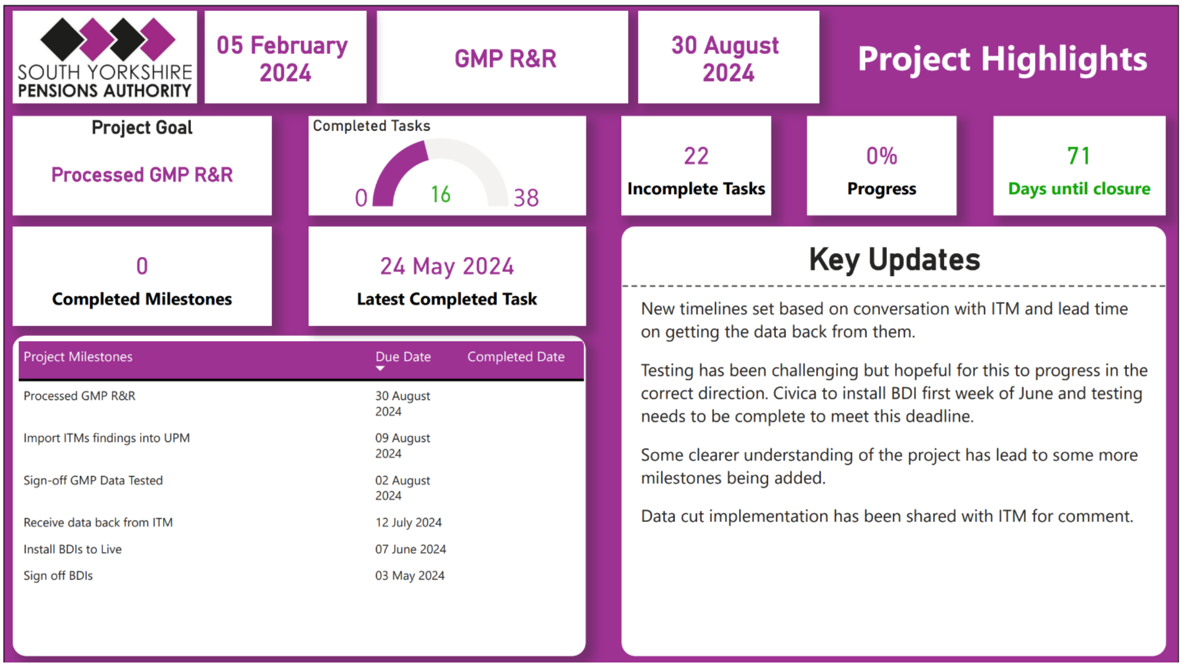
A6 – Successfully link SYPA to the Pensions Dashboards

5.3 A1 - Improvements in Data Quality

A Data Improvement Strategy, part of which will be an annual improvement plan is to be drawn up. This will focus on overall data improvements not just TPR scores. Investigations have highlighted historical data issues, some of which go back to when the software system was implemented in 2014. These data issues need to be understood and categorised into whether they affect benefit calculations, communications to members or are nice to have /insignificant. Recruitment to the new posts in Technical and Training Services is required before this can be realised. The current priority regarding improving data quality is therefore to complete the GMP reconciliation and rectification project.

This project is currently in a testing phase. The Authority contracted a third party to undergo the reconciliation and rectification work on the GMP data. To get the output into the Authorities Administration system requires a Bulk Data Interface to be designed by Civica. Staff are currently testing this facility. The Interface will ensure the reconciled GMP data is uploaded to the correct member records, correct any pensions, and pay any arrears due. The interface should also create a letter for the members affected. At present the project is running behind target and the revised correction date has moved to 31 August 2024.

GMP R&R Project- 25/05/24 Highlight Report



5.4 A2- Recruit to the Pensions Administration structure approved at the end of 2023. 2 Service Managers appointed and took up roles 1 May 20024, Employer Services Manager and Technical Support Manager. These 2 managers working together with the Assistant Director pensions and the Benefits Services manager a recruitment plan has now been drawn up and is awaiting signoff.

5.5 A3 – System Improvements - ensure Authority is making the best use of technology, review the operational workflows and an overhaul of performance reporting.

- An audit of how the Authority uses the Civica, UPM Administration system has been organised. It is scheduled to be undertaken 5 June 2024. Delayed from March due to Civica employee absence. The audit outcome will help shape a System Improvement Plan.

- A UPM Steering Group has been set up. The first meeting was held on 23rd May. Terms of reference were agreed, which include implementing the system improvement plan, when known. It will meet quarterly.
- A Pensions Team plan is now in place. Each of the 4 individual Teams now record and monitor work across their individual teams to ensure corporate improvements are delivered along with day-to-day workloads and other one-off projects. These are reported to the Assistant Director Pensions at least monthly.

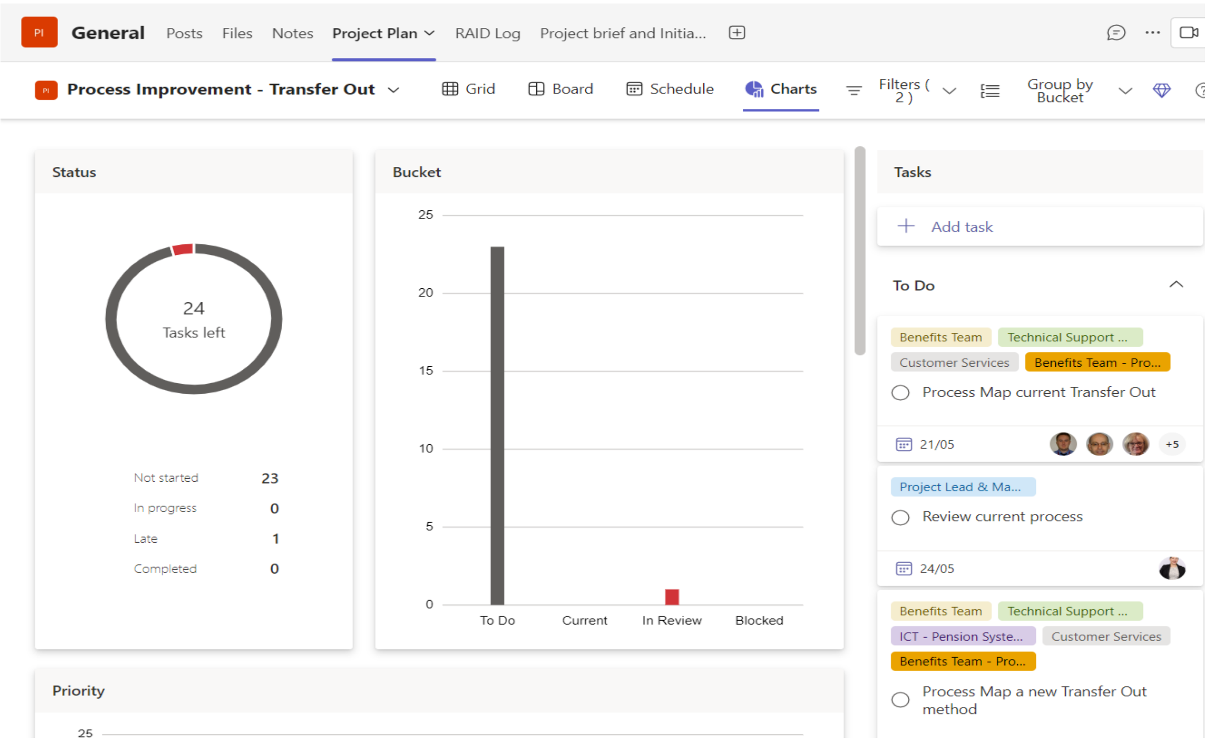
Benefits Team Plan 2024/26

Total Number of Projects	Red	Amber	Green	Blocked
	2	0	11	0
21	High	Medium	Low	Complete
	9	6	1	1

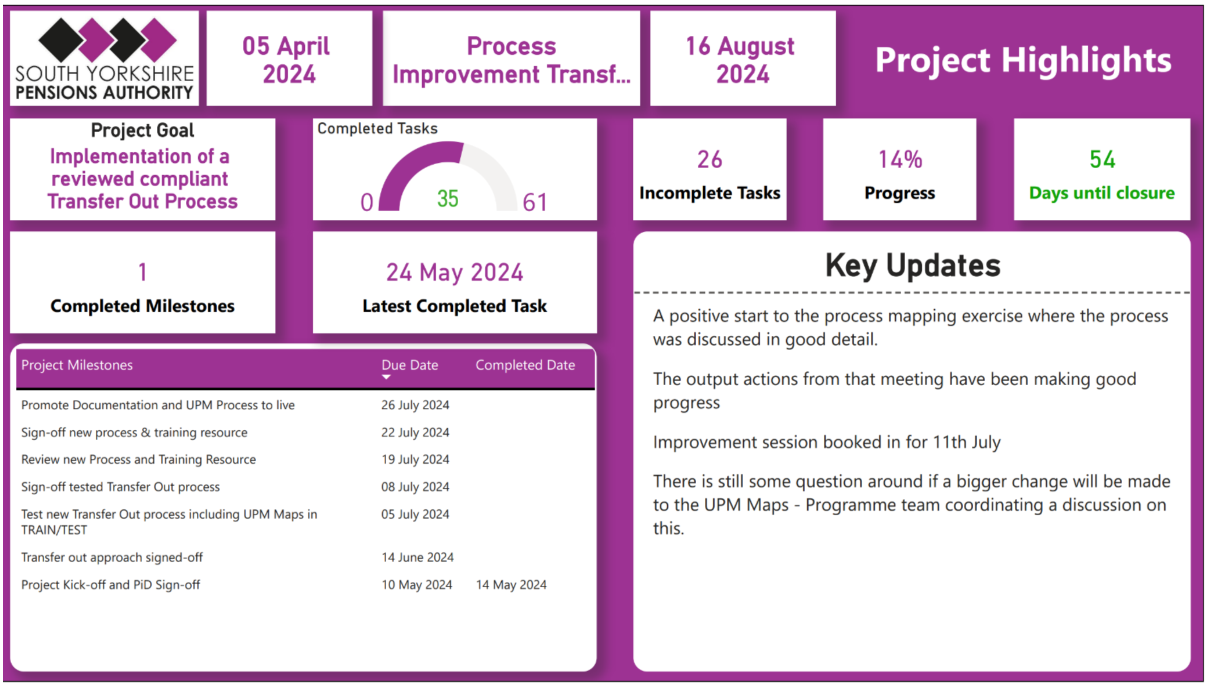
Project Name	Successful Outcome	Corporate Objective, BAU or Other	Priority	Lead Officer	Others Involved	Anticipated Start Date	Expected End Date	Actual End Date	Status (Red - Behind Schedule, Amber - Slipping, Green - On Track, Blue - Complete, Purple - Blocked)
Corporate Priorities									
Update Pensions Administration Strategy - A1.5				LG	DS				
recruitment programme for new structure posts -				LG	SM TS, SMES				G - On Track
Training Plan in place for new recruits - A2.3	Internal training material and plan. External training also planned								Not Started
Workflow Review - Require a formal project to systematically reassess workflows to streamline	Full plan for when each process will be reviewed	Corporate Objective	High	LG	JW, SMTS, AK	21/04/2024	31/05/2024		G - On Track
Draw up a plan to clear backlogs - A4.1	Estimated timescaled to clear backlogs and report to SMT and board	BAU	High	LG		01/02/2024	31/03/2024		B - Complete
Implement plan to clear backlogs - A4.2	Reporting of backlog plan. Volumes and age of backlog will reduce over the year with the end goal of all backlogs cleared by December	A4.2	High	LG		01/02/2024	31/03/2025		G - On Track
McCloud	McCloud processes fully ambedded and all system releases successful								G - On Track
Transfer Out Process Review	To have a clear transfer out guide and be fully complaint with TPR guidelines. Review the process so members have smooth journey with minimal impact to our workflows	BAU & Corporate Objective	High	LG	EU / ST / DH / JP / GC / VH	21/04/2024	31/07/2024		G - On Track
Capacity Plan	Capacity model is BAU	BAU	Med	LG					G - On Track
Backlog Recovery Updates	Monthly reporting to SMT plus quarterly reports to board	BAU	High	LG		01/03/2024	31/03/2025		G - On Track
Death Grant Form	Built into process	BAU	Med	LG	MR / TL's	01/01/2024	01/03/2024		R - Behind Schedule

Benefits Team | Customer Services Team | Technical Support Team | Employer Services Team | Corp Strategy

- The first Process workflow to be updated is the Transfer out process. This is to ensure compliance with overriding Regulations and statutory guidance. A working group has been set up and a project plan is in place. They have met twice, and a project plan is now in place.

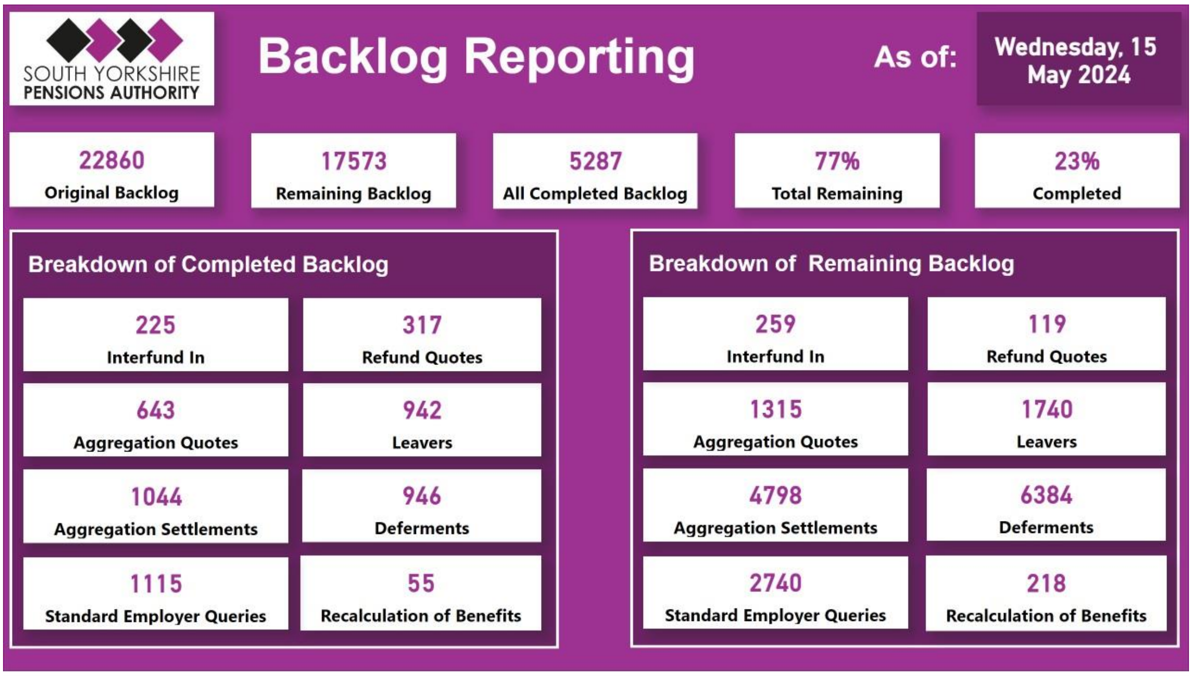


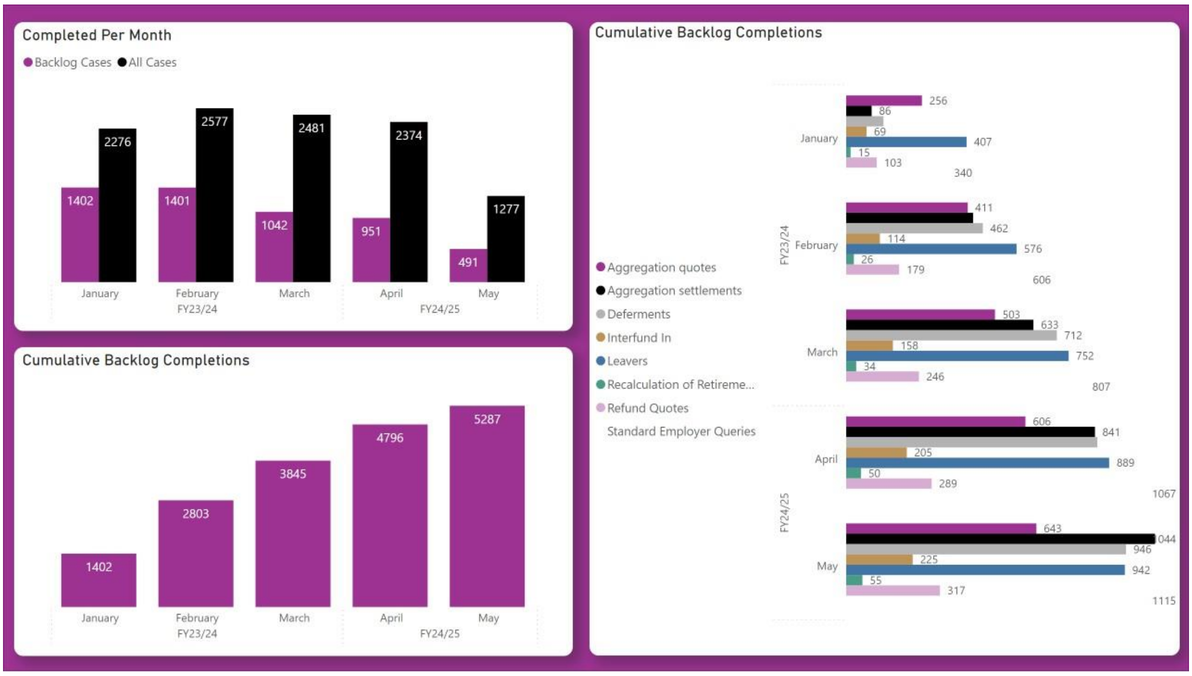
SOUTH YORKSHIRE PENSIONS AUTHORITY

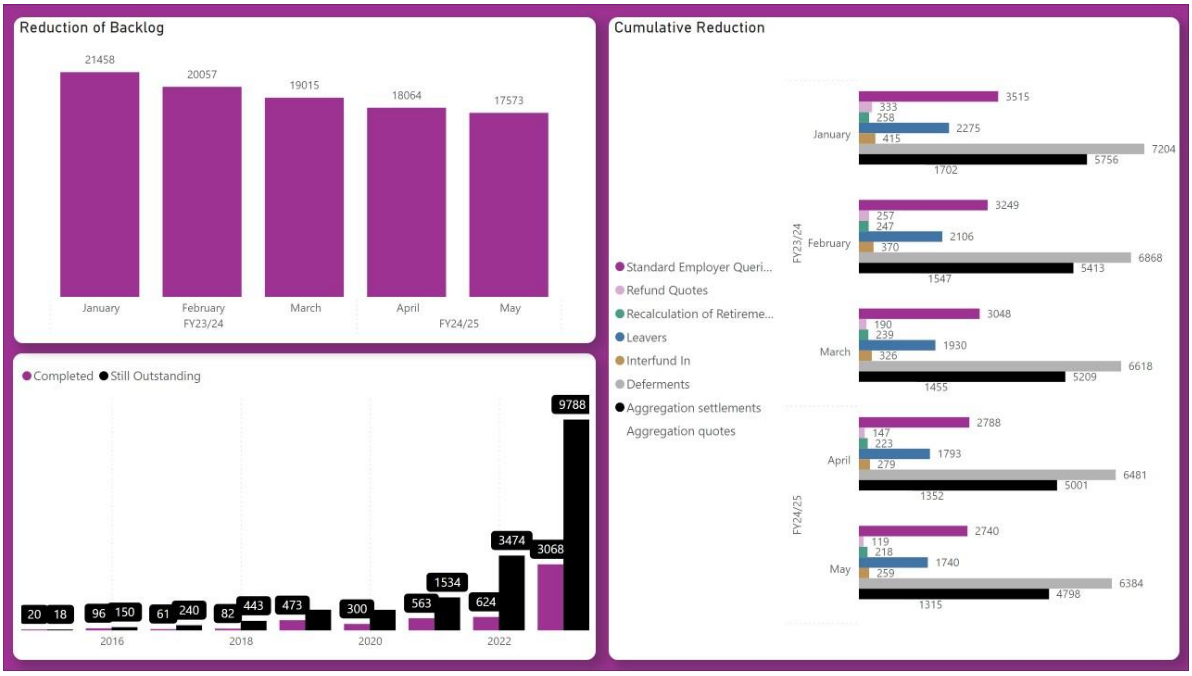


5.5 A4 – Clear backlogs.

A plan was introduced during February to reduce backlogs. Monthly monitoring is now in place. It is hoped that the outstanding supplemental Pension Increase payments may not have to be done completely manually so these have been taken out of the monitoring at present. Options are still being investigated. SEQ in the chart below, are Standard Employer Queries. This is where information is missing from the employer which means the team have been unable to close the record correctly. Internal guidance has been provided to the team, to enable them to determine the missing information where possible i.e., Final pensionable pay, leaving date, to calculate the correct benefit and close the record.


SOUTH YORKSHIRE PENSIONS AUTHORITY
Backlog Reporting
As of:
Wednesday, 15 May 2024
22860
Original Backlog
17573
Remaining Backlog
5287
All Completed Backlog
77%
Total Remaining
23%
Completed
Breakdown of Completed Backlog
225
Interfund In
317
Refund Quotes
643
Aggregation Quotes
942
Leavers
1044
Aggregation Settlements
946
Deferments
1115
Standard Employer Queries
55
Recalculation of Benefits
Breakdown of Remaining Backlog
259
Interfund In
119
Refund Quotes
1315
Aggregation Quotes
1740
Leavers
4798
Aggregation Settlements
6384
Deferments
2740
Standard Employer Queries
218
Recalculation of Benefits


Completed Per Month
Backlog Cases
All Cases
1402
2276
1401
2577
1042
2481
951
2374
491
1277
January
February
March
April
May
FY23/24
FY24/25
Cumulative Backlog Completions
1402
2803
3845
4796
5287
January
February
March
April
May
FY23/24
FY24/25
Cumulative Backlog Completions
Aggregation quotes
Aggregation settlements
Deferments
Interfund In
Leavers
Recalculation of Retireme...
Refund Quotes
Standard Employer Queries
FY23/24
January
256
86
69
407
15
103
340
February
411
462
114
576
26
179
606
March
503
633
712
158
752
34
246
807
FY24/25
April
606
841
205
889
50
289
1067
May
643
044
946
225
942
55
317
1115



5.6 A5 – Implement the McCloud Remedy.

When the Government reformed public service pension schemes in 2014, for the Local Government Pension Scheme (LGPS), and 2015 for all other public services, transitional protections were introduced for older members. In the LGPS the transitional protections are known as the underpin. In December 2018, the Court of Appeal ruled that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against because the protections did not apply to them. This ruling is called the McCloud judgment. All public service pension schemes that provided transitional protection, including the LGPS, must extend the protections to all affected by the judgment to remove the age discrimination found in the McCloud court case.

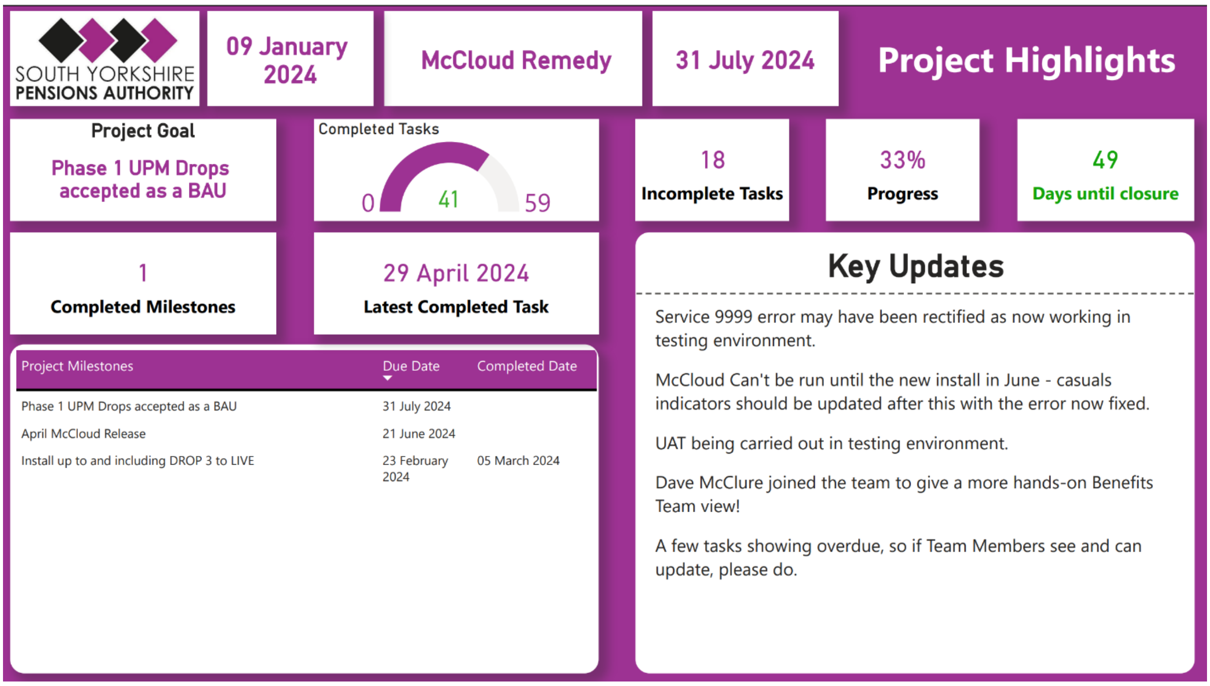
Implementing the McCloud remedy has been described as the biggest challenge to face the LGPS since the introduction of the CARE scheme in 2014. It is a multi-faceted project that will require considerable resource and it will take considerable time to complete the rectification work required as a result. The Authority must identify all qualifying members, including those who have left since 2014, and who did not qualify for the previous underpin, to recalculate their benefits. The Authority will also have to revisit those members who did qualify for the original underpin to see whether they are affected. That is because the original underpin regulations were not detailed enough to ensure all protected members received a CARE benefit which was at least as good as the final salary benefits would have been. The new underpin regulations include more detail to ensure it is consistently applied to all members. The Authority will need to include information about underpin protection for all qualifying members in Annual Benefit statements (ABS) from 2025.

Members will understand, managing the work required to comply with McCloud will be a significant undertaking for the Authority and may inevitably have an impact on service levels and the Authority's ability to meet existing priorities, such as clearing historic backlogs.

The Software provider has released phase 1 of the McCloud system updates. The McCloud Project team is made up of staff from most services across the Authority. Phase 1 is hoped to be implemented by mid-summer. This will allow some active members who leave the scheme to have their benefit calculations run through the current scheme rules and also under the McCloud protections.

Phase 2 is expected to start in the Autumn 2024.

Project highlight Report



5.7 A6 - Successfully link SYPA to the Pensions Dashboards.

Currently assessing the Administration software providers offer. There is a considerable amount of work to be completed for the Authority to prepare for dashboards, both for the initial connection to the dashboards and the ongoing business as usual once the dashboards are live. A project team is being set up to comply with this obligation.

6 Implications

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

Financial	The costs from the improvements being implement have been included in the Authorities approved budget. The cost of overtime is being monitored on a monthly basis.

	Procuring an ISP to connect SYPA to Pensions Dashboards will increase costs.
Human Resources	The recruitment to the agreed revised structure may lead to further recruitment requirements. All new recruits will also require training.
ICT	None
Legal	None
Procurement	An ISP provider will need to be procured to connect to the Pensions Dashboards programme.

Debbie Sharp
Assistant Director Pensions

Background papers	
Document	**Place of Inspection**
None	

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Funding Strategy Statement – Update to Appendix F – Cessation Policy**	**Status**	For Publication
Report to	Authority	**Date**	6 June 2024
Report of	Assistant Director Pensions		
Equality Impact Assessment	Not Required	Attached	
Contact Officer	Debbie Sharp	**Phone:**	012260666480
E Mail:	dsharp@sypa.org.uk		

1 Purpose of the Report

1.1 To update the Cessation Policy within the Funding Strategy Statement. To ensure the Authority is compliant with the Regulations and acting in a fair and transparent way for all employers within the Fund.

2 Recommendations

2.1 Members are recommended to:

a. **Agree with or without comment that the cessation policy be updated inline with this report and as shown in Appendix A, to reflect the agreed approach to calculating the exit credit payable to a ceasing contractor.**

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. The report includes information about the engagement with the employers exiting from the Fund.

Effective and Transparent Governance

To uphold effective governance always showing prudence and propriety. The report ensures the Authority deals with employers leaving the Fund fairly whilst protecting the remaining employers.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report seek to address operational risks around the Authority failing to comply with relevant Regulations (O4). The key mitigant of this risk is ensuring the wording in the cessation Policy takes the regulations into account.

5 Background and Option

5.1 This report provides an update on the treatment of the cessation position for exiting contractors from the Fund, especially the calculation of an exit credit for those contractors participating in the Fund with no form of risk-sharing arrangement. The authority now operates a passthrough approach for any new contractors joining the Fund, the number of contractors entitled to an exit credit will therefore reduce as the legacy contractors cease participation in the Fund.

5.2 From 14 May 2018, the Authority was required to pay an exit credit (which may be zero) to an employer who ceases participation in the Fund with a surplus funding position. The LGPS regulations do not detail an approach to determining an exit credit, this is left to the Authority's discretion. There is no LGPS-wide standard approach to applying the discretion or determining any amount payable to an existing employer. This update to the Policy does not relate to any other type of employer where processes are already in place to determine the exit credit.

5.3 The Department for Levelling Up, Housing and Communities made further changes to the rules on exit credits, the LGPS (Amendment) Regulations 2020; Regulations 62 (2ZAB) and 62 (2ZC) came into force on 20 March 2020. The amended Regulations stated that if an employer becomes an exiting employer on or after 14 May 2018, it may be entitled to receive an exit credit. It is the responsibility of the administering authority to determine the amount of exit credit (which may be zero) by taking into account;

- the extent to which there is an excess of assets in the Fund relating to that employer over the liabilities.
- the proportion of this excess of assets which has arisen because of the value of the employer's contributions.
- any representations to the Administering Authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds, or controls the exiting employer; or in some cases, the Secretary of State; and
- any other relevant factors.

5.4 There are currently 114 contractors participating in the Fund who may be entitled to an exit credit should they exit whilst in surplus. On 31 January 2024, it was estimated that the total surplus across all 114 contracts to be £165m. It is therefore important that the basis by which any surplus would be refunded to exiting contractors be considered carefully. Officers have considered the advice of the Actuary and considered 6 key principles in deciding upon the policy update. The key principles are that the Policy be;

- Compliant with the requirements set out in LGPS Regulations.
- clear and transparent to all employers.
- based on data and information that is readily available to the administering authority and/or the Fund Actuary.
- proportionate, in terms of cost and time taken to carry out the necessary calculations.
- consistently applied across all employers (contractors).
- robust and defendable following any challenge from employers.
- fair to the awarding authority who retains the pensions risk post cessation.

5.5 The approach decided upon should a contractor exit the Fund in surplus, is to calculate the total level of contributions paid by the contractor, as a proportion of the employer's assets at the cessation date and apply this proportion to the final calculated surplus. The rationale for this is that the Regulations require the authority to have regard to the proportion of the surplus which has arisen because of the value of the employer's contributions. The advantages to this approach are that it considers the level of surplus in relation to how much the contractor has paid into the Fund. It is a fair approach for both the contractor and letting authority and is consistent with the Regulations.

5.6 The tracked change version of the amended Cessation Policy, Appendix F for the Funding Strategy Statement is attached at Appendix A for sign-off from the Authority Board.

6 Implications

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

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

Name **Debbie Sharp**
Title **Assistant Director Pensions**

Background papers	
Document	**Place of Inspection**
Funding Strategy Statement	Funding Strategy Statement (sypensions.org.uk)

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South Yorkshire Pension Fund

Policy on cessations

Effective date of policy	~~17th March 2023~~May 2024
Date approved	~~16th March 2023~~ TBC
Next review	March 2026

1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework and the fund's discretionary policies (see below).

1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the fund.
- To provide information about how the fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

1.2 Background

As described in Section ~~8~~7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the fund. On cessation from the fund, the administering authority will instruct the fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the fund (Regulation 64) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer

- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.

- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
    a) Notify its intention to make a determination to-
        (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer
        (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
    b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.

- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
    a) The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)
    b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
    c) Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
    d) Any other relevant factors

- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.

- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.

- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.

- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the fund from the exiting employer.

- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.

- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the Transitional Regulations") give the fund the ability to levy a cessation debt on employers who have ceased participation in the fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the fund expects to deal with any such cases.

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the fund.

2 Statement of Principles

This Statement of Principles covers the fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the fund.

- the fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the fund by the exiting employer.

- the fund's key objective is to protect the interests of the fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of any cessation debt.

- the fund's objective is to apply a robust and consistent approach to the determination of exit credits, and one which is fair to all employers, including any employer(s) who retain the pension risk post cessation.

3 Policies

On cessation, the administering authority will instruct the fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see 3.2 Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see 3.3 Exit credits below).

3.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section ~~8~~7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Fire	Low risk basis[1]	Shared between other fund employers
Colleges & Universities	Low risk basis[1]	Shared between other fund employers
Academies	Low risk basis[1]	DfE guarantee may apply, otherwise see below
Admission bodies (TABs)	Ongoing basis[2]	Letting authority (where applicable), otherwise shared between other fund employers
Admission bodies (CABs)	Low risk basis	Shared between other fund employers (if no guarantor exists)
Designating employers	Low risk basis	Shared between other fund employers (if no guarantor exists)

[1]Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

[2]Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

Risk based cessation approach

The fund uses a risk-based approach to set employer funding strategy, including within cessation calculations. In particular, the likelihood of the fund's assets achieving particular future investment returns is analysed.

Where appropriate, the fund will use this approach to set an upper and lower amount (or "corridor") in order to consider the amount of assets a ceasing employer must leave behind to pay for its members' benefits.

Under this approach, an employer is be deemed to have a deficit if its assets are below the lower amount and a surplus if its assets are above the higher amount (ie there will be no deficit or surplus if a ceasing employers assets fall within the "corridor").

Cessation of academies and multi-academy trusts (MATs)

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one (new or existing) employer within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

Further details are included in the Fund's Academies Policy.

3.2 Repayment flexibility on exit payments

Deferred spreading arrangement (DSA)

The fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the fund's policy is:

- The agreed spread period is no more than three years, but the fund could use its discretion to extend this period in extreme circumstances.
- The fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The fund will only consider written requests within six months of the employer exiting the fund. The exiting employer would be required to provide the fund with detailed financial information to support its request.

- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, to be prepared by the fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.

Deferred debt agreement (DDA)

The fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the fund may exercise its discretion to set up a deferred debt agreement as described in Regulation 64 (7A)).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the DDA.

The Administering Authority may consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The Administering Authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrols new active fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.

- The administering authority serves a notice on the employer that the Administering Authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their low risk basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

3.3 Exit credits

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The administering authority may determine the amount of exit credit payable to be nil, however in making a determination the Administering Authority will take into account the following factors.

a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified.

b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.

c) any representations to the Administering Authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.

d) any other relevant factors.

Admitted bodies

~~i. No exit credit will normally be payable in respect of admissions who joined the Fund before 14 May 2018 Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the fund.~~

i. Where an exit credit payment is appropriate, this will normally be determined by measuring the proportion of contributions paid by the admission body (to the total asset value at the cessation date) and applying this proportion to the surplus identified in the cessation valuation, subject to the total exit credit being no greater than the level of contributions paid by the admission body during their period of participation in the Fund. The administering authority will also consider any other 'relevant factors' and adjust the exit credit payment accordingly.

ii. No exit credit will be normally payable to any admission body who participates in the fund via the mandated pass through approach. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the fund via the “Letting employer retains pre-contract risks” route is subject to its risk sharing arrangement, as per paragraph iii) below.

iii. The fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the Fund.

iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in c), the fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.

v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

vi. If the admission agreement ends early, the fund will consider the reason for the early termination, and whether that should have any relevance on the fund’s determination of the value of any exit credit payment. ~~In these cases, the fund will consider the differential between employers’ contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.~~

vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer subject to the assets being above the upper “corridor” amount – see “Risk-based cessation approach” above.

viii. The decision of the fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

Scheduled bodies and designating bodies

i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

ii. Where no formal guarantor or risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

iii. The decision of the fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.

iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

v. If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer subject to the assets being above the upper "corridor" amount – see "Risk-based cessation approach" above.

General

i. The fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

~~ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the fund and the respective investment returns earned on both.~~

~~iii.~~ii. The fund will also factor in if any contributions due or monies owed to the fund remain unpaid by the employer at the cessation date. If this is the case, the fund's default position will be to deduct these from any exit credit payment.

~~iv.~~iii. The final decision will be made by the pension manager, in conjunction with advice from the fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

~~v.~~iv. The fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the fund will discuss its approach to determining an exit credit with all affected parties. The decision of the fund in these instances is final.

~~vi.~~v. The guidelines above at point v) in the 'Admitted bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 2 (section 2.2) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

~~vii.~~vi. None of the above should be considered as fettering the fund's discretionary decision, instead it is an indication of how decisions are likely to be made. However it is important to bear in mind that each and every potential exit credit case will be considered by the administering authority on its own merits, and the administering authority will make its discretionary decision on that basis.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

4 Practicalities and process

4.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the fund is likely to come to an end must:

- advise the fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the Administering Authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

4.2 Responsibilities of Administering Authority

The administering authority will:

- gather information as required, including, but not limited to, the following:
    - details of the cessation - the reason the employer is leaving the fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
    - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
    - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).
- identify the party that will be responsible for the employer’s deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer’s membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.

- At the time this policy was produced, the fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

4.3 Responsibilities of the actuary

Following commission of a cessation valuation by the administering authority, the fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.

- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.

- where appropriate, advise on the implications of the employer leaving on the remaining fund employers, including any residual effects to be considered as part of triennial valuations.

5 Related Policies

The fund's approach to exiting employers is set out in the FSS, specifically "Section 7 – What happens when an employer leaves the fund?"

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix D of the FSS.

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Subject	Governance Update	Status	For Publication
Report to	Authority	Date	06 June 2024
Report of	Head of Governance & Corporate Services		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Stone Head of Governance & Corporate Services	Phone	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To provide Authority members with an update on current governance related activity and regulatory matters.

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2 Recommendations

2.1 Board Members are recommended to:

a. Note the updates included in this report.

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3 Link to Corporate Objectives

3.1 This report 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 (TPR) – General Code of Practice

5.2 The TPR's new General Code of Practice came into effect on 27 March 2024.

5.3 A full review and assessment of compliance with all the requirements and the good practice elements of the new Code has been undertaken by officers with the team from Aon (alongside the wider independent governance review work) using a tool that they have developed for this purpose. The results from the action plan will be developed and reported to the Authority at a future meeting.

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

Independent Governance Review

5.5 The independent governance review work is completed, and the results were presented to Authority and Local Pension Board members during the annual induction and training session on 06 June 2024.

Information Governance

5.6 Information Governance Action Plan: A plan is in place that continues to be implemented between now and the end of this calendar year, with a phased approach to updating the Authority's data protection policy and procedures with training and other enhancements that have been identified. Progress on the action plan is regularly reviewed with internal audit colleagues.

Member Knowledge and Understanding

5.7 As we commence the new municipal year neither the Authority nor LPB are compliant in the mandatory training requirements due to the number of new members. To achieve compliance, initial activity will focus on supporting new members to complete their mandatory LGPS Online Academy (LOLA) training modules within the first three months of their appointment. Upon completion new members will be asked to undertake the national skills assessment to ascertain their individual learning and development requirements.

5.8 New members will also commence a one-year induction programme including 3 monthly supportive sessions and one to one induction with officers.

5.9 Existing members will be transferred over to the updated LOLA 2 platform (the version already being used for all new members) with guidance from the Governance team on which additional modules that members will need to refresh or complete. The plans in the Learning and Development Strategy 2024/25 (elsewhere on this agenda) have been informed by the results from the national assessment to ensure individual areas for development are addressed.

5.10 The second annual members CPD away day is scheduled to take place on 28 November 2024 at the DMC01 in Barnsley. Members found the first away day very beneficial last year and the plan for this year's event will incorporate the suggestions from member feedback. Further details will be provided in due course.

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 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	None.

Jo Stone

Head of Governance and Corporate Services

Monitoring Officer

Background Papers	
Document	**Place of Inspection**
The Pensions Regulator – General Code of Practice	TPR website: www.thepensionsregulator.gov.uk The General Code of Practice

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Subject	Vexatious Complaints / Enquiries, Abusive and Unreasonable Behaviour Policy	Status	For Publication
Report to	Authority	Date	06 June 2024
Report of	Head of Governance and Corporate Services		
Equality Impact Assessment	Not Required	Attached	N/a
Contact Officer	Jo Stone Head of Governance and Corporate Services	Phone	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To present the Vexatious Complaints / Enquiries, Abusive and Unreasonable Behaviour Policy for members of the Authority to consider and approve.

2 Recommendations

2.1 Members are recommended to:

a. **Approve the Vexatious Complaints / Enquiries, Abusive and Unreasonable Behaviour Policy attached at Appendix A.**

3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

Maintaining relevant policies is a key element of good governance.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report do not directly link to risks specified on the corporate risk register.

5 Background and Options

5.1 A need was identified to document a policy for how the Authority deals with the management of service complaints / enquiries which may be considered vexatious or repetitive, and behaviour which is deemed as abusive or unreasonable.

5.2 The policy has been drafted as attached at Appendix A. The policy aims to ensure that we deal with all complaints and enquiries in ways which are demonstrably consistent, fair and reasonable and to provide staff with a framework for how to manage vexatious and unreasonably persistent complainants in a consistent, proportionate and professional manner.

5.3 Members are asked to review and approve the Vexatious Complaints / Enquiries, Abusive and Unreasonable Behaviour Policy.

6 Implications

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

Financial	None directly
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jo Stone

Head of Governance and Corporate Governance

Monitoring Officer

Background Papers	
Document	**Place of Inspection**

SOUTH YORKSHIRE PENSIONS AUTHORITY

June 2024

Vexatious Complaints / Enquiries, Unreasonable and Abusive Behaviour Policy

Document Control Information	
Document title	Vexatious Complaints, Enquiries, Unreasonable and Abusive Behaviour Policy
Version	June 2024
Status	Draft
Owner	Head of Governance & Corporate Services
Department	Resources
Publication date	
Approved by	
Next review date	

Version History

Version	Date	Detail	Authors

This policy deals with the management of service complaints / enquiries which South Yorkshire Pensions Authority (the Authority) staff consider vexatious or repetitive, and behaviour which is deemed as unreasonable.

It sets out how the Authority will deal with complainants that fall within the scope of this definition. Those identified will be treated consistently, honestly, and proportionately while ensuring that other members of the Fund and staff of the Authority suffer no detriment.

It has been developed considering the Information Commissioner's (ICO) guidance under the Freedom of information Act 2000.

1. Vexatious or repetitive complaints / enquiries

1.1 The Authority sometimes receive complaints or enquiries which can be deemed 'vexatious' or 'repetitive'. Some of these complaints can be costly to handle or responding to them may be a disproportionate use of staff's time. All complainants have the right to have their concerns examined in line with the relevant complaints procedure. In most cases, dealing with complaints will be a straightforward process, however, in a minority of cases, the complainant may act in a manner that is deemed unacceptable.

1.2 Deciding whether a complaint / enquiry is vexatious requires the Authority in each case to consider the context and history of the complaint / enquiry, considering whether the complaint / enquiry is likely to cause unjustified distress, harassment or disruption to the service offered. In particular, the following issues will be considered:

- Could the complaint / enquiry fairly be seen as obsessive?
- Is the complaint / enquiry harassing or causing distress to staff?
- Does the complaint / enquiry appear to be designed to cause disruption or annoyance?
- Does the complaint / enquiry lack any serious purpose or value?

1.3 The concern to be addressed is whether a complaint / enquiry is vexatious in terms of the effect of the request on the Authority and not whether the applicant is personally vexatious.

1.4 Not only will the complaint / enquiry itself be examined, but also its context and history. That context may include other complaints/enquiries made by the applicant, the number and subject matter of the complaints / enquiries, as well as the history of other dealings between the complainant and the Authority.

1.5 The following factors will be taken into consideration (not an exhaustive list) when determining whether a complaint / enquiry is vexatious:

- where the complaint / enquiry requests information which has already been provided.
- where the nature and extent of the complainant's correspondence suggests an obsessive approach to disclosure.

- where the tone adopted in correspondence by the complainant is confrontational or haranguing and demonstrates that the purpose is to argue and not really to obtain information.
- where the correspondence could reasonably be expected to have a negative effect on the health and wellbeing of staff.
- where the complaint / enquiry, viewed as a whole, appears to be intended simply to re-open issues which have been disputed several times before, and is, in effect, the pursuit of a complaint / enquiry by alternative means.
- Refusing to accept the decision, repeatedly arguing points with no new evidence.
- where responding to the complaint / enquiry would likely entail substantial and disproportionate financial, administrative or operational burden.
- where it is not a one-off complaint / enquiry, but a case of the same complaints / enquiries having been made repeatedly, or where on repetition, the particulars of the complaints / enquiries have been varied making it difficult to know exactly what the complainant is seeking and making it less likely that the request can be satisfied.

2. Types of actions the Authority may take

2.1 Where the complainant tries to reopen an issue that has already been considered through one of the Authority's complaints procedures, they will be informed in writing that the procedure has been exhausted and that the matter is now closed.

2.2 Where a decision on the complaint has been made, the complainant should be informed that future correspondence will be read and placed on file, but not acknowledged, unless it contains important new information.

2.3 Limiting the complainant to one type of contact (for example telephone, letter, email, etc.)

2.4 Requiring contact to take place with a named member of staff and informing the complainant that if they do not keep to these arrangements, any further correspondence that does not highlight any significantly new matters will not necessarily be acknowledged and responded to but will be kept on file.

2.5 Requiring any face-to-face contacts to take place in the presence of a witness and in a suitable location.

3. Managing unreasonable behaviour

3.1. The Authority understands that people may act out of character in times of distress or due to frustration and does not view behaviour as unreasonable just because a complainant is forceful or determined. The Authority, however, will take steps to protect its staff from people who are behaving in a way which is considered abusive and/or vexatious. This may include physical or verbal abuse and could include the following (however this list is not exhaustive):

- Speaking to the member of staff in a derogatory manner which causes offence.
- Swearing, either verbally or in writing despite being asked to refrain from using such language.
- Using threatening language towards Authority staff which provokes fear.
- Repeatedly contacting a member of staff regarding the same matter which has already been addressed.

3.2 Authority staff will end phone calls if the caller is considered aggressive, abusive, or threatening. The complainant will first be told that their language is considered offensive, or their behaviour unacceptable, and will be asked to stop using such language or behaviour.

3.3 This policy may be invoked if the Authority considers that a complainant has behaved in a manner which is deemed unreasonable (see above). The Authority may take any actions against a complainant that it considers to be reasonable and proportionate in the circumstances.

3.4 Where the behaviour is so extreme or it threatens the immediate safety and welfare of staff, the Authority will consider other options, for example reporting the matter to the Police or taking legal action. In such cases, the complainant may not be given warning of that action.

4. Matters to consider before acting

4.1. Before taking a decision to invoke this policy consideration should be given to whether any further action is necessary, such as:

- Consideration about whether it is appropriate to convene a meeting with the complainant and a senior officer in order to seek a mutually agreeable resolution.
- If it is known or suspected that the complainant has any special needs, then consider offering an independent advocate who may assist the complainant with their communication with the Authority.

4.2. Staff must be satisfied before taking any action as defined by this policy that the complainant’s individual circumstances have been considered including such issues as age, disability, gender, race and religion or belief.

5. New complaints from those who have been treated as being abusive, vexatious and/or unreasonably persistent complainants.

5.1 Any new complaints received from complainants who have come under this policy will be treated on their merits. The Authority does not support a blanket ban on genuine complaints simply because restrictions may be imposed upon that complainant.

6. Decisions and Record Keeping

6.1 The decision to invoke this policy and treat a complainant as being unreasonably persistent, abusive and/or vexatious will be approved in accordance with the Scheme of Delegation under the Authority's Constitution.

6.2 The Customer Feedback Officer will keep a record of all complainants who have been treated as being unreasonably persistent, abusive and/or vexatious in accordance with this policy. This will include details of why the policy was invoked, what restrictions were imposed and for what period.

Subject	**Member Learning and Development Strategy 2024/25**	**Status**	For Publication
Report to	Authority	**Date**	06 June 2024
Report of	Head of Governance and Corporate Services		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Stone	**Phone**	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To provide members with a forward look at arrangements for 2024/25 within the Members Learning and Development Strategy. To provide a training plan to address the training needs of members.

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2 Recommendations

2.1 Members are recommended to:

a. To approve the Members Learning and Development Strategy 2024/25 at Appendix A.

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3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

Given the nature of the activity undertaken by the Authority it is crucial that elected members undertake appropriate learning and development to enable them to undertake their roles effectively. There are a range of regulatory requirements and accepted governance standards in this area with which the Authority needs to comply.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report specifically address the identified risk contained within the corporate risk register in relation to the knowledge and skills of elected members.

5 Background and Options

5.1 In recent years there has been a marked increase in the scrutiny of LGPS Funds. The Public Service Pensions Act 2013 introduced new governance legislation, including the requirement for Local Pension Boards to be set up and extended the remit of the

Pensions Regulator to public service schemes as set out in its Code of Practice 14. Additionally, the Department of Levelling up, Housing and Communities (DLUHC) and the Scheme Advisory Board have emphasised the need for the highest standards of governance in the LGPS. For English and Welsh Funds, the Good Governance review includes specific recommendations regarding knowledge and understanding and training. All these measures are aimed at ensuring that all involved in the governance of LGPS Funds can evidence they have the requisite knowledge, skills and commitment to carry out their role effectively.

5.2 The Pensions Regulator's General Code of Practice sets out the standards expected by the Regulator together with the principles, examples and benchmarks to use to assess whether Pensions Authority and LPB Members have sufficient knowledge and understanding for them to effectively carry out their role.

5.3 The Code of Practice states:

"Members of governing bodies required to have knowledge and understanding should invest enough time in their learning and development, alongside their other responsibilities and duties. Governing bodies should provide the necessary training and support".

The governance team have responsibility for ensuring that a suitable and effective framework for this is in place.

5.4 Shortfalls in member capacity and development are likely to attract adverse reports from external auditors and the Government under the new requirements.

5.5 The Authority is required to include details of learning and development activity undertaken by members in the Annual Report and given the range of opportunities available including a complete programme of internally hosted seminars and courses, access to a range of external conferences and other training events, and various free webinars for example, it is increasingly important that members undertake and record their activity.

5.6 The commitment made by Authority and Board Members to participate in learning and development to further develop their knowledge and understanding is appreciated, given their already busy primary roles.

5.7 Appendix A sets out the proposed Learning and Development Strategy for the 2024/25 year. There have been no substantive changes to the strategy itself compared to the previous year, whereas the proposed training plan for 2024/25 included within it has been developed to meet the needs of members informed by a range of factors including member requests and feedback, previous national knowledge assessment results and the known issues that members will be asked to scrutinise and/or make decisions on over the forthcoming year.

5.8 The individual induction plan for any new member of the Authority will be constructed on the basis that they should complete the Hymans Robertson *LGPS Online Academy (LOLA)* mandatory training within their first three months of membership and to complete a national knowledge assessment. New members will also be supported to undertake the LGA's LGPS Fundamentals course during their first year of membership. All Authority and Local Pension Board members will also be asked to participate in the National Knowledge Assessment every two years.

5.9 Members are asked to review the Learning and Development Strategy and approve the 2024/25 training plan within it.

6 Implications

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

Financial	The L&D provision outlined in this report can be resourced within the budgets allocated for member training.
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jo Stone, Head of Governance and Corporate Services

Monitoring Officer

Background Papers	
Document	**Place of Inspection**

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Learning & Development Strategy for Authority and Local Pension Board Members

2024/25

Contents

Foreword

Becoming a member of the Pensions Authority or the Local Pension Board for the first time can be daunting for anyone who has not previously been involved in the running of a major financial institution, which is most people.

The reality of course is that Members of the Authority and the Board are not expected to understand the finer nuances of financial markets; their overriding responsibility is to ensure that the organisation acts in the best interests of the present and future beneficiaries of the South Yorkshire Pension Fund.

With this responsibility comes an obligation on members individually and collectively to ensure that they possess sufficient knowledge and understanding of the issues that will come before them to effectively question and challenge officers and advisers before coming to decisions.

This Strategy provides a framework for identifying the learning and development that members of the Authority and Local Pension Board need to carry out their role, as well as identifying both an annual programme of supported activity and an appropriate level of commitment by members to ensure that the relevant level of knowledge and understanding is maintained. The strategy is flexible enough to allow for the fact that individual Members have different skills, experience and knowledge and can be tailored to suit Member needs and capacity.

We hope that you will embrace the learning and development programme to help the Pensions Authority to meet its objective of providing effective and transparent governance.

George Graham Director	Sarah Norman Clerk

Introduction

South Yorkshire Pensions Authority is committed to continuous improvement as a key part of its overall approach to service delivery. As part of this, members of the Authority and the Local Pension Board, as well as the Authority's officers, have an obligation to ensure that they have a level of knowledge and understanding of the issues with which they are dealing to allow them to make properly informed decisions.

The purpose of this Learning and Development Strategy is to provide a framework for Members to access the support they need and enables the Authority to manage the risk of failing to meet its objectives if Members are not adequately trained and kept up to date on Pensions and Investment matters. Separate but similar arrangements apply to the Authority's staff.

This strategy has been produced with reference to CIPFA's framework for knowledge and understanding which represents a best practice standard in this area.

Obligations on Members

The specific obligations placed on Members of the Authority and the Local Pension Board in relation to knowledge and understanding differ. However, while they may be arrived at by different routes, the end point is the same.

Members of the Authority are under a common law obligation to act reasonably. This means that in making decisions they should evaluate evidence and come to a decision that would be arrived at by a reasonable person having considered the same evidence. To consider and weigh evidence it is necessary to have sufficient expertise, skills, and knowledge to challenge the evidence being considered. These obligations are amplified in the Principles for Investment Governance which are set out in Appendix 1.

Members of the Local Pension Board are required by the relevant regulations to maintain a level of knowledge and understanding sufficient for them to carry out the functions of their role. A similar requirement is proposed for Authority members, although it is not clear when the relevant regulations will come into force.

In both cases the Pensions Regulator's new General Code defines requirements for the maintenance of knowledge and understanding by those involved in the "governing body" of a pension fund. This Learning & Development strategy reflects the requirements of the Code, and the Authority will be required to monitor and report upon compliance with the Code at both an individual member level and collectively. The Regulator indicates that members of the "governing body" can be expected to undertake between 15 and 25 hours of learning activity each year.

Given these obligations on individuals, it is incumbent on the Authority as an institution to assess the learning and development needs of Members on an ongoing basis and to put into place a programme of activity to address the needs identified. Equally it is incumbent on Members to take advantage of the opportunities offered, both in fulfilment of their obligations and to avoid the wasting of public money, and consequently this strategy sets out some minimum expectations in terms of the commitment required to learning and development activity.

Aims and Objectives

The overall **aim** of the Strategy is to provide clear direction and purpose in respect of learning and development to achieve:

- Well-equipped Members who are confident and able to carry out their roles and responsibilities effectively.
- A consistent approach to Member learning and development.
- Equality of opportunity.

The **objectives** of the Strategy are:

- To establish an environment where Member learning and development is seen as an integral part of the governance role of Members of the Authority and Local Pension Board.
- To equip Members with the knowledge and skills necessary to fulfil their role in the delivery of a high-quality service to scheme members and employers.
- To ensure all Members are provided with a level of learning and development appropriate to their roles and responsibilities on the Pensions Authority or Local Pension Board.
- To ensure learning and development is available to all Members irrespective of seniority, length of service and political affiliation.
- To enable Members to have a clearer understanding of their personal responsibility for continuous development and to facilitate this process.
- To provide learning and development in line with the commitment to equal opportunities.

Establishing Learning Needs

Each year prior to the relevant Annual Meeting, the Head of Governance will work with each member of the Authority and Local Pension Board to establish their individual learning and development needs. For members appointed at other times the assessment will take place prior to their first meeting and continue to form part of their year one induction programme.

This process will be supported through the results of the Hymans Robertson national knowledge assessment. The result of the assessment is the starting point of a process which will seek to:

- Establish the individual member’s assessment of their level of knowledge and understanding in 6 areas:
  - i. Pensions Legislation and Governance
  - ii. Pensions Accounting and Auditing Standards
  - iii. Financial Services Procurement and Relationship Management

iv. Investment Performance and Risk Management
v. Financial Markets and Product Knowledge
vi. Actuarial Methods Standards and Practices

- Compare the collective assessment for each of the Authority and the Local Pension Board against the CIPFA Knowledge and Skills Framework standards and the specific work programmes for the Authority and Local Pension Board.
- As a result of this comparison identify:
    - Fundamental knowledge gaps applying to individual members
    - Weaknesses in the collective knowledge and understanding of either the Authority or Local Pension Board.
- Produce a programme of activity which will address any gaps and weaknesses identified, provide a refresh of current knowledge, and provide understanding of current and future developments affecting the Authority.
- Conduct an annual Member Away Day where Authority and LPB members will undertake a joint training programme to ensure knowledge and skills are aligned across the Authority.

For the Authority this process will be undertaken in consultation with the Director, Head of Governance and Corporate Services and the Independent Investment Advisers. For the Local Pension Board, it will be undertaken in consultation with the Director, Head of Governance and Corporate Services, and the Independent Adviser. The Chairs of the Authority and Local Pension Board will be consulted before the finalisation of any programme which will be presented to the Annual Meeting of the relevant body.

Mandatory Requirements

All members of the Authority and the Local Pension Board are required within 3 months of joining the relevant body to have completed:

- The LGPS Online Learning Academy (provided by Hymans Robertson)

In addition, new members will be provided with the Members' Handbook which contains a considerable amount of introductory information, and which is supported by a short reading list. They will be expected to self-certify that they have completed reading of the Members' Handbook before their first meeting.

Any new member who wishes to will also be supported during their first year of membership to undertake the Local Government Association's 3-day Pensions Fundamentals course.

These requirements ensure that all members are provided with a core level of knowledge on joining the Authority.

An annual training programme will be provided alongside the Annual Meetings of the Authority and the Board which all members are required to attend.

For members who join either the Authority or the Board during the municipal year, an induction session with one of the Authority's Senior Management Team will be provided. New members joining during the Municipal Year will be required to complete this session prior to attending their first meeting. A year one induction programme will be created for each new Member to assess progress of knowledge and skills. Where possible, a buddying arrangement for new Members with a long-standing Member for peer support will be implemented during the induction period.

Annual Learning and Development Programme

The Authority's Officers will each year develop an annual learning and development programme for the Authority and the Local Pension Board in the light of the assessment of learning and development needs.

The programme will comprise of several elements:

- Access to online learning materials and background reading.
- Seminars organised specifically for SYPA which will be held either virtually or in person (some of these will be targeted at members of either the Authority or the Local Pension Board, although open to all).
- Targeted 'bite-size' 30-minute training sessions for Audit & Governance Committee members that will be held directly after the end of each Committee meeting.
- The opportunity to attend externally organised online events.
- The opportunity to attend a selected range of externally organised in-person events.
- An annual Members' Away Day with a range of speakers and topics for Authority and Board members to join together in undertaking learning and development.

It is expected that members of the Authority and the Board will:

- Undertake reading to address their individually identified learning needs and to support preparation for meetings of the Authority and Board.
- Attend those seminars which are identified as relevant to their role; including the Border to Coast Annual Conference.
- Attend online events which address their individually identified learning needs.
- Share materials from external events with other members through the online reading room.

In addition, it is expected that new members will:

- Undertake the mandatory activity required to achieve a minimum level of knowledge and understanding during their first year of membership, including the completion of the Hymans Robertson LGPS Online Learning Academy modules within the first 3 months.
- Undertake the required initial background reading prior to their first meeting.
- New members will also be supported to undertake the LGA's LGPS Fundamentals course within their first year of membership.

Wherever possible and appropriate, the Authority will work in partnership with other local government pension funds to share learning and development and any associated costs.

In addition, where specific learning needs are identified which can be addressed through one-to-one or small group sessions with the Authority's officers, these will be provided in addition to the core schedule of activity. These will be offered on MS Teams to provide greater flexibility for Members.

The proposed programme of seminars and external events for the 2024/25 Municipal Year is set out in the Appendices to this strategy. Details of online learning opportunities will be circulated to members as they become available.

Resourcing

The level of resources allocated to support training and development activity in 2024/25 is as follows:

Training Budgets	2024/25 £
Authority	7,500
Local Pension Board	8,000
Total	**15,500**

To achieve appropriate value for money, the number of member attendees at external in-person events will be limited to two except for the Border to Coast Annual Conference where the maximum possible number of places will be made available. For virtual events there will only be a limit to numbers attending where the event is paid for, in which case the limit will be two. Any revision to the number of member attendees will be at the discretion of the Director.

Monitoring Evaluation and Review

A five-stage evaluation process is proposed to monitor the success of the Member Learning and Development Strategy. This process is intended to measure the benefits to:

- Individual Members.
- Pensions Authority and Local Pension Board in meeting their priorities.
- Pensions Authority and Local Pension Board Stakeholders

Stage 1 – Identifying expected outcomes

- Establish expected outcomes – what do Members want to achieve from taking part in courses, workshops? E.g., gain a new skill, improve knowledge on a particular subject.

Stage 2 – Evaluation of learning activity

- Immediate response to learning activity.
- How relevant was the learning activity to agreed outcomes?

Stage 3 – Assessing Impact

- Check whether outcomes have been met via the annual Development Discussion.
- Feedback from others – trainers, other participants.
- Assess how attitude, knowledge or skill has improved and how this will be used / applied in the context of the Pensions Authority.

Stage 4 – Annual review of learning and development

- Review learning and development activity and identify new requirements, e.g., Member request, new legislation, new expectations, change in roles etc. Address areas identified for further improvement of knowledge.

Stage 5 – Value for Money

- Assess money spent against learning outcomes and performance measures to demonstrate value-for-money.

Details of the volume of formal learning and development activity undertaken by members of the Authority and the Local Pension Board must be published within the Authority's annual report each year. Over time it is expected that this will evolve to include a qualitative assessment in addition to purely quantitative measures.

Members must ensure that they properly record and evaluate their participation in learning activity using the means provided by the Authority and provide details of their attendance at events to the governanceteam@sypa.org.uk .

This Strategy reflects an approach which focuses on providing learning and development for Members rather than formal training. The Strategy will be reviewed annually to keep pace with national and local changes and to reflect the development of the annual programme of activity.

Appendix 1 – Principles for Investment Governance

Principle 1 – Administering authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice, and resources necessary to make them effectively monitor their implementation, and those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Principle 2 – Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Principle 3 – In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Principle 4 – Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Principle 5 – Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. A statement of the fund's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.

Principle 6 – Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance, and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate.

Throughout the principles above, the word 'Trustees' should be taken to refer to members of the Authority.

From the Myners Report on Institutional Investment in the UK (2001).

Appendix 2 – Internal Seminar Programme 2024/25

<table>
<tr><th>Target Audience:
Date</th><th>Authority Members</th><th>Local Pension Board Members</th></tr>
<tr><td>06 June 2024</td><td colspan="2">Training and Induction</td></tr>
<tr><td>08 August 2024</td><td></td><td>Responsible Investment</td></tr>
<tr><td>12 September 2024</td><td colspan="2">South Yorkshire Pensions Authority Corporate Strategy</td></tr>
<tr><td>28 November 2024</td><td colspan="2">Members’ Away Day – for CPD Training & Development</td></tr>
<tr><td>13 February 2025</td><td colspan="2">Introduction to the Valuation Assumptions</td></tr>
<tr><td>20 February 2025</td><td></td><td>How Pension Administration is Performing</td></tr>
<tr><td>13 March 2025</td><td colspan="2">TPR General Code - Roles and Responsibilities</td></tr>
<tr><td>24 April 2025</td><td></td><td>Valuation Process: Consultation and Engagement Plan</td></tr>
</table>

In addition to the above, bite-size’ 30-minute training sessions specifically for Audit & Governance Committee members will be held directly after the end of each Committee meeting.

Appendix 3 – Approved External Events

Details of further events will be provided when they become available if relevant. Members may receive invitations to some events directly but should not respond to these as only attendance at events agreed as suitable by the Authority will be supported.

These events tend to be arranged in the same week each year and where there are clashes with Authority meetings, we will look to remove these in future years.

Target Audience: **Date**	**Authority Members**	**Local Pension Board Members**
15 May 2024		CIPFA Annual Conference for LPB Members
11 – 13 June 2024	PLSA Local Authority Conference (Chair and Vice Chair)	
18 – 19 July 2024	Border to Coast Annual Conference	
November 2024 (Exact date TBC)		CIPFA LPB Member Training – Autumn Series
12 November 2024	Border to Coast Responsible Investment Seminar (Authority Chair only)	
30 – 31 January 2025	Local Government Association LGPS Governance Conference	

Priority for bookings will always be given to members of the relevant target audience. Where the target audience is universal, places will be allocated on a first come first served basis.

In addition, details of webinars (live or available on-demand), articles and podcasts on relevant topics during the year are notified to members through the monthly member update newsletter emailed to all Authority and Board members at the end of each month.

SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Annual Report of the Local Pension Board**	**Status**	For Publication
Report to	Authority	**Date**	06 June 2024
Report of	Chair of the Local Pension Board		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Stone Head of Governance and Corporate Services	**Phone**	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To allow members of the Authority to consider the annual report of the Local Pension Board, in line with the LGPS Governance Regulations and as part of the process of gathering assurance for the production of the Annual Governance Statement.

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2 Recommendations

2.1 Members are recommended to:

a. Receive and comment on the Annual Report of the Local Pension Board

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3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

The Local Pension Board fulfils an important scrutiny function and provides assurance that the Authority is effectively discharging its role as Scheme Manager. The LGPS Regulations require the Authority to receive the Board's Annual Report, which provides part of the evidence base in terms of assurance to support the Annual Governance Statement.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report directly link to the identified risks around the control environment and the effective operation of both the Board and the Authority.

5 Background and Options

5.1 The Local Pension Board is constituted in line with the LGPS regulations and is made up or equal numbers of employee and employer representatives supported by an Independent Adviser. The Board's role is, in effect, to scrutinise the way in which the Authority performs its role as Scheme Manager under the LGPS regulations. The Board also has specific responsibilities in terms of the reporting of breaches to the Pensions Regulator.

5.2 The LGPS Regulations require that the Board produce an Annual Report for consideration by the Authority and this is attached at Appendix A. If in attendance, the Chair of the Board will present the report. In addition to being published with the papers for this meeting, the report will be incorporated in the Authority's annual report.

5.3 The Board's report provides an important part of the evidence base used in preparing the Annual Governance Statement.

6 Implications

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

Financial	None directly
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jo Stone

Head of Governance and Corporate Services

Monitoring Officer

Background Papers	
Document	**Place of Inspection**

South Yorkshire Local Pension Board Annual Report

1 May 2023 to 30 April 2024

Foreword

Welcome to the annual report of the South Yorkshire Local Pension Board ('the Board').

The Board seeks to assist the South Yorkshire Pensions Authority to maintain effective and efficient administration and governance. It comprises equal numbers of representatives of scheme members and employers.

On behalf of the Board, I would like to thank the staff at the Authority for continuing to deliver a high-quality pensions service and for the support provided to the Board.

Thank you to members of the Board for your continued diligence, support and commitment.

Riaz Nurennabi , Chair

Role of the Local Pension Board

The role of the Local Pension Board as defined by Sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Authority in the following matters:

a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme;
b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
c) such other matters as the scheme regulations may specify.

The Board's Terms of Reference are documented in the Board's Constitution which is available on the Authority's website here.

Membership during the Year

The Board's membership over the year was as follows:

Name	Date of joining	Nominated by/ Representing	Term of Office (to)
Employee Representatives			
Nicola Doolan-Hamer **(Vice-Chair)**	23/07/2015	Unison	June 2024 (3rd Term)
Garry Warwick	23/07/2015	GMB	June 2024 (3rd Term)
Danny Gawthorpe	06/06/2020	Unite	May 2026 (2nd Term)
David Webster	01/10/2019	Selected from active, deferred and pensioner members	June 2025 (2nd Term)
Andrew Gregory	25/07/2019		September 2025 (2nd Term)
Employer Representatives			
Riaz Nurennabi **(Chair)**	04/08/2022	Sheffield Hallam University	December 2025 (1st Term)
Ken Richardson	20/05/2022	Local Authority	May 2025 (1st Term)
Emma Hoddinott	20/07/2023		July 2026 (1st Term)
Nicola Gregory	18/01/2018	Academies	December 2026 (3rd Term)
Vacancy	Vacant from April 2023		
Independent Adviser			
Clare Scott	Oct 2019	-	Term ended June 2024

There is currently one employer representative vacancy that we were unable to fill during the year; recruitment is on-going and it is currently anticipated that this will be filled in time for the August 2024 meeting of the Board.

Meeting Attendance

Attendance at the Board's meetings through the year was as follows:

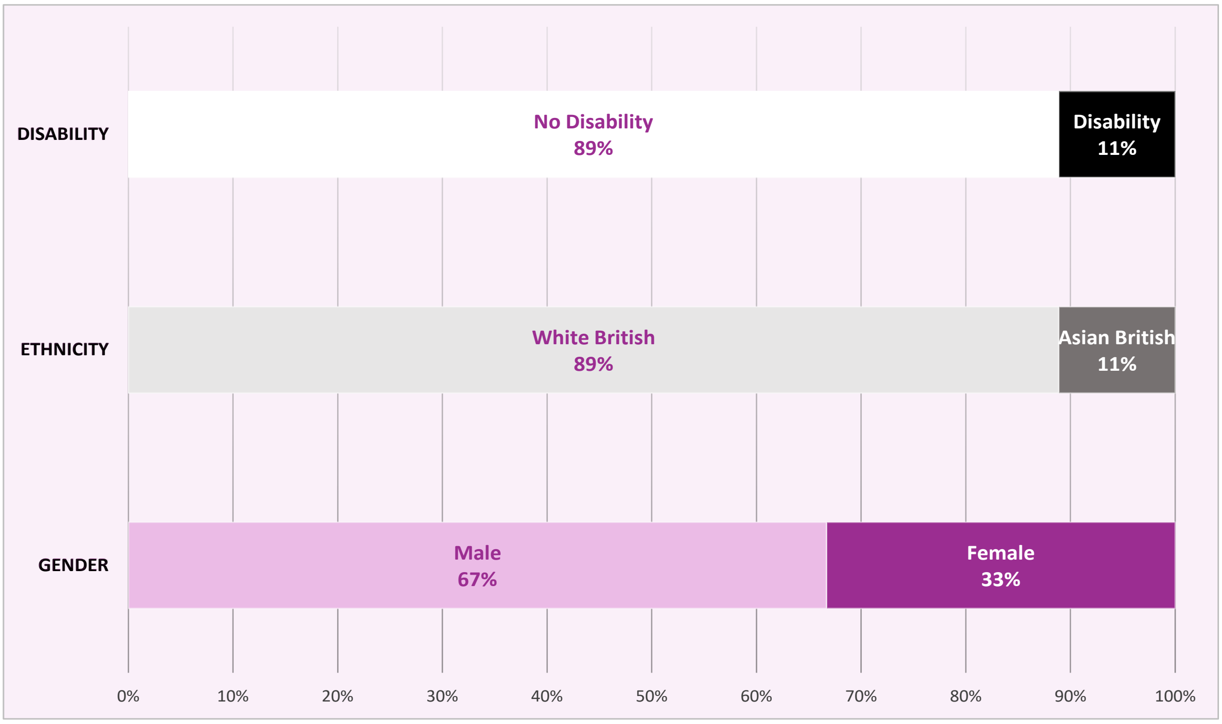
	10 Aug 2023	9 Nov 2023	15 Feb 2024	21 Mar 2024 [Note 1]	25 Apr 2024	% Attendance [Formal meetings to date]
Riaz Nurennabi Chair	✓	✓	✓	✓	✓	100%
Nicola Doolan-Hamer Vice Chair	✓	[Note 2]	✓	✓	✓	80%
Danny Gawthorpe	✓	✓	✓	✓	✓	100%
Andrew Gregory	[Note 2]	✓	✓	✓	✓	80%
Nicola Gregory	✓	✓	[Note 2]	✓	✓	80%
Emma Hoddinott	[Note 2]	✓	✓	✓	✓	80%
Ken Richardson	✓	✓	✓	[Note 2]	✓	80%
Garry Warwick	✓	[Note 2]	✓	✓	✓	80%
David Webster	[Note 2]	✓	✓	✓	✓	80%
Total Board Member Attendance	**66%**	**77%**	**88%**	**88%**	**100%**	**83.80%**
Clare Scott Independent Adviser	✓	✓	✓	✓	✓	100%

Notes:

1. The meeting on 21 March 2024 was the Board's annual effectiveness review.
2. Apologies received.

Board Diversity Characteristics

Recording and monitoring of the Board membership's diversity characteristics is now undertaken in line with the recommendations of the Pensions Regulator and these are summarised in the following chart.



Work of the Board 2023/24

The Board held four formal meetings during the year. An annual Work Programme provides the basis for the agendas for meetings and includes a range of issues covering both pensions administration and governance.

Governance:

- **Governance Updates –** The Board received quarterly updates from the Authority's Head of Governance and Corporate Services on a range of governance-related matters including information governance, audit findings and progress on actions, member learning and development and policy updates.
- **Decisions of the Authority -** Members of the Board received all agenda papers issued to Members of the Pensions Authority and Board members are able to observe meetings of the Authority.
- **Constitution and Terms of Reference** – The Board reviewed and recommended to the Authority for approval an updated Local Pension Board Constitution. The updated Constitution was approved by the Authority on 7 September 2023. The changes made included:
    - Introducing rotation of the Chair and Vice Chair roles to alternate between employer and employee representatives every two years – to help with ensuring continuity, equity in representation and to aid succession planning.
    - Extending the terms of office of Councillor members (representing employers) from two years to three years, as for all other members of the Board to provide consistency between different types of member of the Board.

- **The Pensions Regulator** – The Board received updates on compliance with the regulator's Code of Practice 14 and updates regarding the new General Code of Practice that took effect from 27 March 2024.
- **Risk Management** – The Board considered the Risk Register at each formal meeting throughout the year.
- **Governance Compliance Statement** – The Authority's Governance Compliance Statement was reviewed by the Board and recommendations made to the Audit & Governance Committee.
- **Investment Governance** - The Board considered a range of matters related to investment governance during the year – including updates on the Government's pooling consultation and the Authority's and Border to Coast's responses to this, the internal governance relating to investment processes, the annual review of Border to Coast and an update on the process for agreeing to participate in the pool's real estate investment proposition.
- **Benchmarking** – The Board considered a report on the results of benchmarking exercises undertaken in regard to Investment and to Pensions Administration.
- **Regulatory Changes** – The Board has been kept informed of the potential impact of regulatory changes.

Pensions Administration:

- **Pensions Administration Performance** – The Board received quarterly administration performance reports and considered updates on the software system improvements, monitoring of progress on McCloud remedy implementation.
- **Breaches, Complaints and Appeals -** The Board received quarterly reports on breaches, complaints and appeals.
- **Data Quality Improvement** – The Board monitored progress on the Data Quality Improvement Plan.

Board Member Learning and Development

Members of the Board are provided with a range of learning and development opportunities and this is planned within the annually updated Member Learning and Development Strategy that encompasses both Board and Authority members.

During the 2023/24 year, members of the Board have participated in the following learning and development events.

Event / Course	Date	Riaz Nurennabi	Nicola Doolan-Hamer	Danny Gawthorpe	Andrew Gregory	Nicola Gregory	Emma Hoddinott	Ken Richardson	David Webster	Garry Warwick
LGPS Online Learning Academy*	2023/24	Completed 2022/23	Completed 2022/23	Completed 2022/23	Completed 2022/23	Completed 2022/23	✓	Completed 2022/23	Completed 2022/23	Completed 2022/23
CIPFA Annual LPB Conference	18/05/2023		✓							✓
SYPA Seminar – Government Consultation on Pooling	02/08/2023		✓	✓				✓	✓	✓
CfGS Training: LPB Scrutiny and Assurance	10/08/2023	✓	✓	✓		✓		✓		✓
LGA – LGPS Fundamentals Training* (3 day course)								✓	✓	
Border to Coast Strategic Development Workshop	23/10/2023				✓			✓	✓	
Hymans Robertson Training: TPR General Code including Cyber Security and Scams	26/10/2023	✓			✓	✓			✓	✓
CIPFA LPB Training – Autumn Seminar	08/11/2023		✓		✓					✓
Responsible Investment Seminar - Climate Change Metrics	14/11/2023		✓		✓	✓			✓	

Event / Course	Date	Riaz Nurennabi	Nicola Doolan-Hamer	Danny Gawthorpe	Andrew Gregory	Nicola Gregory	Emma Hoddinott	Ken Richardson	David Webster	Garry Warwick
SYPA - Members Away Day	30/11/2023	✓		✓	✓	✓	✓	✓	✓	✓
LGA – LGPS Governance Conference	1801/2024 to 19/01/2024		✓					✓		
SYPA Benchmarking Results Presentation: Administration and Investments	15/02/2024	✓	✓		✓		✓	✓	✓	✓
Aon Webinar – The TPR General Code of Practice	21/03/2024	✓	✓		✓	✓	✓	✓	✓	✓
SYPA Seminar - Cyber Security at SYPA	25/04/2024	✓	✓	✓	✓	✓		✓	✓	✓

* The LGPS Online Learning Academy is an online tool that all members of the Authority and the Local Pension Board complete as part of the support made available to equip them with the knowledge and understanding required to fulfil their roles. The learning plan comprises 8 modules covering the following topics:

1. An Introduction to the LGPS
2. Governance and Oversight Bodies
3. Administration and Fund Management
4. Funding and Actuarial Matters
5. Investments
6. Current Issues
7. Financial Markets and Product Knowledge
8. Actuarial Methods Standards and Practices

Both the LGPS Online Learning Academy and the LGA Fundamentals Training are completed within one year of a Member joining the Board and are reviewed periodically throughout their terms of office.

Review of Effectiveness

During March 2024, members of the Board independently conducted an annual effectiveness survey and attended a workshop to discuss potential improvements in its effectiveness.

The Board discussed the progress on the actions from previous reviews and was pleased with the progress made. Actions that are not yet fully completed and remain relevant relate to:

- Providing a shorter, more succinct report on pensions administration for Board meetings.
- Developing a plan to improve succession planning for Board membership.

In relation to the action from the previous review to improve communications between the Board and the Authority, the Board welcomed the joint Away Day held in November 2023 and recognised the established meetings between the chairs and vice-chairs of the Board and the Authority. The Board would welcome a discussion around the purpose and effectiveness of these meetings.

The results of the effectiveness survey were positive in a number of areas. All (or a significant majority of) members of the Board agreed that:

- Board papers are timely, relevant and focused on priorities and minutes are accurate and record decisions made and actions agreed.
- Discussions are facilitated to allow all Board members to contribute in order to seek opinion and develop ideas.
- Board members are not afraid to ask obvious or simple questions to ensure collective understanding.
- Meeting minutes are accurate and record decisions made and actions agreed.
- The Board works in an open, transparent and collaborative manner.
- All Board members act with integrity, declaring and managing any personal conflicts of interest.
- The Board's independent adviser helps the Board to fulfil its responsibilities.

The Board recognised the Authority's increased focus on developing knowledge and skills over recent years and particularly welcomed the joint Away Day for Board and Authority members. Holding training sessions immediately after Board meetings was also welcomed, particularly where linked to content to be discussed at future meetings.

The Board identified and discussed a number of areas for further improvement and potential actions to address these, including the following:

Knowledge, Skills and Capacity:

- Request that the Authority ensures the training plan is linked to the needs highlighted by knowledge assessments and ensure Board members have advance notice of all events.
- Request the Authority provides training/briefings on the issues facing the LGPS at a national level and awareness of the priorities for the Scheme Advisory Report.
- Request the Authority assess the effectiveness of the online reading room for members.

General:

- Board to discuss with the Authority ways in which the Board could have greater input with Authority matters before decisions are made.
- Request the Authority to confirm the arrangements and approach for appointing the Board's Chair and Vice Chair.
- Develop a plan to improve the profile of the Board with members and employers.
- Request the Authority considers its policy in relation to reimbursing care expenses incurred by members undertaking Board business.
- Request the Authority considers its policy in relation to paying remuneration to a member's employer.

The Board will work with the Authority on implementing agreed improvement actions.

Future Plans

Over the coming year, the Board will continue to consider issues covering governance and pensions administration included in its Work Programme and specifically will work with the Authority to:

- Assess and monitor the action plan for compliance with the Pensions Regulator's new General Code of Practice.
- Consider the results of the independent governance review and monitor actions being taken in response to any recommendations arising from this review.
- Oversee the Authority's implementation and progress on the pensions administration improvement plan and implementation of scheme changes in relation to the McCloud judgement.
- Monitor the ongoing succession planning for the Board membership with the aim of ensuring continuity and minimising periods of member vacancies.

Board Expenditure and Provisional Outturn 2023/24

The 2023/24 budget for the Local Pension Board was recommended to the Authority for approval in November 2022 and approved by the Authority as part of the total budget in February 2023.

The expenditure for the year and the variance against the budget is shown in the table below.

Local Pension Board Expenditure 2023/24	2023/24 Revised Budget £	2023/24 Q4 Provisional Outturn £	2023/24 Q4 Outturn Variance £	2023/24 Q4 Outurn Variance %
Independent Adviser	8,530	9,640	1,110	13.0%
Member Allowances	14,000	13,550	(450)	(3.2%)
Member Learning and Development	6,000	9,220	3,220	53.7%
Member Travel & Subsistence Expenses	300	1,030	730	243.3%
Running Costs - Catering, Printing, etc.	300	1,460	1,160	386.7%
Total	**29,130**	**34,900**	**5,770**	**19.8%**

Member Allowances

The Authority took a decision in June 2023 to update the Members Allowances scheme to include payment of allowances to Board members and to non-voting members of the Authority. This was implemented from July 2023 and the Authority approved a supplementary estimate to increase the Board's budget for the costs associated with this. The Members Allowances Scheme is available on the website at: Authority Constitution.

Budget Variances

The forecast outturn is an over-spend of £5,770. The significant variances against the budget are as follows.

a) Additional expenditure of £3,220 on training and development above the expectations when the budget was set at November 2022. Ensuring appropriate and sufficient member learning and development is a priority and the additional expenditure has been incurred due to commissioning specific and tailored training from external providers in order to meet the knowledge and skills requirements in the year. The training expenditure includes costs for:
   i. the Board's share of the fee for the LGPS Online Learning Academy (LOLA);

ii. fees paid to Hymans Robertson for delivering training on cyber security and scams;
iii. the bespoke training session for the Board on Scrutiny and Assurance delivered by the Centre for Governance & Scrutiny; and
iv. Places for individual Board members attending the CIPFA Local Pension Board Conference, CIPFA Autumn training for LPBs, attending the LGA's 3-day LGPS Fundamentals course and the LGA's annual LGPS Governance Conference.

b) There is a forecast overspend of £1,110 on the costs relating to the independent adviser. This reflects that additional services from the adviser required during the year were slightly higher than estimated when the budget was set.

Subject	Annual Report of the Audit and Governance Committee	Status	For Publication
Report to	Authority	Date	06 June 2024
Report of	Head of Governance and Corporate Services (on behalf of the Chair of the A&G Committee)		
Equality Impact Assessment	Not Required	Attached	N/a
Contact Officer	Jo Stone Head of Governance and Corporate Services	Phone	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To allow members of the Authority to consider the annual report of the Audit and Governance Committee as part of the process of gathering assurance for the production of the Annual Governance Statement.

---

2 Recommendations

2.1 Members are recommended to:

a. **Receive and comment on the Annual Report of the Audit and Governance Committee.**

---

3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

The Audit and Governance Committee fulfils an important role in overseeing the provision of assurance in relation to the security and effectiveness of the Authority's operations and it is good practice for the Committee to produce a publicly available report on its work.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report directly link to the identified risks around the control environment.

5 Background and Options

5.1 In line with the requirements of the governance standards for local authorities, the Authority maintains an Audit and Governance Committee, which meets throughout the year and received reports from both internal and external auditors and from officers in relation to its terms of reference which reflect the relevant professional standards. It is recognised good practice for the Committee to publish an annual report on its work. This is attached at Appendix A.

5.2 The Committee's report, together with the papers considered at meetings of the Committee, provide part of the evidence base for the production of the Annual Governance Statement.

6 Implications

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

Financial	None directly
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jo Stone

Head of Governance and Corporate Governance

Monitoring Officer

Background Papers	
Document	**Place of Inspection**

SOUTH YORKSHIRE PENSIONS AUTHORITY

Audit & Governance Committee

Annual Report 2023/24

March 2024

Foreword

I am pleased to present the annual report of the Authority's Audit and Governance Committee covering the Committee's activity during the 2023/24 financial year. Reporting on the Committee's work in this way contributes to the process of assurance gathering which is used to produce the Authority's Annual Governance Statement and demonstrates the robustness of the overall governance arrangements that are in place.

Councillor Marnie Havard

Chair

Audit and Governance Committee – South Yorkshire Pensions Authority

1. Introduction

This report is produced in order to provide stakeholders with information on the work of the Committee over the 2023/24 Municipal Year and to support the process of assurance gathering required in order to produce the Authority's Annual Governance Statement.

It outlines the Committee's

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

2. Committee Information

Audit and Governance Committee Role and Responsibilities

The Committee's terms of reference are set out in the Authority's Constitution and are as follows:

To fulfil the following core audit committee functions:

a) Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.

b) Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.

c) Be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

d) Approve (but not direct) internal audit's Charter and annual plan.

e) Monitor performance against internal audit's Charter and annual plan.

f) Review summary internal audit reports and the main issues arising and seek assurance that action had been taken where necessary.

g) Receive the annual report of the Head of Internal Audit.

h) Consider the annual reports of external audit and inspection agencies.

i) Ensure that there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.

j) Review financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

k) To oversee the production of and approve the Authority's Annual Governance Statement.

l) To review and approve the annual Statement of Accounts and the Authority's Annual Report, focusing on:

    i. The suitability of, and any changes in accounting policies.

    ii. Major judgemental issues e.g. provisions.

m) To receive and agree the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focusing on significant adjustments and material weaknesses in internal control reported by the external auditor.

n) Monitor the Authority's risk register and annual governance action plan, reporting issues of concern to the full Authority.

Membership

The Committee's membership at the end of March 2024 was:

Councillor Marnie Havard (Chair)

Councillor Roy Bowser

Councillor Simon Clement-Jones

Councillor Steve Cox

Councillor David Nevett

In addition, the three Non-Voting Co-Opted Members nominated to the Authority by the recognised trade unions are entitled to attend and participate in meetings of the Committee. During the year these representatives were:

Nicola Doolan-Hamer (Unison)

Richard Bedford (Unite) – [from December 2023]

Garry Warwick (GMB)

Committee Meetings and Attendance

The Committee held four meetings during the municipal year (July 2023, October 2023, December 2023 and March 2024). The business conducted reflected the terms of reference and the pattern of work of the Authority's Internal and External Auditors. The schedule of Members' and Officers' attendance is attached as Appendix A.

Councillor Marnie Havard was appointed by the Authority to Chair the Committee.

Good practice guidance suggests that the Chief Financial Officer should attend regularly, and that the Monitoring Officer and other senior officers should contribute as appropriate. The actual attendance recorded demonstrates that this was achieved.

3. Committee Work Programme and Outcomes

The Committee maintains a broad programme of work for its main areas of activity. The reports received during 2023/24 are shown in Appendix B; the outcomes of the Committee's work in relation to these are summarised below. The bullet points in the boxes in *italics* are the core functions from the CIPFA guidance; the details below each box identify how the Committee has achieved its responsibilities.

Risk Management and Internal Control

- *Considering the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements.*
- *Seeking assurances that action is being taken on risk-related issues identified by auditors and inspectors.*
- *Being satisfied that the Authority's assurance statements, including the Annual Governance Statement properly reflect the risk environment and any actions required to improve it.*

The Committee has:

- Completed the Annual Review of the Authority's Risk Management Framework in October 2023; signficant revisions were implemented to reflect the additional layer of assurance controls and implementation of a new risk management and performance software system.
- Received regular progress reports from the Head of Internal Audit on internal control matters.
- Received regular reports on progress against audit recommendations.
- Considered the results of the review of internal control and internal audit for 2022/23.

Internal Audit and External Audit

- *Approving (but not directing) Internal Audit's strategy and plan, and monitoring performance.*
- *Reviewing summary Internal Audit reports and the main issues arising and seeking assurance that action has been taken where necessary.*
- *Receiving the annual report of the head of Internal Audit.*
- *Considering the reports of external audit and inspection agencies.*
- *Ensuring that there are effective relationships between Internal Audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.*

In relation to Internal Audit, the Committee has:

- Agreed the Internal Audit Strategy and Annual Plan for 2023/24
- Received and considered the Head of Internal Audit's Annual Report for 2022/23, including the opinion on the Authority's internal control arrangements.
- Received and considered regular reports from the Head of Internal Audit on the Internal Audit Team's progress against the annual plan, including summaries of the reports issued and management's response.

The schedule of Internal Audit Review Results 2023/24 at Appendix C summarises the outcomes of Internal Audit Activity during the year.

In relation to External Audit, the Committee has:

- Received reports from the former external auditor, Deloitte, on their Audit Plans for the Authority and Fund relating to the audit of year ended 31 March 2023.
- Received regular progress reports and a final report on the audit of year ended 31 March 2023 from Deloitte.
- Received an introductory update and an audit plan relating to the audit of year ended 31 March 2024 from the new external auditor, KPMG.

Statement of Accounts

- *Reviewing the financial statements, the external auditor's opinion and reports to members, and monitoring management action in response to the issues raised by external audit.*
- *Overseeing the production of, and approving, the Authority's Annual Governance Statement.*
- *Overseeing the production of, and approving, the Authority's Annual Statement of Accounts, focussing on:*
  - *Suitability of, and any changes in, accounting policies;*
  - *Major judgemental issues e.g. provisions.*
- *Receiving and agreeing the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focussing on significant adjustments and material weaknesses in internal control reported by the external auditor.*

The Committee has:

- Overseen the production of, and approved the Authority's Annual Governance Statement 2022/23;
- Reviewed and approved the Authority's Statement of Accounts and Annual Report and letter of representation for 2022/23;
- Received and approved Deloitte's Report on the 2022/23 Audit, and their Annual Report 2022/23 which includes their findings and conclusion on the Authority's Value for Money arrangements. No recommendations were made in either report.

Working Arrangements

Members considered and agreed the Committee's Annual Report for 2022/23 which was then published on the Authority's website.

As part of considering the Annual Report, members considered the extent to which its arrangements remained robust.

Appendix A

Member and Officer Attendance at Audit & Governance Committee Meetings 2023/24

Member/Officer	27 July 2023	21 September 2023	14 December 2023	7 March 2024
Councillor Marnie Havard	✓	✓	✓	✓
Councillor Roy Bowser	Note 1	Note 1	Note 1	✓
Councillor Simon Clement-Jones	✓	✓	✓	✓
Councillor Steve Cox	✓	✓	✓	✓
Councillor David Nevett	✓	✓	✓	✓
Nicola Doolan-Hamer	✓	✓	✓	Note 1
Richard Bedford	N/a - Note 2	N/a - Note 2	✓	Note 1
Garry Warwick	✓	Note 1	✓	✓
Director – George Graham	✓	✓	✓	✓
Assistant Director – Resources (Chief Financial Officer) – Gillian Taberner	✓	✓	✓	✓
Head of Governance (Monitoring Officer) – Jo Stone	✓	Note 1	Note 1	✓
Head of Finance – Will Goddard	✓	✓	✓	✓
External Audit (Deloitte)	✓	✓	N/A – Note 3	N/A – Note 3
External Audit (KPMG)	N/A – Note 3	N/A – Note 3	✓	✓
Internal Audit (Barnsley MBC)	✓	✓	✓	✓

Notes

1. Apologies
2. Appointed to the Committee from December 2023.
3. External Auditors – Deloitte in place for audit of year ended 31/03/2023, attending meetings up to and including September 2023. KPMG appointed for audits of years from 1 April 2023 for next five years and attended meetings from December 2023 onwards.

Appendix B

Committee Activity

Function/Issue	27 July 2023	21 September 2023	14 December 2023	7 March 2024
Risk Management				
Annual Review of the Risk Management Framework			Approved	
Governance and Internal Control				
Annual Review of the Governance Compliance Statement				Approved
Progress on Implementation of Audit Recommendations	Noted	Noted	Noted	Noted
Effectiveness Review	Noted			Agreed
Local Code of Corporate Governance			Approved	
Internal Audit				
Progress Report	Noted	Noted	Noted	
Annual Report 2022/23	Noted			
Internal Audit Charter	Noted			
Effectiveness Review		Noted		
External Audit				
Auditor Appointment Process		Noted		
Status Report on the 2022/23 Audit	Noted			
Final Report on the 2022/23 Audit		Noted		
Annual Audit Report 2022/23		Recommended to the Authority		
External Audit Plan 2023/24				Approved
Statement of Accounts				
Draft Statement of Accounts 2022/23	Noted			
Audited Statement of Accounts 2022/23		Approved		
Letter of Representation		Approved		
Accounting Policies - Accounts for Year Ending 31 March 2024				Noted
Committee Working Arrangements				
Audit & Governance Committee Annual Report 2023/24				Approved

(The term “Noted” is used to include resolutions to note and to receive reports).

Appendix C

Results of Internal Audit Reviews 2023/24

Review Topic	Assurance Level	High Priority Findings	Medium Priority Findings	Low Priority Findings
Pensions Administration (C/fwd from 2022/23) Actuarial Transition	Reasonable	0	1	1
Pensions Administration (C/fwd from 2022/23) Pensions Admin System – PIR	Reasonable	1	2	0
Service Wide (C/fwd from 2022/23) Procurement Compliance	Limited	0	3	1
Service Wide Cybersecurity	Reasonable	0	0	2
Investment Strategy Governance & Performance - Border to Coast	Substantial	0	0	0
Pensions Administration Customer Services including Contact Centre	Reasonable	0	1	2
Finance – Core Financial System Main Accounting	Substantial	0	0	0
Finance – Core Financial System Accounts Receivable	Reasonable	0	1	0
Finance – Core Financial System UPM Pensioners Payroll	Substantial	0	0	0
Finance – Core Financial System Authority Staff Payroll	Substantial	0	0	0
Finance – Core Financial System Investment Income	Substantial	0	0	0
Finance – Core Financial System Accounting for Deals	Substantial	0	0	0
Finance – Core Financial System Fund Contributions	Substantial	0	0	0
Finance – Core Financial System Purchase to Pay	Substantial	0	0	2
Resources HR - Appraisal Process	Reasonable	0	3	1
Totals	**15 Opinions**	**1**	**11**	**9**

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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	**Annual Governance Statement 2023/24**	**Status**	For Publication
Report to	Authority	**Date**	06 June 2024
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham – Director	**Phone**	01226 666428
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

1.1 To secure approval for the Authority's Annual Governance Statement.

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2 Recommendations

2.1 Members are recommended to:

a. **Approve the Annual Governance Statement for 2023/24 and authorise its signature by the Chair and Director.**

b. **Note the provisional conclusion of the Head of Internal Audit which will be revised if required by the content of the Internal Audit Annual Report.**

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3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

Reviewing and gaining assurance around the control environment and the effectiveness of the Authority's arrangements for securing good governance demonstrates an organisation that is self-aware and complying with the relevant legal requirements.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in the Annual Governance Statement address various identified risks and areas for improvement, some of which are directly referenced in the Corporate Risk register, while others are subsets of identified corporate risks.

5 Background and Options

5.1 The Accounts and Audit Regulations (2015) require the Authority to conduct an annual review of the effectiveness of its system of internal control and to produce an annual governance statement each year. The statement is considered and approved by the members of the Authority meeting as a whole; following which, it has to be signed by the Head of Paid Service and the Chair. The statement is included in the Statement of Accounts and relied upon by the external auditor as part of the evidence base for their value for money conclusion.

5.2 The Annual Governance Statement (AGS) assesses compliance with and performance against the standards set out in the Authority's Local Code of Corporate Governance (available through background papers). The Annual Governance Statement for 2023/24 is attached at Appendix A for approval.

5.3 The AGS is produced through a process which involves a review of arrangements in each department by the relevant Assistant Director, who provides an assurance statement to the Director and the Head of Governance and Corporate Services for use as part of the evidence base in reviewing effectiveness and to assemble an overall statement. Other evidence considered in the process includes internal and external audit reports, external assessments – including the recently concluded independent governance review in 2024, regular performance reporting and an exercise to identify areas where the standards set out in the local code are not being fully met, together with the annual reports of the Audit and Governance Committee and the Local Pension Board.

5.4 The AGS includes a summary of the assessment of the control environment from the Annual Report of the Head of Internal Audit. Currently this is a provisional assessment, pending the completion of the full Internal Audit Annual Report and should any amendment be required this will be made prior to the publication of the statement as part of the audited accounts.

5.5 The review of the 2023/24 arrangements and progress against last year's action plan as detailed in the AGS show that good progress has been made on some of the key themes previously identified – including improved management and monitoring of appeals, enhancing and embedding of learning and development for both officers and members, implementation of a risk management and performance software system, and a full review of the Local Code of Corporate Governance.

5.6 This year's review and action plan reflects an emphasis on continuing work to build on the progress made so far to improve in areas previously highlighted of pensions administration capacity and delivery of the improvement plan, performance management and reporting, a new HR system, and business continuity arrangements.

5.7 The themes that have been newly added from this year's review reflect a need to develop and strengthen breach recording processes and undertake a thorough review and update of the Equality, Diversity and Inclusion (EDI) scheme, as well as to implement actions arising from the independent governance review.

5.8 The actions proposed are in line with the direction of travel set out in the Corporate Strategy.

6 Implications

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

Financial	None directly. Individual actions may require specific resources which will be dealt with through the appropriate decision-making processes as required.
Human Resources	There are a number of actions which will require HR input. This will be factored in to the relevant work plans.
ICT	None directly

Legal	None directly
Procurement	None directly

George Graham, Director

Background Papers	
Document	**Place of Inspection**
Local Code of Corporate Governance	Local Code of Corporate Governance (sypensions.org.uk)

SOUTH YORKSHIRE PENSIONS AUTHORITY

Annual Governance Statement

2023/24

Appendix A

Scope of Responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

The Authority's Local Code of Corporate Governance, available on our website at: Local Code of Corporate Governance (sypensions.org.uk) complies with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government Framework 2016.

The Local Code and this statement are also supported by the Governance Compliance Statement which the Authority is required to produce under s 55(1) of the Local Government Pension Scheme Regulations 2013, which is also available on our website: here.

This statement explains how the Authority has complied with the Local Code and meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015 relating to the preparation and approval of an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture, and values by which the Authority is directed and controlled, and the activities through which it accounts to and engages with employing bodies, pensioners, contributors, and other stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk: it can only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is designed to identify risks to the achievement of the Authority's policies, aims and objectives. The system attempts to evaluate the likelihood of those risks being realised and the impact should they be realised and how to manage them efficiently, effectively, and economically.

The governance framework has been in place during the year ended 31 March 2024 and up to the date of approval of the Statement of Accounts.

Outline of the Governance Framework

The Authority's framework of governance continues to evolve in line with best practice and is based upon the 7 Core Principles set out in the 2016 CIPFA/SOLACE guidance, Delivering Good Governance in Local Government: Framework. More details about the Authority's arrangements for ensuring compliance with each of the 7 Core Principles are set out in the Authority's Local Code of Corporate Governance.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Arrangements in Place
Codes of conduct covering the behaviour of both members and officers, form part of the Constitution, with appropriate mechanisms for ensuring that action can be taken where transgressions are reported. For officers these are reinforced through a framework of values and behaviours, including specific management behaviours, which are reflected upon at individual level as part of the appraisal system. A comprehensive review of the Constitution was undertaken in the last year and the revised document, approved in June 2023, is available here: [Constitution (sypensions.org.uk)](https://sypensions.org.uk) An Independent Governance Review has been carried out from February 2024 to April 2024 which recommended that the Authority consider its terms of reference regarding co-opted members and duplication of their membership between Authority and the Local Pension Board. This will be considered in the action plan to be developed arising from the final report on this review, due to be presented to Authority and Local Pension Board members in June 2024. As required under local government law, elected members are required to complete declarations of interest which are publicly available and to declare any conflicts which might arise in discussion of specific matters at meetings of the Authority and its committees. Similar arrangements apply to members of the Local Pension Board, under requirements governed by the Local Government Pension Scheme regulations and the Public Service Pensions Act 2013. Registers of potential conflicts, including personal relationships, for staff and a register of gifts and hospitality for both staff and officers. A comprehensive policy framework exists in relation to issues such as fraud and corruption and a Whistleblowing Policy should any individual wish to make a confidential disclosure. Some of these policies are now overdue for review and will be updated in the forthcoming year. The Authority also participates in the National Fraud Initiative. The Authority has a formal policy on the reporting of material breaches of the relevant pension regulations and any breaches which occur are reviewed by the Local Pension Board (LPB) at each of its meetings. A need to improve the monitoring, identifying and recording of breaches not deemed to be material has been identified and an appropriate policy and procedure for this will be developed in the forthcoming year.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Complaints policies in relation to quality of service, and statutory appeals processes in relation to decisions made under the Pensions Regulations. Procurement arrangements are in place to comply with legislative requirements, good practice, achieve value for money and demonstrate accountability. Following internal audit review early in the year, improvements have been made to ensure that the procedures in place are fully compliant with regulations and to introduce a gateway approval document that guides staff through the process and ensures all stages are appropriately documented. A training course on procurement was delivered by CIPFA for all staff involved in procurement activity. These procedures as well as the Contract Standing Orders that form part of the Constitution will also be updated during the forthcoming year to reflect changes in new procurement legislation and regulations that are expected to come into force from October 2024. The Authority operates with an extremely strong value base in relation to ethical standards and values reflecting the seriousness of its responsibility as steward of the pension savings of a very large number of individual scheme members. The values and behaviours framework is central to both the Corporate Strategy and the appraisal process and the wider policy and constitutional framework covering issues such as recruitment and selection and procurement. The Authority also seeks to bring its commitment to these values into the role it plays within any partnership in which it participates, particularly the Border to Coast Pensions Partnership which is central to the delivery of its corporate objectives. The Authority ensures that it is aware, through the employment of specialist officers and advisers, of the statutory requirements which are placed upon it and takes steps to ensure that it complies with them in an open and transparent way. This includes the maintenance of an up-to-date Constitution which is regularly reviewed and includes definitions of both the Corporate Planning Framework and Pensions Policy Framework, together with terms of reference for committees and an appropriate scheme of delegation to officers. The Authority maintains up to date role profiles for all posts within the organisation and ensures that it has appropriately qualified statutory officers in post who are able to operate in a way which complies with the relevant professional codes. Formal records are kept of decisions taken by both officers and members together with the advice considered in making such decisions. The Authority has a Governance team to oversee and manage democratic services, governance and assurance, and compliance with regulations.
Areas for Improvement • Whilst reporting of material breaches is well embedded, further work is required to ensure appropriate monitoring and recording of breaches not deemed to be material. • Policies in relation to counter-fraud and whistleblowing are overdue for review and will therefore be reviewed and updated in the forthcoming year.

Principle B: Ensuring openness and comprehensive stakeholder engagement
Arrangements in Place
The Authority seeks to be as open as possible with stakeholders, conscious that it is the steward of the savings of around 180,000 individuals, working for close to 600 different employers. To this end it complies with its obligations under the Freedom of Information Act and makes a considerable volume of information automatically and freely available through its website. The Freedom of Information Act Publication Scheme, which specifies the information published by the Authority and how to access this, is used as one means of signposting information electronically. This includes a range of information on investment holdings, performance, the policy frameworks, and responsible investment issues such as how shares have been voted. In addition, meeting agendas and papers for the Authority, the various committees and the Local Pension Board are published online a week before each meeting and all meetings are open to the public, and webcast. Key decisions made by officers are formally recorded and details published on the website. To promote clarity in the information provided to support decision making, reports for decision making bodies follow a standard format which ensures that, for example, implications for the financial position of the Authority of a decision are clearly explained. In addition, all reports for decision are required to outline relevant risk considerations, so that these can be understood by decision makers. All reports must be reviewed and cleared by the relevant statutory officers prior to submission for decision to Authority / Committee / Local Pension Board meeting agendas. The Authority has in place clear protocols regarding its participation as a Partner Fund in the Border to Coast Pensions Partnership. Clearly defined roles are set out for each participant in the Partnership in its Governance Charter and the relevant legal agreements. Regular reports are provided to the Authority by officers on the activity and performance of the Partnership, including a comprehensive annual review which considers the achievement of both the Authority's and the Partnership's objectives. To ensure the views of stakeholders are considered in a systematic way by decision makers when relevant, the Authority has adopted a Communications and Consultation Strategy which provides a standard framework for engaging with stakeholders. Resources are specifically allocated to support engagement with employers to support the maintenance of a productive and supportive relationship between them and the Authority. All engagement with employers takes place within the context of the Communications and Consultation Strategy which requires the results of any consultation process to be reported back alongside the actions proposed following the consultation. Emphasis is placed on increasing the volume and improving the quality of interaction with employers and an employer forum session and surveys have been undertaken during the year. The Authority's website includes an area for employers and an employer newsletter is sent to all employers quarterly with updates on relevant information, training, and events.

Principle B: Ensuring openness and comprehensive stakeholder engagement
There is a current focus on monitoring the performance of employers in relation to data submission; including quality, timeliness and resolving queries; and reporting on this to the Local Pension Board. The processes for engaging with and understanding the views of scheme members are also set out in the Communications and Consultation Strategy. Interaction with scheme members includes offering appointments to meet with staff either through online / virtual sessions or in-person appointments at our office in Barnsley. The Authority's complaints and appeals processes are available to scheme members in relation either to quality of service, or specific decisions made under the LGPS regulations. Information from the complaints and appeals processes forms part of the Authority's performance management framework and influences the development of policy, practice, and processes, including specific projects reflected in the Corporate Strategy. As part of its assurance and scrutiny role, the Local Pension Board receives a quarterly report outlining the nature of all appeals and complaints and the subsequent actions and learning as well as quarterly information on the results of various rolling customer satisfaction surveys which examine specific aspects of the service to scheme members, which also include information on learning and actions from this feedback

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits
Arrangements in Place
The Authority sets out a clear vision supported by specific objectives for achieving that vision within its Corporate Strategy which is at the heart of its corporate planning framework. Delivery against these objectives and key quality of service standards is reported quarterly to members of the Authority within a comprehensive report, allowing action to be taken to address any variations if required. All activity is undertaken within a risk management framework which covers all aspects of the Authority's work. The Authority's Responsible Investment Policy sets out how it reflects the balance between economic, social, environmental and governance issues within its investment decision making process and the areas where it seeks to move partners within the Border to Coast Pensions Partnership to a shared position. Responsible investment is central to the Authority's approach to the management of the funds for which it is responsible, and it is an active participant in a range of initiatives which seek to support the achievement of its objectives in this area. Work has

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits
continued during the year to develop new approaches to reporting the impact of various investments and the results of this will be reflected in future annual reports. The Authority's decision making on key issues of this sort is transparent with appropriate decisions either taken in public meetings or published and supporting information placed in the public domain whenever possible. (Exceptions to this are limited and would include, for example, commercially sensitive market information that cannot be made public). The Authority actively engages with groups seeking to influence its policies in different ways and uses its Communication and Consultation Strategy to seek views on issues where appropriate and to consider differing views when making decisions. Beyond the investment sphere, the Authority maintains an Equality and Diversity Scheme to guide its approach to the delivery of fair access to its services for any individual with a protected characteristic. This scheme is due for review and further work on the detail in terms of application and measurement will be required in the year ahead.
Areas for Improvement • A comprehensive review and update of the Equality, Diversity and Inclusion Scheme is required.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes
Arrangements in Place
The Authority's officers ensure that when making decisions, elected members have access to as much objective information as possible, as well as to the views of appropriately skilled and experienced independent advisers where specialist areas such as investment strategy are under consideration. Where members require additional information, officers agree specific timescales for its provision. The corporate planning process and the medium-term financial strategy are how the Authority agrees the relative priority and resource requirements of specific interventions. The Authority's discretions policy statement (as administering authority of the South Yorkshire Pension Fund) was reviewed and updated during the year, setting out clearly how the Fund will exercise discretions in relation to the LGPS regulations, including detail of the level to which decisions on each item are delegated and how applied.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes
The Authority has a well-defined and robust corporate planning framework with the review cycle linked at a high level to the major cyclical events impacting its operations (principally the triennial actuarial valuation of the Pension Fund). This framework is supported by well-established consultation arrangements ensuring that stakeholder views can influence plans where appropriate. A risk management framework is in place that ensures that both risks to service delivery and risks impacting the assets and liabilities of the Pension Fund can be addressed holistically. A framework for monitoring the delivery of all the various plans and strategies is in place with a comprehensive report including both financial and performance information presented to the Authority on a quarterly basis with more detailed reports covering pension administration presented quarterly to the Local Pension Board and on investment performance to the Authority. These reports highlight deviations from plans and identify and assess the risks relevant to the achievement of objectives as well as including information around feedback received and how it has been acted on. The Authority's medium-term financial strategy and corporate strategy draw on inputs from both stakeholder feedback mechanisms, the views of elected members and the Senior Management Team's assessment of developments in the wider external environment to direct resources to address priority areas. The medium-term financial strategy examines both the Authority's operating budget and the financial position of the Pension Fund ensuring that all areas of cost and income are fully considered. Strong budgetary control is evident, and managers are conscious of the need to demonstrate financial probity. In addition, given the centrality of being a responsible investor to the way in which the Authority invests the Pension Fund, regular publicly available reports are provided to the Authority detailing responsible investment activity undertaken and the outcomes achieved through this activity. These include summaries of the Fund's votes at company annual meetings. As part of this approach the Authority subscribes to the principles set out in the FRC's Stewardship Code which requires investors to report to stakeholders in a clear way on how they have managed the funds for which they are responsible. During 2023/24 the Authority commissioned an external provider to undertake an Independent Governance Review, the results of which will be reported in June 2024 and an action plan developed as required in response to any recommendations.
Areas for Improvement • Independent Governance Review to be reported to Authority and Local Pension Board members in June and an action plan developed in response to recommendations.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
Arrangements in Place
The Authority's statutory role holders – the Director as Head of Paid Service, the Assistant Director – Resources as Chief Finance Officer and the Head of Governance & Corporate Services as Monitoring Officer, meet along with the Deputy Clerk on a quarterly basis. Independent Advisers with suitable skills and experience are employed to support both the Local Pension Board and the Authority. Steps have also been taken during 2023/24 to increase training for members of the Audit and Governance Committee to enable them to provide more effective challenge. These have included briefing sessions on relevant topics before each meeting. The frequency of meetings has been increased to four per year. In line with recommended practice, an independent member will be appointed to the Committee in the forthcoming year. Both the Audit & Governance Committee and the Local Pension Board conduct annual effectiveness reviews to assess their own effectiveness and impact, identifying areas for improvement. Joint meetings of the Authority Chair and Vice Chair and the Local Pension Board Chair and Vice Chair are held regularly throughout the year. A need to support further improvements to the effectiveness of the relationship between the Local Pension Board and the Authority was identified by the Board in their most recent review and has also been highlighted from the Independent Governance Review undertaken this year. Actions to address this will form part of the action plans in response to these reviews. A Learning and Development Strategy is in place for elected members supported by the allocation of specific time within the overall programme of meetings. This strategy is set within the context of the CIPFA Knowledge and Skills Framework and has regard to the requirements of the Pensions Regulator. The Governance team apply a strong focus to ensure all mandatory training is completed. To further strengthen elected members' knowledge and collaboration across the Authority and Local Pension Board, a joint member development away day was delivered for the first time in November 2023 with training provided on investments, ethical standards, the corporate strategy, and risk appetite. This will continue as an annual event. The continued development and maintenance of knowledge, skills and understanding for Authority and Local Pension Board members is an ongoing challenge due to external factors leading to turnover and risks to continuity of membership. This will be subject to further work in the year ahead, when more ways to achieve greater continuity of membership (particularly of the LPB) will be considered. The Governance team will also enhance the learning and development arrangements in place by introducing individual training plans and encouraging increased attendance of members at external conferences and events. These actions will form part of the action plan arising from the Independent Governance Review. For staff of the Authority, an appraisal system is used to manage individual performance, plan learning and development, and support the succession planning process which is in place in key risk areas. Over the last two years, the Authority have approved and implemented an organisational resilience and sustainability plan, a staffing and capacity plan for pensions administration and a comprehensive review of pay and benefits – these plans have included the establishment of a range of additional resources and changes to reporting lines across the

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
organisation, to be implemented over the course of the period to March 2025, designed to strengthen capacity, enhance capability, and increase sustainability. Work also continues to reduce the risk of single points of failure, and this is identified in the strategic risk register. The risks relating to changes due to take place this year in key investment roles (officers and advisers) will be considered as part of this. Ongoing learning and development plans for the Authority's workforce are devised annually to support the goals set out in individual appraisals and are kept under review throughout the year. In addition to competency-based progression through the pension administration career grade, this can include professional qualification training, external training courses, and internally provided technical updates and system specific training. The policy and detailed procedures relating to career grade progression in teams across the organisation requires review in the coming year. Learning and development activity is further supported through access to online resources through a range of systems such as online reading rooms, SharePoint, and LinkedIn Learning. In the last year, the focus in this area has been further strengthened with the addition of a new post in the HR team for supporting organisational learning and development. The Director has an annual appraisal with the Chair and Vice Chair of the Authority and the Clerk to review performance against objectives and set objectives for the next year. This process was enhanced for 2023/24 with the addition of 360-degree feedback from a range of internal and external stakeholders, inclusion of learning and development considerations as relevant to this role, and the appraisal process is now supported and facilitated by the Head of HR from Barnsley MBC. Health, Safety and Wellbeing arrangements are prominent and embedded across the organisation. An external Health & Safety adviser is retained, and the range of additional health and wellbeing support continues to grow each year, including workplace health checks and a range of webinars and other activities which target a variety of key physical, emotional, and mental health and wellbeing topics. A new post of Operations Management Officer was appointed to during the last year, providing a suitably experienced and knowledgeable resource to ensure effective facilities management and health and safety arrangements.
Areas for Improvement • Actions in relation to improvements to Authority and LPB membership, knowledge, and inter-relationship to form part of the Independent Governance Review action plan. • The career grade scheme requires review and update to ensure there is a suitable corporate scheme providing consistency across the organisation, supplemented by appropriately tailored and effective progression schemes for different roles / service areas incorporating accredited training / professional qualifications alongside development and assessment of workplace experience and skills.

Principle F: Managing risks and performance through robust internal control and strong public financial management
Arrangements in Place

Managing Risk

A risk management policy framework is in place reviewed annually by the Audit and Governance Committee. Specialist risk management training was delivered to relevant managers and officers during the year, and this resulted in improvements being identified and incorporated in the latest update to this framework. This also sets out clearly the responsibilities for managing the risks facing the organisation, how they should be assessed and reported. The strategic risk register is reviewed monthly by the Senior Management Team with reporting on a quarterly basis to meetings of the Authority as part of the overall performance management framework, together with review and challenge by the Local Pension Board.

During the coming year, additional, operational level risk registers for each service will be introduced to help further embed the culture of risk management throughout the organisation as well as to support and inform the strategic risk register. This will be supported by use of the integrated risk management and performance software system, enabling more efficient recording and reporting of risk and performance and with input from various levels of management throughout the organisation.

Managing Performance

Arrangements for the reporting and monitoring of performance are in place, including clearly defined timetables for the reporting of information across the full range of activity, integrated with financial monitoring. Wherever possible, data is placed in the public domain and statutory reporting timescales are adhered to.

The Authority undertakes benchmarking of its cost base and performance across both the main streams of operational activity, pensions administration and investment.

A small team supports and co-ordinates the management of programmes and performance across the organisation. The use of an agreed project management methodology and central oversight and reporting of projects has been implemented during the year and will continue to be embedded. The team are now working on review and enhancement of the Authority's performance management framework with changes and improvements to be implemented in the 2024/25 year. These will incorporate ensuring that there is consistency across the reporting formats used for the Authority and the Local Pension Board.

Progress has continued in relation to the analysis and development of plans to address backlogs and deliver improvements in pensions administration processing performance. The Corporate Strategy for 2024 to 2027 includes the Administration Improvement Plan with a series of actions to be completed over 2024 to 2026.

Principle F: Managing risks and performance through robust internal control and strong public financial management
High quality data is central to the effectiveness of the organisation in its core function as a pension administrator. The Authority has a policy framework in place to ensure both the security and integrity of the large quantities of data which it holds. The Authority's Head of Governance and Corporate Services is the Senior Information Risk Owner (SIRO). In addition, resourcing is provided through the Governance team to provide a focus on compliance and continued development of the Authority's information governance framework. The Service Director for Customer Information and Digital Services at Barnsley MBC acts as the Authority's Data Protection Officer and his work is supported by an annual programme of internal audit review activity to ensure compliance with the policy framework. The Authority has received the Cyber Essentials + accreditation from government in relation to its arrangements for information security. The controls in relation to cyber security are well embedded, and continually being developed and enhanced, making use of specialist tools, awareness training and with support available from external specialists on retainer. Plans are in place to review and update the suite of ICT policy documentation, including cyber security, during 2024. From the Independent Governance Review and reviewing compliance against the Pensions Regulator's new General Code of Practice, a need has also been identified to carry out ongoing specialist assessments of third party service providers' arrangements. This will be addressed in the relevant action plans. An annual assessment of the quality of data held for pension administration purposes is undertaken and a data improvement plan is produced to ensure that any issues identified are addressed. Progress with delivering the data improvement plan is overseen by the Local Pension Board. **Robust Internal Control** The Authority has an Audit and Governance Committee in place whose terms of reference are consistent with the relevant professional standards. The Committee has produced its own Annual report, available within the Governance section of the Authority's website, which sets out the work it has undertaken during the year. The Committee is responsible for overseeing the work of Internal Audit, provided by Barnsley MBC's Corporate Assurance Service, and in particular ensuring that the Internal Audit plan addresses key control risks facing the Authority. The Head of Internal Audit is required under the relevant professional standards to produce an annual opinion on the adequacy of the control environment. For 2023/24 this opinion is that "based on the systems reviewed and reported on by Internal Audit during the year to date, together with management's response to issues raised, I am able to give a reasonable (positive) assurance opinion regarding the effectiveness of the control, risk and governance environment." Progress made in implementing actions agreed following audit reviews is reported to every meeting of the Committee and this helps to ensure that the control environment continues to be strengthened through the audit process.

Principle F: Managing risks and performance through robust internal control and strong public financial management
The importance of internal control is well-embedded across the organisation and officers ensure a strong and effective working relationship is maintained with both Internal and External Audit, including regular liaison meetings, and ensuring independent access is available to the Audit and Governance Committee Chair and members. **Strong Public Financial Management** The Authority is steward of a very large pension fund and therefore strong financial management is crucial to its effective operation. A strong framework of budgetary control is in place and monitoring against the operational budget, along with monitoring of investment performance, is reported quarterly to the Authority. Key projects are required to operate within defined budgets which receive approval through the appropriate decision-making processes. The Authority's Medium Term Financial Strategy defines various fiscal rules which constrain the growth in expenditure, mirroring to some extent, the constraints which apply to conventional local authorities through the council tax capping regime.
Areas for Improvement • Performance Management Framework - There is a need to make better use of management information in reporting on and managing performance through the development of a new performance management framework. This should achieve outcomes of enhancing the robustness of the process, ensuring consistency in how different areas are reported upon and freeing up the time-of-service managers so that they can focus on interpreting the results and taking appropriate action in response. • Continue to build on the progress being made to achieve the elements of the pensions administration improvement plan and clearance of backlogs in processing work.

Principle G: Implementing good practices in transparency and audit to deliver effective accountability
Arrangements in Place
The Authority seeks to be open and transparent in all its activities, seeking to minimise the amount of information that must remain confidential. A substantial amount of information about the Authority's services and activities is published on its website: www.sypensions.org.uk including, for example, details of investment holdings and voting records. The agendas and public reports for all meetings of the Authority, its committees and the Local Pension Board are published and the public parts of meetings of the Authority, its committees and the Local Pension Board are webcast. The Authority's annual report also contains a significant amount of information on its activities in a more user-friendly format.

Principle G: Implementing good practices in transparency and audit to deliver effective accountability
The Freedom of Information Publication Scheme provides clear signposting to the information which is publicly available and where it can be found. The Authority regards telling its story as a key activity, to report and demonstrate its performance, achievement of value for money and effective stewardship of scheme members' savings. For key documents such as the Annual Report and Accounts, the Authority follows the relevant professional codes in terms of the provision of information and seeks to go beyond them where possible, particularly in terms of presenting the information in a way which allows the reader to set information in the context of the Authority's work and easily understand it. The Authority has continued to publish its audited accounts and annual report in advance of the statutory publication deadlines every year, ensuring that information for stakeholders is provided on a timely basis to promote effective accountability. The Authority uses the governance framework set out in the Local Code of Corporate Governance to ensure that the information provided in reporting is accurate and consistent and that the same standards are met by key partnerships such as the Border to Coast Pensions Partnership. The Internal Audit function operates under a charter which conforms to the relevant public sector internal audit standards ensuring that the Authority complies with the relevant professional standards. The Audit and Governance Committee reviews progress on implementation of actions agreed following audit reviews carried out by both internal and external audit and potentially other review agencies when the Scheme Advisory Board's Good Governance reforms are introduced. All these arrangements also apply to the way in which the Authority engages with various partners and a comprehensive process of gathering assurance from those managing money on behalf of the Authority is undertaken each year. The Authority seeks to ensure that the activity undertaken on its behalf by the Border to Coast Pensions Partnership reflects the agreed Governance Charter which applies similar standards to the Authority's arrangements in the Partnership's unique context.

Governance Action Plan 2022/23 – Progress Update

The table below sets out the actions identified for improvement and development in last year's Annual Governance Statement and the progress made against these during 2023/24.

Action Plan 2022/23	Responsible Officer	Target Date	Progress Update 2023/24
Complete process mapping and implement fully updated procedures for appeals processing with clearly defined roles and responsibilities. Provide guidance, training and support for relevant staff to support the above.	Head of Governance and Corporate Services	July2023	**Completed** A full review of the appeals process has been completed which identified clearly defined roles and responsibilities. Training on the new process was delivered to all relevant staff in October 2023.
Transfer online processes for annual appraisals to a new HR System and continue to embed the consistency and quality requirements by providing training for both line managers and employees. Recruit to new Business Support Officer role in the HR team to support Learning and Development strategy and provision across the organisation.	Assistant Director – Resources & HR Business Partner	Mar 2024	**Partially Completed** Work continued on embedding consistency and quality in annual appraisals and training was delivered for both line managers and employees. New Business Support Officer – Learning and Development was appointed and commenced in post in October 2023. Only action remaining is to implement the new HR system in 2024/25.
Undertake a review of the Director Appraisal process and consider and commission appropriate external support arrangements that will seek to enhance the independence of the process and introduce the gathering of 360-degree feedback to inform the appraisal. Aim to implement new arrangements for the 2023/24 appraisal.	Assistant Director – Resources and Head of Governance and Corporate Services	Oct 2023	**Completed** New arrangements for the Director Appraisal process were developed and implemented in March 2024 for the appraisal relating to the 2023/24 year.

Action Plan 2022/23	Responsible Officer	Target Date	Progress Update 2023/24
Complete a full review and refresh of business continuity procedures and documentation, with support from external experts as required.	Head of ICT	Jan 2024	**Carried Forward** Due to other workload priorities, particularly in relation to focus on improvements required on the pensions administration software system, this action has been deferred and is now expected to be completed in the first half of 2024/25.
Introduce arrangements for the centralised production of performance information allowing managers to focus on interpretation and follow-up action. Implement new risk and performance management software system.	Head of Governance & Corporate Services and Service Manager – Programmes & Performance	Oct 2023	**Partially Completed, Partially Carried Forward** Following a period of vacancy in the role of Service Manager – Programmes and Performance, there has been a delay in full completion. The role has been filled since December 2023 and work to develop the performance management framework is now in progress, to be completed in 2024/25. The new Risk Management and Performance Software system was implemented in August 2023 with work completed so far to input the strategic risk register on the system. Work remaining to be completed in 2024/25 will be to add the operational risk registers and incorporate performance metrics and reporting.
Complete thorough analysis of backlogs and the root causes of these. Complete comprehensive capacity planning exercises in Benefits Team and Customer Services. Based on the above, develop and implement a detailed action plan to tackle the existing backlogs and to put arrangements in place designed to prevent such backlogs building up going forward. This will require a significant amount of work over several months.	Assistant Director – Pensions	Ongoing throughout the year. Progress to be reviewed on a regular basis	**Partially Completed, Partially Carried Forward** A thorough analysis of backlogs and capacity planning was completed. A revised structure was approved by the Authority in October 2023. The revised structure will be recruited to in 2024/25. A plan to clear the Backlogs was put in place in January 2024. The reduction is being tracked and reported to the Director, the Authority and the Local Pension Board.

Action Plan 2022/23	Responsible Officer	Target Date	Progress Update 2023/24
Complete a review and update of the Local Code of Corporate Governance.	Head of Governance and Corporate Services	Jan 2024	**Completed** The Local Code of Corporate Governance was updated and published in December 2023.

Review of Governance 2023/24 – Areas for Improvement and Action Plan

The table below sets out the actions planned to be undertaken during the forthcoming year to address the areas for improvement identified from this year's review of governance effectiveness, along with any actions carried forward from last year as outlined in the progress update above.

Principle and Area for Improvement	Actions Required in 2024/25	Responsible Officer	Date for Completion
A: Behaving with integrity, demonstrating strong commitment to ethical values, respecting the rule of law. **Recording of Regulatory Breaches**	Develop and implement a dedicated recording mechanism for regulatory breaches, supported by training for staff and a decision-making process for reporting material breaches.	Assistant Director – Pensions and Head of Governance & Corporate Services	September 2024
A: Behaving with integrity, demonstrating strong commitment to ethical values, respecting the rule of law. **Review of Counter-Fraud and Whistleblowing Policies**	Complete a review and update of the Anti-Fraud, Bribery and Corruption Policy Statement and the Whistleblowing Policy.	Head of Governance & Corporate Services	December 2024

Principle and Area for Improvement	Actions Required in 2024/25	Responsible Officer	Date for Completion
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits. **Equality, Diversity and Inclusion (EDI)**	Undertake a thorough review of the EDI scheme – prioritising a series of agreed specific actions.	SMT	February 2025
D. Determining the interventions necessary to optimise the achievement of the intended outcomes. **Complete Independent Governance Review**	Independent Governance Review to be completed in June 2024 and an action plan to be developed to address any recommendations.	Head of Governance & Corporate Services	December 2024
E: Developing capacity, including the capability of leadership and individuals **Career Grade Scheme**	Develop an Authority Career Grade Scheme that provides a central policy applicable across the organisation supplemented by appropriately tailored schemes for individual roles that include assessment procedures and incorporate relevant accredited training / professional qualifications alongside development of workplace experience and skills.	Assistant Director – Resources and HR Business Partner	March 2025
F: Managing risks and performance **Business Continuity**	Complete a full review and refresh of business continuity procedures and documentation, with support from external experts as required.	Head of ICT	Oct 2024
F: Managing risks and performance **Performance Management**	Develop and implement a new Performance Management Framework which will include central production of performance information that will ensure improved reporting and enable service managers and heads to focus on interpretation and taking remedial actions as necessary.	Head of Finance & Performance and Service Manager – Programmes & Performance	In stages over the course of the year to March 2025

Principle and Area for Improvement	Actions Required in 2024/25	Responsible Officer	Date for Completion
F: Managing risks and performance **Pensions Administration Improvement and Backlog Clearance Plan**	Deliver the elements of the Pensions Administration Improvement Plan.	Assistant Director – Pensions	In stages to March 2026. Progress will be reported on quarterly to Authority and Local Pension Board.

Conclusion

To the best of our knowledge, the governance arrangements as defined above have operated effectively during the 2023/24 year. We propose over the coming year to take steps to address the areas identified for improvement to further enhance our governance arrangements. Progress in implementing these improvement actions will be monitored by officers and Internal Audit and through regular reports to the Authority and its committees.

We are satisfied that these steps will address the issues identified in our review of effectiveness and will assess their implementation and operation as part of our next annual review.

Signed: Chair South Yorkshire Pensions Authority	Signed: Director South Yorkshire Pensions Authority

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