SOUTH YORKSHIRE
PENSIONS AUTHORITY

South Yorkshire Pensions Authority

Statement of Accounts 2020/21

Unaudited

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Introduction

This narrative report aims to provide information on the Authority, its main objectives and strategies and the principal risks that it faces. The information contained in these accounts can be technical and complex to follow. The aim of this report, therefore, is to provide a narrative context to the accounts by presenting a clear and understandable summary of the Authority's financial position and performance for the year and its prospects for future years. In order to achieve this, a commentary will be provided on how the Authority has used its resources to achieve its desired outcomes and will highlight and explain the linkages between information presented here and the information within the financial statements.

The report is structured as follows:

- About South Yorkshire Pensions Authority
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About South Yorkshire Pensions Authority

South Yorkshire Pensions Authority was established on 1st April 1988, following the abolition of South Yorkshire County Council and the winding up of the South Yorkshire Residuary Body. The primary function of the organisation is to administer the South Yorkshire Pension Fund within the Local Government Pension Scheme (LGPS).

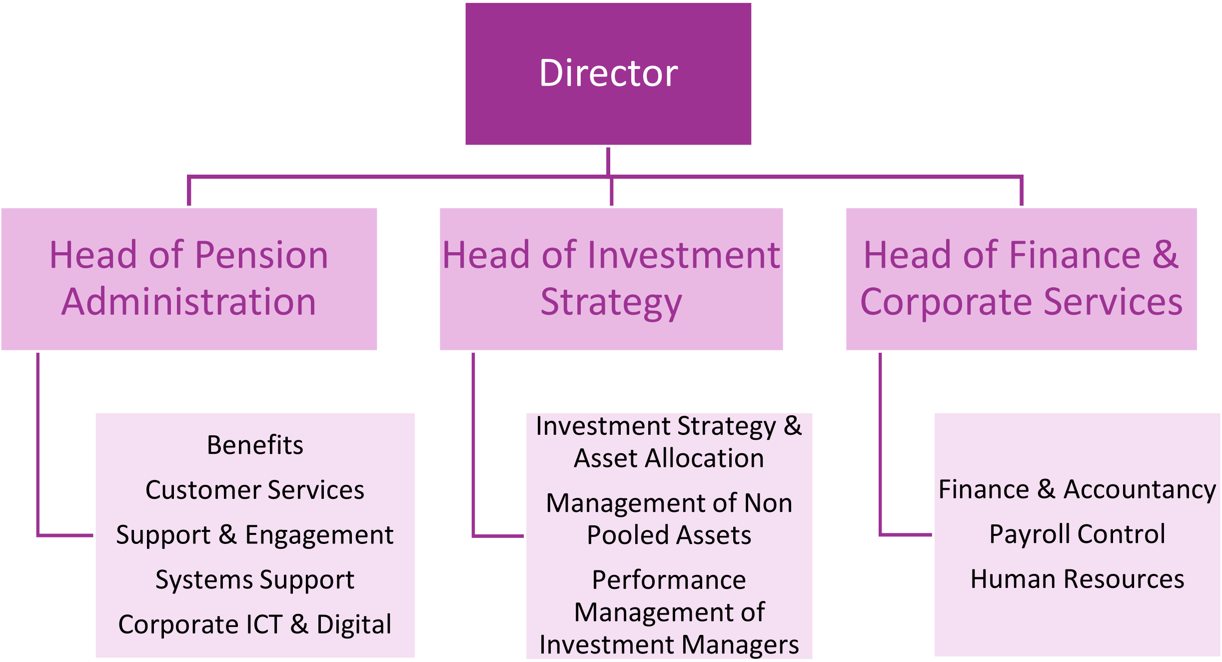
The South Yorkshire Pension Fund is one of the ten largest LGPS funds by both assets and membership, with an asset value of £9.9 billion and a total of 166,869 members at 31 March 2021.

When the Authority was established in 1988, it was also made responsible for certain residual liabilities of the South Yorkshire Residuary Body. These were compensation payments which were not met by the Pension Fund. These liabilities are met by a levy on the four district councils of South Yorkshire payable in proportion to their populations. The four districts are: Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and Sheffield City Council.

The Authority is unique amongst the administering authorities in the LGPS in that it is the only democratically accountable, free-standing pensions organisation in the UK. While a small number of other administering authorities are not councils, their “boards” include appointed experts rather than being entirely made up of councillors.

The Authority has 12 members drawn from the four South Yorkshire districts outlined above, roughly in proportion to their population.

The Authority is supported by the Senior Management Team, led by the Director who is the Head of Paid Service. The management structure of the Authority is set out in the diagram below.



The Authority also appoints a Clerk, Monitoring Officer and Treasurer, as required by law. These roles are undertaken by officers of Barnsley Metropolitan Borough Council under a Service Level Agreement.

In total the Authority directly employs just over 100 people (80 FTE) based at the Authority's headquarters in Barnsley.

Our Mission

The Authority's mission is:

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

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

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

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

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

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

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

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

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

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

The way in which the organisation and its staff go about delivering these objectives reflects the values of the organisation which are:

- Honest & Accountable;
- Professional;
- Progressive; and
- Empowering.

Our Priorities

The Corporate Strategy is one of the key documents that frames the actions of the Authority and sets out the detailed plans for the organisation over a three-year time horizon that aligns with the period between valuations of the Pension Fund.

The strategy update for 2021/22 reflects the continuing journey to build a stronger, more resilient organisation focussed on delivering for our customers and also reflects what we have learnt from having to adapt the way in which we operate to the Covid-19 pandemic, and also the fact that we have not been able to make as much progress as we might have wished on some projects as a result of the prolonged period during which all of our staff have been working at home.

The actions in the strategy are set out in work streams as follows:

Work Stream	Actions
Services to scheme members and employers	• Complete procurement for Pensions Administration system to deliver improvements in the interface with employers, member self-service and process automation; • Implement regulatory changes arising from the McCloud and Goodwin judgements and the GMP rectification process; • Clear residual backlog cases; • Produce and deliver a project and communications plan to support the delivery of the 2022 valuation, considering lessons learnt from the 2019 process; and • Provide additional support to staff to maximise their effectiveness: ○ Opportunities for those at the top of the career grade to develop their skills through secondment opportunities and participation in project work; ○ Implement a structured development programme for Pension Officers to take them to top of the career grade; and ○ Create an accessible and updated single knowledge base for pension administrators.
Customer service and engagement	• Implement new approach to employer engagement focussed on structured support to employers to ensure they meet their statutory responsibilities; and • Actively promote take-up of online services and introduce measures for effectiveness in addition to usage statistics.
Delivering the Investment Strategy	• Implement the revised Investment Strategy including continued transition of assets to Border to Coast products and acting on recommendations regarding the future of the agricultural property portfolio; • Implement revised approaches to reporting on the Authority’s stewardship: ○ Adopt the revised FRC UK Stewardship Code and report in line with its requirements; and

Work Stream	Actions
	○ Develop a framework for reporting the impact of the Fund’s investments against the UN Sustainable Development Goals. • Implement the Action Plan for Achieving Net Zero by 2030; and • Make changes to the investment performance reporting process to make this less labour intensive and to produce sharper, more focussed reporting.
Supporting the corporate organisation	• Replace the Authority’s business systems: ○ Investment Accounting; ○ Finance; ○ People Systems (HR, Staff Payroll, Time and Attendance; and ○ Committee Administration – implement Authority’s own instance of *Modern.gov*. • Implement tools to improve the links between appraisal and training delivery for staff, maximising the benefit of the learning and development budget; • Apply the recommendations arising from the review of the Authority’s governance arrangements in light of the Good Governance Review in the LGPS; • Implement the preferred option for meeting the Authority’s long-term accommodation needs and introduce a policy framework to support some homeworking; • Replace the website infrastructure in order to create a single web presence that better supports the organisation’s communication and engagement strategies; • Roll out Microsoft Office 365 to ensure the Authority has access to a regularly updated suite of core application software; • Introduce an ‘Agile Working’ approach across the organisation supported by a funded programme of hardware replacement; • Replace the Authority’s telephony infrastructure with a VOIP system capable of integration with Teams / Office 365 and the Pension Administration system; and • Incorporate appropriate structured approaches to internal and external communication focussed on wider local government and pension communities, as well as stakeholder groups such as scheme members and employers.

Our Performance and Achievements

The performance of the Authority in delivering on our objectives and plans is reported on a quarterly basis at meetings of the Authority. These Corporate Performance Reports are available on the agenda and minutes pages of the website at: www.southyorks.gov.uk . Additionally, further information on the overall performance of the Authority for the year is provided in the Annual Report published on our website at: www.sypensions.org.uk .

Investments

The investment return for the 2020/21 year was 21.1% against the expected benchmark of 18.0%, helping the Fund reach its highest ever value of £9.9 billion at 31 March 2021.

We continued the transition to pooling with the transfer of £872 million in index-linked bonds to the new Border to Coast Index Linked Gilt fund in October 2020.

Pension Administration

78% of priority cases were processed on time and 73% of all cases were processed on time in 2020/21, a fall compared to the 2019/20 year which reflects both the disruption caused by the COVID-19 impact, including an increase in the volumes of case work being processed, as well as the continued challenges of supporting the learning and development for new, inexperienced staff and the communication challenges between colleagues processing technically complex case work.

The proportion of employer data submissions received on time was 99% in 2020/21. Employers have been able to maintain the submission of returns for the whole of the financial year and this represents a significant improvement on the previous year.

Corporate Plan Delivery

During 2020/21, whilst the impact of the COVID-19 pandemic has resulted in some delays to the planned activity for the year, we have nevertheless made significant progress against many of the corporate plan targets; some of the highlights are as follows.

- Completed the move to Agile Working across the organisation.
- The Authority's Customer Service Excellence accreditation was retained after a full reassessment with improved scores and four areas scoring 'compliance plus', the highest possible level.
- Health, Safety & Wellbeing Committee delivered a range of initiatives, including:
    - Accredited i-ACT mental health awareness training delivered to 70 staff, a corporate programme of flu vaccination vouchers taken up by 48 employees, workstation assessments for homeworking carried out for all staff and access provided for 'virtual' assessments by a qualified physiotherapist for individuals with specific needs.
    - Additionally, the Committee co-ordinated a Christmas fundraising appeal raising £337 for a local charity.
- The payment of contributions from employers was moved successfully to direct debit collection from May 2020, greatly increasing the efficiency and effectiveness of collection and reconciliation of these.
- Review and appraisal of office accommodation options was completed and the decision taken to exercise the break in our lease at Gateway Plaza and move to Oakwell House during 2021.

- Restructure of Finance and Corporate Services completed in December 2020; with the team now organised to maximise impact and effectiveness to meet the current and future requirements of the organisation.
- Procurement of a new finance system and a new investment accounting system were both completed during the year with both new systems being implemented in 2021/22. Initial work on identification of suitable HR and Staff Payroll systems also commenced during the year.
- The Support and Engagement Team delivered several live and pre-recorded online training sessions and demonstrations to a range of audiences including HR/payroll teams at scheme employers and pre-retirement presentations to scheme members.
- An action plan was agreed for achieving Net Zero by 2030 on the Fund's investment portfolios to meet the commitment made by the Authority in September 2020.
- Procurement exercise for Pensions Administration system completed in February 2021 resulting in a renewed contract with Civica for its UPM system.
- Work continued on strengthening cyber security arrangements with new policies on this implemented during the year, a simulated Spear phishing campaign undertaken to identify actions around training for users and revision to the password policy and guidance, and the implementation of a new security platform.
- Equality and Diversity training arranged for all staff, taking place over March and April 2021.

Our Financial Position

The Authority's day to day running costs are managed through the operational budget, while costs and income associated with specific investments and dealings with scheme members are managed through the Pension Fund directly. The financial performance of the Fund is set out in the financial statements and notes for the Fund, later within this publication.

The operational budget for 2020/21 was approved in January 2020 at a total of £5,445,600. The financial year was shaped by the unexpected impact of the global COVID-19 pandemic, resulting in a move to homeworking for the whole organisation from March 2020. The various effects from this on the performance against the budget are reflected in the details below to explain the main variances. Significant progress and decisions were made during the year in relation to the Authority's office accommodation, replacement of business systems and the re-procurement of the Pensions Administration system. The restructure of Finance and Corporate Services was also undertaken during the latter half of the year, taking effect from 1 April 2021.

The overall outturn for the year was an under spend of £553,950; the details of which are set out below.

South Yorkshire Pensions Authority Operational Budget	2020/21 Budget £	2020/21 Outturn £	2020/21 Outturn Variance £	2020/21 Outturn Variance %
Pensions Administration	2,806,200	2,376,700	(429,500)	(15.30%)
Investment Strategy	763,190	631,420	(131,770)	(17.30%)
Finance & Corporate Services	620,610	685,190	64,580	10.40%
ICT	640,780	560,960	(79,820)	(12.50%)
Management & Corporate	432,740	430,000	(2,740)	(0.60%)
Democratic Representation	135,480	118,180	(17,300)	(12.80%)
Subtotal Net Cost of Services	**5,399,000**	**4,802,450**	**(596,550)**	**(11.00%)**
Capital Expenditure Charged to Revenue	0	42,600	42,600	100.00%
Subtotal Before Transfers to Reserves	**5,399,000**	**4,845,050**	**(553,950)**	**(10.30%)**
Appropriations to Reserves	46,600	600,550	553,950	n/a
Total	**5,445,600**	**5,445,600**	**0**	**0.00%**

The budget for 2020/21 included a significant amount of growth which was planned in order to enable investment across several areas to support the corporate objectives for the year which had a theme of investing in technology to empower and develop our people. This included budgets for the creation of several new posts within the organisation.

The impact of the COVID-19 pandemic and subsequent lockdowns, and the fact that this meant that management time had to be devoted elsewhere, affected the progress in relation to these objectives; there was also a fairly substantial reduction in costs relating to travel, conferences, stationery / office consumables etc. arising from the move to organisation-wide remote working which, with the exception of a brief period in September 2020, continued throughout the financial year.

The main variances included within the overall under-spend for the year are explained below.

- An under-spend on staffing costs across all service areas of (£149k) which includes:
    - Savings of (£302k) arising from vacancy savings across the organisation due to recruitment not being undertaken as early as was originally planned as a result of the knock-on effects from the pandemic;
    - Other staff turnover savings of (£42k), offset by the required cost of overtime and employment of casual staff cover for vacancies at £46k;
    - Additional costs of £20k arising from the pay award for the year which was agreed by the National Joint Council in August 2020 at 2.75% but had been budgeted for at 2.0%;
    - Net additional cost of £107k arising from the restructure of Finance & Corporate Services and review of the business support function, comprising savings on vacancies held pending the restructure and the additional one-off costs in relation to exit packages; and
    - A cost of £21k for the introduction of a working from home allowance, which was not known about when the budget was set.
- The budget for professional qualification courses in Finance & Corporate Services was under-spent by (£12k) based on the timing of courses being completed but it is likely to be used more fully in future years following the restructure of the service that took place in December 2020.
- An under-spend of (£94k) across budgets for travel expenses, office-related expenses, catering, conferences, and subsistence as a result of remote working and the knock-on effects from COVID-19.
- Savings of (£72k) arose in the ICT budgets due to re-phasing of work in relation to the agile working programme (where costs were brought forward and incurred in 2019/20) and various network and infrastructure projects, such as replacement of the telephony system and rollout of Office 365, the costs for which will now fall mainly in 2021/22.
- Under-spends on postage and printing of (£56k) from the continued move to a greater level of electronic communication and use of the hybrid mail solution.
- The professional services and subscriptions budgets in pensions administration and investment strategy were under-spent by a total of (£112k). An element of this was as a result of decisions taken not to participate in benchmarking exercises in 2020/21 only, but the majority reflects changing requirements that have subsequently been adjusted for in the budget for 2021/22.
- Additional income of (£25k) above the budget was received in pensions administration relating to management fees charged for the cost of administering various actuarial disclosures, payroll and member fees
- A saving of (£67k) arose on the organisational training and development budget that had been included as a growth item for 2020/21. Due to the impact of COVID-19 and remote working, it was not possible to make the anticipated progress this year.
- An over-spend of £17k within the management and corporate budget as a result of additional fees being agreed with the external auditor to reflect extra auditing requirements arising from both COVID-19 and from changes to the Code of Audit Practice.
- An under-spend of (£7k) on the Local Pension Board budget and of (£16k) on training for elected members and running costs for the Authority meetings; offset by additional expenditure of £6k from the introduction of the new members allowance scheme.

- Capital expenditure charged to revenue was not budgeted at the beginning of the year and consists of two items. £13k on the purchase of further laptop equipment during the year to facilitate homeworking, and £30k for initial expenditure on the design and project management consultancy for the new office accommodation.

Reconciliation of Budget Outturn to the Expenditure & Funding Analysis Note

The statement of accounts includes the Expenditure and Funding Analysis (EFA) at Note 1 – which sets out the net amounts chargeable to the General Fund for the year as compared to the amounts accounted for under generally accepted accounting practices shown in the Comprehensive Income and Expenditure Statement (CIES). These amounts are analysed across the services within the Authority on the same basis as shown in the budget outturn table above. However, some differences remain between the service totals above and the service totals shown in the EFA note.

The table below sets out the details, and the reasons for these differences are explained as follows.

The main difference relates to VAT expenses incurred that we are unable to recover from HMRC. Unlike other local authorities, as an authority with the sole purpose of administering the Pension Fund, we do not currently have Section 33 status under the VAT Act 1994. Instead, we use a special exemption method agreed with HMRC for reclaiming a proportion of our VAT charges only. The remaining proportion of the VAT expense that is not recoverable is Authority expenditure and is therefore recognised in the CIES and is charged in full to the General Fund as shown on the EFA Note; but as it is a varied and unpredictable cost over which budget managers cannot exert any control, it is not reported for budget purposes.

There are also some minor rounding differences as a result of the budget reports being presented with figures rounded to the nearest £10 for presentational purposes whereas the figures in the CIES are shown as actual amounts rounded to the nearest £1 only.

Reconciliation of Services Totals in the Budget Outturn Report to Amounts Shown in the Expenditure and Funding Analysis (EFA) Note	2020/21 Budget Outturn	2020/21 Irrecoverable VAT Expense - Not Reported for Budget Purposes	Rounding Adjustments for Budget Reporting	2020/21 Net Cost of Services Chargeable to the General Fund in the EFA Note
	£	£	£	£
Pensions Administration	2,376,700	101,375	(3)	2,478,072
Investment Strategy	631,420	210,869	(1)	842,288
Finance & Corporate Services	685,190	50,297	(4)	735,483
ICT	560,960	-	5	560,965
Management & Corporate	430,000	-	3	430,003
Democratic Representation	118,180	-	1	118,181
Net Cost of Services	**4,802,450**	**362,541**	**1**	**5,164,992**

Earmarked Reserves

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

For 2020/21, movements to and from these reserves have been agreed as follows.

Firstly, a transfer of £24k out of the corporate strategy reserve to fund the costs of the accommodation options appraisal review and to transfer £30k into the corporate strategy reserve from the savings on the organisational training and development budget to be used for providing an HR undergraduate placement in 2021/22.

The Authority generates income from software developed in-house that is sold to other organisations and this income is transferred into the ICT reserve each year. The outturn position is for a total of £6k to be transferred into the reserve this year.

Given the scale of costs identified for the office accommodation project, and the costs of the business systems replacements together with the costs involved in the implementation of the new pension administration system contract, the balance of the total underspend for the year has been transferred to the Capital Projects reserve.

We operate within a rule which limits the amount we can hold in the revenue reserves, i.e. excluding the Capital Projects Reserve, to 7.5% of the Operational Budget (resulting in a limit of £408k for 31 March 2021), and the current level remains below this at 6.55%.

The balances and movements on the reserves are shown below.

Reserves	Balance at 01/04/2020 £	Transfers In £	Transfers Out £	Balance at 31/03/2021 £
Corporate Strategy Reserve	232,831	30,000	(24,331)	238,500
ICT Development Reserve	112,383	5,917	0	118,300
Subtotal: Revenue Reserves	**345,214**	**35,917**	**(24,331)**	**356,800**
Capital Projects Reserve	665,500	588,967	0	1,254,467
Total Reserves	**1,010,714**	**624,884**	**(24,331)**	**1,611,267**

The revenue reserves are held for the following purposes.

- Corporate Strategy Reserve – To fund non-recurrent costs arising from projects which are required to implement the Corporate Strategy.

- ICT Development Reserve – To meet the costs of replacement ICT equipment and software on a cyclical basis. Any net income from sales of software to other LGPS funds is added to this reserve allowing either accelerated equipment replacement or the acquisition or enhancement of additional software.

The Capital Projects Reserve is held for the purposes of setting aside funds to be used on capital projects to support corporate objectives including the replacement of core business systems for the Authority, the implementation of the new contract for the Pensions Administration software system, and the project to design, re-fit and furnish the new office accommodation at Oakwell House.

Our Future Spending Plans

The operating budget for 2021/22 was approved in January 2021 and builds on the comprehensive review of budget requirements undertaken in the previous year, as well as ensuring the alignment of resources to support the achievement of corporate strategy objectives and priorities.

Whilst there continues to be an upward pressure on costs to maintain the pace of development and deployment of new ICT systems, to strengthen governance arrangements, and to deal with the administrative consequences of issues such as the McCloud judgement and GMP equalisation, it is nevertheless anticipated that it will be possible to maintain the operating budget within the constraints on its growth set out in the Medium Term Financial Strategy. The summary of the budget plans over the medium term is shown below.

Authority Medium Term Financial Strategy	**2020/21 Outturn**	**2021/22 Budget**	**2022/23 Estimate**	**2023/24 Estimate**
	£	**£**	**£**	**£**
Pensions Administration	2,376,700	2,789,950	2,806,820	2,872,800
Investment Strategy	631,420	684,790	694,890	709,160
Finance & Corporate Services	685,190	710,620	712,560	732,450
ICT	560,960	667,200	681,360	694,540
Management & Corporate	430,000	402,650	410,980	418,800
Democratic Representation	118,180	142,620	145,480	148,420
Subtotal Cost of Services	**4,802,450**	**5,397,830**	**5,452,090**	**5,576,170**
Capital Expenditure Charged to Revenue	42,600	-	-	-
Subtotal Before Transfers to Reserves	**4,845,050**	**5,397,830**	**5,452,090**	**5,576,170**
Contribution to Reserves	600,550	47,770	5,000	6,000
Total Charge to Pension Fund	**5,445,600**	**5,445,600**	**5,457,090**	**5,582,170**

The total budget for 2021/22 has been set at the same level in cash terms as both 2020/21 and 2019/20 whilst retaining an appropriate level of resource to support the continued investment in technology and learning & development, and also equipping the organisation with the resources required to meet all of its requirements and respond to challenges.

The estimates for the remainder of the Medium Term set out above are based on projecting the 2021/22 budget forward, including inflationary increases as necessary.

The key uncertainties and risks in relation to this financial forecast, and the mitigations in place, are as follows:

- Pay settlements and inflation running at a higher level than assumed in the forecast. This is clearly a risk, although the current wider local government and public sector finance context has been heavily impacted by the global pandemic and current pressures relating to the UK's exit from the EU. The assumptions used in the forecast are prudent and reflect a broad consensus view. In the event of higher costs than forecast, managers will seek to absorb the in-year impact through the management of vacancies and seeking to either defer one off expenditure or avoid aspects of running cost expenditure. This is the usual process of budgetary control and it seems unlikely that any cost increases would be on a scale beyond that which measures of this sort could address.
- Deterioration in budgetary control. There has been a strengthening of budgetary controls and processes over the last two years and work to refine and enhance this, in particular around indicator measures and risk analysis, will continue and will be helped by the implementation of new business systems over the next financial year. There is therefore no indication of any likelihood of deterioration. The controls in this regard were subject to an internal audit review as part of their main accounting review for the 2020/21 financial year and concluded with a substantial assurance opinion.
- Loss of external income. This is mitigated through prudent budgeting, for example not including any assumptions around additional software sales which tend to be sporadic and through securing longer term agreements with customers with staggered end dates so that not all agreements come to an end at the same time.

The 2021/22 budget as shown in the table above does not currently show an amount for capital expenditure for the year. This is because at the time of setting the budget, it was not possible to estimate the timing and amount of expenditure on the major projects for new office accommodation, business systems replacements and the pensions administration system re-procurement. The initial planning phases of these projects are progressing in the first quarter of 2021/22 which will enable more detailed estimates to be produced of the resourcing required for each one and the capital expenditure budget line for the period will be updated accordingly. This expenditure will be financed from the Authority's earmarked reserves; there will therefore be no impact from this revision on the total of the budget to be charged to the Pension Fund.

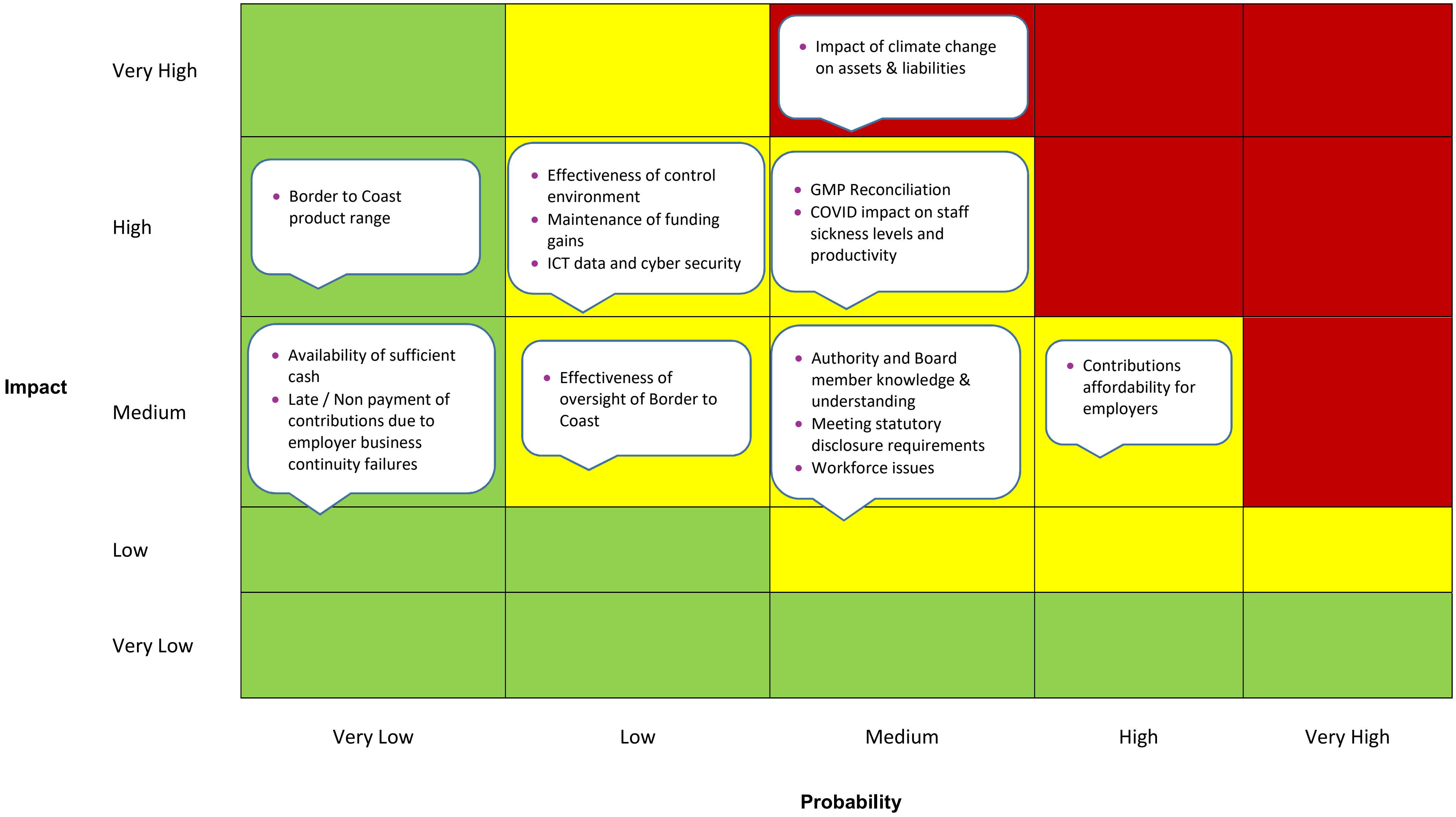
Risks and Challenges

Risk Management is the process by which the Authority identifies and overcomes those issues which might prevent it achieving its and the Pension Fund's objectives. Given the financial scale of the Pension Fund and the fact that it invests money in order to achieve financial return, the effective management of risk is crucial to us being able to achieve our objectives. The risks faced by the Authority are then both risks as an organisation and risks inherent in its role as administering authority of the South Yorkshire Pension Fund and the details below therefore reflect this.

Given the scale of the financial assets managed by the Authority for the Pension Fund, the management of the risks inherent in participation in the financial markets is a crucial part of the overall risk management framework. The Authority sets out broad policies in the Investment Strategy Statement which conform to the LGPS Investment Regulations and further details are also covered in the Pension Fund's annual report.

The corporate risk register, which now forms an integral part of the Corporate Strategy, is regularly reviewed throughout the year by the Authority's Senior Management Team and the risk management arrangements have been overseen by the Audit Committee over the course of the year. The key risks identified in the corporate risk register as at the end of March 2021 are shown in the figure below.

Authority – Corporate Risk Register Matrix



Impact

	Very Low	Low	Medium	High	Very High
Very High			Impact of climate change on assets & liabilities		
High	Border to Coast product range	Effectiveness of control environment Maintenance of funding gains ICT data and cyber security	GMP Reconciliation COVID impact on staff sickness levels and productivity		
Medium	Availability of sufficient cash Late / Non payment of contributions due to employer business continuity failures	Effectiveness of oversight of Border to Coast	Authority and Board member knowledge & understanding Meeting statutory disclosure requirements Workforce issues	Contributions affordability for employers	
Low					
Very Low					

Probability

COVID-19 Impact

It was recognised that the COVID-19 (Coronavirus) pandemic could potentially have a significant impact across all aspects of the Authority's work. Consequently, the Senior Management Team initially created a specific risk register to monitor and address this range of risks, identifying and recording control measures, and planning and implementing risk mitigation actions. As time moved on, some of the risks that were initially scored highly; such as those around the resilience of our ICT infrastructure with all staff working from home; have seen their scores reduce as the resilience of the network has been proved. Other risks within the financial markets have continued at much the same level, although these are, in reality, a subset of the risk that exists whenever the Authority participates in the financial markets and are reflected prominently on the corporate risk register.

As the mitigations to the various identified risks were implemented effectively, the specific risk register was absorbed into the main corporate risk register in September 2020. These risks in relation to COVID-19 are summarised as follows:

Governance

- Disruption to Authority and Local Pension Board meetings
- Disruption to formal governance arrangements for Border to Coast
- Reduction in the effectiveness of the control environment

Investment & Funding

- Market fluctuations render the planned strategic changes no longer appropriate and/or assets will be out of line with the benchmark position
- Contribution rates for employers are unaffordable due to business interruption
- Business continuity failures mean employers are unable to meet contribution payment deadlines

Operational

- Significant reduction in productive capacity due to impact of the virus on sickness absence levels
- Slippage and delivery failure in relation to key projects within the Corporate Strategy
- Scheme members concerned about market volatility

Authority Response

As events developed from March 2020 onwards, the Authority put a range of measures in place to ensure continuity of service for scheme members and to protect our staff, as well as manage a number of the other issues that arose, that we continue to face. All staff were enabled to work from home and have continued to do so throughout the year. A substantial amount of work took place to ensure that ICT infrastructure, software and telephony systems were provided, enhanced, and configured within very short timescales to minimise any interruption to services such as the customer centre.

An active approach to communications both internally and externally was taken with actions such as a redesign of the website homepage to highlight warnings in relation to scams, active engagement with employers on specific issues around data collection and the interaction of the furlough scheme with the LGPS, regular updates to the members of the Authority and the Local Pension Board, regular staff updates, virtual team meetings, use of webinars etc.

The actions taken ensured that we have continued to deliver on our core functions including paying benefits, processing retirements, and dealing with deaths of scheme members. At the same time, we implemented the annual pension increase and we continue to make investments and manage down the various legacy holdings which have been retained after transition to Border to Coast. Inevitably, there has been and will continue to be, some impact on performance levels and we will continue to monitor the effects here including recording average times to process work as well as the percentage of cases processed within target timescales in order to assess whether overall member experience is being maintained in acceptable bounds.

Operational Impact – Pension Administration

Employers

The impact of the pandemic on employers involves two key aspects – administrative and financial.

In administrative terms, the risk for the Authority is around the ability of employers to fulfil their responsibilities for the provision of information to allow the maintenance of pension records and calculation of benefits. In general, we have found that employers and their payroll providers have coped reasonably well overall and where specific issues were identified, our Support & Engagement team were on hand to address these – this has been of particular relevance in relation to employers dealing with the furlough scheme. There has been no significant impact from the pandemic on the level of compliance with data submission requirements by employers.

The financial aspect concerns the affordability of contributions for employers. We set a framework of principles, agreed with our actuary, within which any requests for deferral of contribution payments will be considered on a case by case basis. The LGPS regulations grant little discretion and currently only allow for deferral within the financial year. There have been no issues with the collection and payment of contributions due to the pandemic, although we continue to be open to discussions with employers facing problems, and the introduction of the collection of contributions by Direct Debit which took place during the year has made the management and monitoring of contributions easier for both the Authority and employers.

Scheme Member Deaths

The pandemic resulted in an increase in the number of deaths amongst all categories of scheme member, both in South Yorkshire and in all other pension funds and we have supported work by the Scheme Advisory Board to gather data on the potential impact of this on the LGPS more generally. The increased number of deaths could have a one-off non-trivial impact on the level of the Fund’s liabilities which will only become apparent in the 2022 valuation.

The increased volume of deaths is a tragedy for each family affected and we treat dealing with cases where a death is involved as an absolute priority in order to try to reduce the level of anxiety for families at what is already a difficult time. However, this also places an increased strain on those of our staff dealing with these cases and we have taken steps to alter the way in which work is allocated to reduce the pressure on individuals as well as seeking to train more staff to deal with these types of case.

Operational Impact - Investments

Commercial Property – Rent Collection

Many businesses saw their income dry up virtually overnight thus losing the ability to pay rents, while the limited ability of other businesses to trade has had a similar impact on them. While the Government has provided support in terms of business rates holidays and various forms of grants and loans, large quarterly rent bills have presented a significant challenge for many of our tenants. The approach we have taken during 2020/21, supported by Aberdeen Standard (ASI) as our investment manager, has been to agree to move tenants to monthly payment on request which assists them in managing their cash flow, and to consider requests for rent deferral on a case by case basis. Information from ASI and comparisons with data from property fund managers indicate that the quality of our tenant base means that we are currently performing somewhat better than average in rent collection.

We did see a number of tenants go out of business or enter into CVA's as a means of reducing their longer-term rent liabilities, all of which has had a negative impact on returns, although in relative terms the portfolio performed reasonably. More importantly the significant trends emerging from the pandemic in terms of the future of the high street and the future of the office are influencing the longer-term strategy for the portfolio.

Investment Performance

While there was an immediate significant downturn in financial markets through March and April 2020, this was followed by an extremely sharp recovery with the Fund returning 21.1% against a benchmark return of 18% for the year. This was largely driven by the significant rebound in the equity markets supported by the resumption of more normal activity within the private equity market and a reduction in uncertainty in the property market. The buoyancy of equity markets resulted in the need for a continual process of de-risking involving the moving of money out of equities and into the alternatives asset classes in order to maintain allocations in line with the Strategic Asset Allocation. Overall this performance means that the Fund has recovered the losses apparent last March and is now at its highest ever value with consequent positive impacts on the overall funding level. Further details regarding the Fund performance are shown in Note 1(e) to the Fund Accounts.

Explanation of our Financial Statements

The Accounts and Audit Regulations 2015 require the Authority to produce a Statement of Accounts for each financial year. These statements contain several different elements which are explained below.

The Statement of Responsibilities sets out the respective responsibilities of the Authority and the Treasurer.

The Independent Auditor's Report gives the auditor's opinion on the financial statements and on the Authority's arrangements for securing economy, efficiency and effectiveness in our use of resources.

Financial Statements

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and unusable reserves.

The Comprehensive Income and Expenditure Statement shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount to be funded from the charge to the Pension Fund.

The Balance Sheet shows the value of the Authority's assets and liabilities at the reporting date. These are matched by reserves which are split into two categories; usable and unusable reserves.

The Cash Flow Statement shows the changes in the Authority's cash and cash equivalents during the reporting period.

Notes to the Financial Statements

The Expenditure and Funding Analysis note shows how expenditure is used and funded from resources by the Authority in comparison with those resources consumed by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the services in the organisation.

The other notes to the financial statements provide further detail on material items within the core financial statements.

The Pension Fund Statement of Accounts

In accordance with the requirement of the Code for administering authorities of Local Government Pension Scheme pension funds, the following statements and notes are presented.

The Fund Account discloses the changes during the year in the net assets available for benefits.

The Net Assets Statement shows the assets available to fund benefits at the year end.

Notes to the Pension Fund Financial Statements

The Actuarial Value of Promised Retirement Benefits note provides information on the actuarial valuation, carried out in accordance with IAS 19, of the liabilities to pay pensions and other benefits in the future. This is an important supplement to the Net Assets Statement in the Fund's statement of accounts, which does not take account of liabilities to pay pensions and other benefits after the period end.

The other notes to the Pension Fund financial statements provide further detail on material items within the Fund Account and the Net Assets Statement.

A Glossary of key terms can be found at the end of this publication.

Annual Governance Statement

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. Apart from employing its own officers and advisors the Authority also receives support services from officers of Barnsley Metropolitan Borough Council (BMBC) under the terms of a service level agreement.

The Authority's Local Code of Governance 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. A copy of the Authority's code is on our website here, https://www.sypensions.org.uk/Publications/Corporate-Policy .

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.

This statement explains how the Authority has complied with the 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 2021 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 which is available here:
https://www.sypensions.org.uk/Publications/Corporate-Policy

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Behaving with integrity

The Authority has in place codes of conduct covering the behaviour of both members and officers, which form part of its 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 an individual level as part of the appraisal system. The Code of Conduct for officers was updated during 2020/21 and re-launched to staff.

In line with the requirements of 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 also apply to members of the Local Pension Board, although these are not governed by local government law, but by the Local Government Pension Scheme regulations and the Public Service Pensions Act 2013.

Registers of potential conflicts, including personal relationships are maintained for staff and a register of gifts and hospitality is maintained for both staff and officers.

The Authority maintains a comprehensive policy framework in relation to issues such as fraud and corruption and has a Whistleblowing Policy in place should any individual wish to make a confidential disclosure, as well as complaints policies in relation to quality of service, and statutory appeals processes in relation to decisions made under the Pensions Regulations.

Demonstrating strong commitment to ethical values

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. This is reflected in the way in which 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.

Respecting the rule of law

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 job descriptions / 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, and a committee secretariat, provided by Barnsley MBC under a service level agreement, supports the Authority’s democratic processes ensuring compliance with the relevant regulations.

The Authority has a formal policy on the reporting of breaches of the relevant pension regulations and any breaches which occur are reviewed by the Local Pension Board at each of its meetings. The Authority also has clear and effective policies in relation to fraud and corruption and participates in the National Fraud Initiative.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Openness

The Authority seeks to be as open as possible with stakeholders, conscious that it is the steward of the savings of nearly 170,000 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 it was updated during the year.

This includes a range of information on investment holdings, performance, the policy frameworks and responsible investment issues such as how the Fund’s shareholder voting rights have been exercised. In addition, the agendas and papers for the Authority, the various Committees and the Local Pension Board are published online a week before each meeting and while in normal circumstances all meetings are open to the public, meetings of the Authority are also webcast. Key decisions made by officers are formally recorded and details published on the website.

Due to the pandemic, it has not been possible for meetings of the Authority, its committees and the Local Pension Board to be held in person. Meetings have been held virtually and have all been broadcast over the internet. Subject to the cost of doing so it is intended to continue the broadcasting of all meetings in future, while the continuation of virtual meetings will depend on decisions by the Government around changes to the law.

In order 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 have to be “cleared” by the statutory officers prior to submission to elected members for decision.

In order to ensure decision makers can consider the views of stakeholders in a systematic way when necessary the Authority has adopted a Communications and Consultation Strategy which provides a standard framework for engaging with stakeholders.

Engaging comprehensively with employers and other institutional stakeholders

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.

Resources have been specifically allocated to support engagement with employers in order to support the maintenance of a productive and supportive relationship between them and the Authority.

In addition, the Authority has in place clear protocols regarding its participation in significant partnerships, the only one currently being 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. The Authority’s participation in the Partnership is also subject to a comprehensive annual review which considers the achievement of both the Authority’s and the Partnership’s objectives.

The increased availability of “video conferencing” technology due to the pandemic has increased the volume of interaction which it has been possible to achieve with employers and within the Border to Coast partnership over the past year. In terms of interaction with employers steps are being taken to build on the success of these developments while in the case of Border to Coast it is likely that more of a “mixed economy” approach will be developed in order to maximise the quality of interaction around the most significant issues.

Engaging scheme members effectively

The processes for engaging with and understanding the views of scheme members are set out in the Communications and Consultation Strategy which applies to scheme members in the same way as employers. In addition, 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 customer satisfaction surveys which examine specific aspects of the service to scheme members, which also include information on learning and actions from this feedback.

As a result of the pandemic, interaction with scheme members was moved entirely online, and this has proved successful and popular with members. Satisfaction survey data indicate that there has been no material change in levels of scheme member satisfaction with the quality of service as a result of the move to entirely remote interaction.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

The Authority sets out a clear vision supported by specific objectives which assist in the achievement of 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 quarterly 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 activity.

Sustainable economic, social and environmental benefits

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. The approach in this area has been further developed over the last year with the updating of the various elements of the policy framework, including a commitment to achieving net zero investment portfolios by 2030 and the agreement of a specific statement of beliefs in relation to responsible investment.

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 where possible, although it is impossible for market sensitive information to be placed in the public domain.

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 it considers 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.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

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 provide the means by which the Authority agrees the relative priority and resource requirements of specific interventions.

Planning interventions

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 and a risk management framework that ensures that both risks to service delivery and risks impacting the assets and liabilities of the Pension Fund can be addressed holistically.

A robust framework for monitoring the delivery of all the various plans and strategies is in place with a comprehensive quarterly 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.

Optimising achievement of intended outcomes

The Authority’s medium term financial strategy and corporate strategy draw on inputs from stakeholder feedback mechanisms, the views of elected members and the Senior Management Team’s assessment of developments in the wider external environment in order 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.

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 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.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Developing the entity's capacity

The Authority is very aware of both its cost base and performance and undertakes benchmarking of both of these across both the main streams of operational activity (pension administration and investment). The Authority has also opened itself up to external challenge through undertaking an independent review of governance in response to work being undertaken nationally by the Scheme Advisory Board and through the appointment of an independent adviser to the Local Pension Board in order to assist the Board in providing more robust challenge to officers.

The Authority's Human Resources Strategy also explicitly addresses the way in which the Authority plans and develops its workforce requirements.

Developing the capability of the entity's leadership and other individuals

The Authority has strong constitutional arrangements in place including an effective scheme of delegation, financial regulations and contract standing orders which define which individuals can take which decisions. These arrangements are subject to regular review.

Clear role profiles are in place for all posts within the organisation, which are linked to a consistent organisational design framework. The Director's role profile is agreed with elected members and this and the Constitution clearly set out the dividing lines between member and officer responsibilities. Means of maintaining regular dialogue between the Director and the Chair are agreed with each Chair on their taking office.

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 and provides access to both in house and external events as well as on-line learning and specific reading materials. A targeted induction programme is provided for new members. Members are asked to annually assess their learning needs and develop their own learning plans. These arrangements have been reviewed over the last 12 months and proposed changes will be considered by the Authority and the Local Pension Board early in 2021/22.

For staff, access is provided to on-going learning and development as necessary to support the goals set out in individual appraisals. 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 career grade scheme for pension administration has been comprehensively reviewed and revised during the year to make it more clearly competency based and better focussed on meeting the Authority's needs.

All learning and development activity is supported through access to online resources through a range of systems such as online reading rooms, SharePoint and Modern.gov.

The Authority has an appraisal system in place that is used to manage individual performance and to support the succession planning process which is in place in key risk areas. Members of the Authority's Staffing, Appointments and Appeals Committee specifically considered succession planning for the Senior Management Team during the year.

Arrangements for Health Safety and Wellbeing have been strengthened and are overseen by a joint management and staff committee, as well as being supported by the HR policy framework. As a result of the pandemic significant emphasis has been placed on staff wellbeing including signposting resources and services which can support those who might be struggling with homeworking and also providing guidance to managers on managing staff remotely.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Managing risk

A risk management policy framework is in place and was reviewed during the year by the Audit Committee which sets out clearly the responsibilities for managing the risks facing the organisation, how they should be assessed and reported. The risk register is reviewed on a monthly basis 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.

Managing performance

The Authority has robust and transparent arrangements for the reporting and monitoring of its performance in place including clearly defined timetables for the reporting of information which have been added to during the year by the introduction of improved financial monitoring. Wherever possible data is placed in the public domain and statutory reporting timescales are adhered to.

Where appropriate, these arrangements are supported by using benchmarking information and other external sources of comparison data.

Members and the Local Pension Board are encouraged to seek improvements in the data provided and officers have encouraged challenge within the monitoring process from both the Local Pension Board and members of the Authority, including through the appointment of an independent adviser to support the Local Pension Board in order to ensure that it is not being guided by officers.

The Authority welcomes external challenge and has opened itself up to such challenge through commissioning an external review of its governance arrangements which reported during the year.

Assurance process are in place over the production of performance management information which ensure that the reports provided to different bodies are consistent.

The processes for generating and presenting information continue to be subject to constant review and improvement to make it both easier to report and to understand the information generated. The processes to replace several key systems over the coming year are intended to address issues centred on the degree of manual effort required to generate key pieces of financial and HR information.

Robust Internal Control

The Authority has an Audit Committee in place whose terms of reference are consistent with the relevant professional standards. The Committee has produced its own Annual Report which is available on the Authority's website here and sets out the work that the Committee has undertaken during the year.

The Committee is responsible for overseeing the work of Internal Audit which is provided by Barnsley MBC's Internal Audit 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 2020/21 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."

The Audit Committee has instituted a process of reviewing the progress made in implementing audit recommendations to ensure that the control environment continues to be strengthened as a result of the audit process.

The Audit Committee has reviewed the policy framework for Risk Management during the year and approved updated policies in line with relevant professional standards and which are suited to the scale and nature of the organisation's activities.

While the Audit Committee's agenda covers the range of activity that would be expected it is not always able to provide the depth of challenge that is seen in comparable bodies. This is an area that needs some reflection and discussion with elected members and relevant stakeholders such as internal and external audit.

Managing Data

High quality data is central to the effectiveness of the organisation in its core function as a pension administrator. The Authority has a strong policy framework in place to ensure both the security and integrity of the large quantities of data which it holds. This includes the Authority's Director acting as the Senior Information Risk Owner and the Head of Internal Audit as the Data Protection Officer.

The Authority has received the Cyber Essentials + accreditation from government in relation to its arrangements for information security.

The work of the Data Protection Officer is supported by an annual programme of review activity to ensure that the policy framework is being complied with.

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.

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 which has been enhanced in the last year with improvements in both budget preparation and financial monitoring. 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.

Principle G: Implementing good practices in transparency and audit to deliver effective accountability

Implementing good practice in transparency

The Authority seeks to be open and transparent in all its activities maintaining the minimum amount of information possible as confidential. Therefore the Authority publishes a very significant amount of information about its services and activities 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 on the internet and the public parts of meetings of the Authority (and more recently of 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. The Freedom of Information Publication Scheme has been updated during the last year and this provides clear signposting to the information which is publicly available and where it can be found.

The Authority took steps, as indicated elsewhere in this statement, to ensure that the pandemic did not negatively impact on the transparency of its operations.

Implementing good practice in reporting

The Authority regards "telling its story" as an organisation in terms of both its activity and the way in which it demonstrates both value for money and effective stewardship of scheme members' savings as a key activity. 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.

In order to promote greater understanding by stakeholders of its investment portfolios and support its goals in terms of decarbonisation of its investments the Authority has commissioned work which supports the production of an impact report for 2020/21 which will form part of the overall annual report.

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.

Assurance and effective accountability

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 Committee has adopted a process of reviewing progress with the implementation of audit recommendations to ensure that improvements are being delivered as a result of work carried out by both internal and external audit and potentially other review agencies when the Scheme Advisory Board's Good Governance reforms are introduced.

In preparation for these reforms, the Authority invited Hymans Robertson to conduct a review of its governance in the context of the proposed new standards and is in the process of implementing its recommendations. The Authority has also appointed an independent adviser to support the Local Pension Board in providing effective challenge and scrutiny, and the Board is conducting its own review of its effectiveness for the first time.

All of 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. In particular, 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.

Significant Governance Issues

The COVID-19 pandemic has affected the United Kingdom throughout the period under review and continues to impact on the way people live their lives at the time of producing this statement. The restrictions on movement and contact between individuals have required the Authority to implement its business continuity arrangements to facilitate a situation where all staff are able to work from home, and put in place arrangements for virtual meetings of decision making bodies in line with emergency regulations issued by the Government. These arrangements were implemented with little disruption to services to scheme members, although productivity has been impacted to some degree.

The processes described above have identified the following governance issues for attention. Some of these are longer term issues and as such continue to feature from previous statements. The outcome of the Annual Governance Review suggests that the following governance issues need to be included in the 2020/21 Annual Governance Statement Action Plan as part of a continuous improvement plan to continue to strengthen governance. These are:

- The need to produce a consolidated Learning and Development Strategy for members of the Authority and the Local Pension Board in line with the recommendations made in the Hymans Robertson Review, reflecting clearer expectations on individuals in relation to the level of commitment required.
- The need to continue to strengthen internal governance, in the light of the forthcoming changes in the regulatory environment by implementing changes agreed to the arrangements for discharging the statutory officer functions.

- Continuing the emphasis on reporting from previous Annual Governance Statements to develop a standardised and regular approach to reporting on regulatory compliance.
- Adopting a standardised and appropriately scaled approach to project management applicable to all improvement projects and major regular processes (such as annual benefit statements) across the organisation.
- Adoption of an appropriately scaled set of continuous improvement tools to support and provide structure to the wide range of activity already taking place.
- A need to institutionalise some of the improvements in communications that have been forced by remote working and to formalise liaison arrangements with key stakeholder groups such as the local authority leaders and the local authority finance directors.
- A need to reflect on any learning from our experience during the pandemic in relation to the staff welfare and wellbeing elements of our business continuity plan.
- The need to improve the processes for monitoring the application of key corporate processes such as appraisal across the organisation and ensuring the central recording of training records.
- A need to reflect on how the Audit Committee can be supported to provide more consistent challenge as part of its work.

The actions taken to date to address these have or will be reported to the Authority and the Audit Committee. Progress in monitoring the implementation of these improvement actions will be monitored by Managers and Internal Audit and through regular reports to the Authority and its Committees.

Signed: **Chair** **South Yorkshire Pensions Authority**	**Signed:** **Director** **South Yorkshire Pensions Authority**

APPENDIX A

Annual Governance Statement Action Plan for Completion in 2021/22

Issue	Action Required	Responsible Officer	Date for Completion
Need to set consistent learning and development expectations for the Authority and Local Pension Board.	Produce a single Learning and Development Strategy covering both groups of members and identify additional resource to support its implementation.	**Director**	**June 2021** (final adoption at the Annual Meeting of the Authority, following consideration by the Local Pension Board in April)
Need to review the Statutory Officer arrangements identified by Hymans Robertson.	Agree a way forward with BMBC and secure the agreement of the Authority to any changes required as a result of this.	**Director**	**March 2022** (Any changes to be fully operational from April 2022)
Need to continue to improve reporting and transparency.	Develop and implement a regular and standardised approach to reporting regulatory compliance.	**Governance and Risk Officer**	**March 2022**
Need to strengthen project management.	Develop and train appropriate staff in an appropriately scaled methodology and set of techniques and agree criteria to determine where the project management approach should be applied.	**Projects and Improvement Lead**	**March 2022**
Need to develop a more coherent and consistent approach to continuous improvement.	Adopt an SYPA continuous improvement approach and train key staff to use it to assist in delivering specific objectives.	**Projects and Improvement Lead**	**March 2022**

Annual Governance Statement Action Plan for Completion in 2021/22

Issue	Action Required	Responsible Officer	Date for Completion
Need to capitalise on communications changes and formalise links with key stakeholder groups.	Formalise member updates and institute regular updates for Leaders and local authority FD's focussed on their specific needs.	**Communications Officer in consultation with Director**	**March 2022**
Conduct a review of the staff welfare related elements of the Business Continuity Plan in the light of the pandemic experience.	Health Safety and Wellbeing Committee to carry out review and make recommendations to Senior Management Team.	**Head of Finance and Corporate Services as Chair of the Health Safety and Wellbeing Committee**	**March 2022**
Improvements to the central monitoring and recording of information related to key processes.	Implementation of new HR System to include facilities to support this.	**Head of Finance and Corporate Services**	**March 2022**
Need for the Audit Committee to deliver more consistent challenge.	Discuss issues with elected members and key stakeholders and develop proposals.	**Director**	**March 2022**

Independent Auditor’s Report

The independent auditor’s report to the members of South Yorkshire Pensions Authority will be placed here following conclusion of the audit.

Independent Auditor’s Report

The independent auditor’s report to the members of South Yorkshire Pensions Authority on the statements of the South Yorkshire Pension Fund will be placed here following conclusion of the audit.

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Treasurer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Treasurer's Certificate

I certify that the accounts give a true and fair view of the financial position of South Yorkshire Pensions Authority at 31 March 2021 and its income and expenditure for the year then ended.

N Copley BA (Hons), CPFA **Date: 28 May 2021**

Treasurer

Approval of the Statement of Accounts

To be added following audit and approval.

Comprehensive Income And Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) summarises the resources that have been generated and consumed, in the process of providing services and managing the Authority during the year. The statement includes all the day to day expenses and related income on an accruals basis.

2019/20 Restated					2020/21		
Gross Expenditure £	Gross Income £	Net Expenditure £		Notes	Gross Expenditure £	Gross Income £	Net Expenditure £
2,808,740	(75,781)	2,732,959	Pensions Administration		2,798,006	(79,562)	2,718,444
1,233,237	0	1,233,237	Investment Strategy		881,135	0	881,135
696,027	0	696,027	Finance & Corporate Services		848,556	0	848,556
637,583	(84,617)	552,966	ICT		710,654	(63,831)	646,823
362,825	0	362,825	Management & Corporate Costs		503,274	0	503,274
85,543	0	85,543	Democratic Representation		122,033	0	122,033
5,823,955	(160,398)	5,663,557	**Cost of Services**	[9]	5,863,658	(143,393)	5,720,265

2019/20 Restated					2020/21		
Gross Expenditure £	Gross Income £	Net Expenditure £		Notes	Gross Expenditure £	Gross Income £	Net Expenditure £
0	(6,066,660)	(6,066,660)	Other Operating Income	[9]	0	(5,808,141)	(5,808,141)
			Financing and Investment Income and Expenditure:				
296,000	0	296,000	Net Interest on the Net Defined Benefit Liability	[24]	280,000	0	280,000
0	(418,890)	(418,890)	Taxation Income	[9]	0	(363,642)	(363,642)
6,119,955	(6,645,948)	**(525,993)**	**Surplus on Provision of Services**		6,143,658	(6,315,176)	**(171,518)**
		(360,000)	Remeasurements of the Net Defined Benefit Liability	[24]			1,352,000
		(360,000)	**Other Comprehensive Income and Expenditure**				1,352,000
		(885,993)	**Total Comprehensive Income and Expenditure**				**1,180,482**

Restatement

The classification of income within the Surplus on Provision of Services comparatives for 2019/20 has been amended in order to present the Levy in relation to residual liabilities separately as Taxation Income. See Note 9 for further details.

Movement In Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year of the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce the charges to funds under management) and other ‘unusable reserves’. Credit balances represent a positive reserve position. The Surplus on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

The statement shows how the movements in year of the Authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable on a funding basis for the year. Due to the fact that the Authority charges its expenditure to the South Yorkshire Pension Fund, the Authority retains no balance on its General Fund.

Movement In Reserves During 2020/21:	**General Fund Balance**	**ICT Development Reserve**	**Corporate Strategy Reserve**	**Capital Projects Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Balance At 1 April 2020	**0**	**(112,383)**	**(232,831)**	**(665,500)**	**(1,010,714)**	**12,065,675**	**11,054,961**
Surplus On The Provision Of Services	(171,518)	0	0	0	**(171,518)**	0	(171,518)
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	1,352,000	1,352,000
Total Comprehensive Income & Expenditure	**(171,518)**	**0**	**0**	**0**	**(171,518)**	**1,352,000**	**1,180,482**
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	(429,035)	0	0	0	**(429,035)**	429,035	0
Net Increase Before Transfers To Earmarked Reserves	**(600,553)**	**0**	**0**	**0**	**(600,553)**	**1,781,035**	**1,180,482**
Transfers (To)/From Earmarked Reserves (Note 8)	600,553	(5,917)	(5,669)	(588,967)	**0**	0	0
(Increase)/Decrease in 2020/21	**0**	**(5,917)**	**(5,669)**	**(588,967)**	**(600,553)**	**1,781,035**	**1,180,482**
Balance At 31 March 2021 Carried Forward	**0**	**(118,300)**	**(238,500)**	**(1,254,467)**	**(1,611,267)**	**13,846,710**	**12,235,443**

Movement In Reserves During 2019/20:	**General Fund Balance**	**ICT Development Reserve**	**Corporate Strategy Reserve**	**Capital Projects Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Balance At 1 April 2019	**0**	**(84,133)**	**(382,831)**	**0**	**(466,964)**	**12,407,918**	**11,940,954**
Surplus On The Provision Of Services	(525,993)	0	0	0	**(525,993)**	0	(525,993)
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	(360,000)	(360,000)
Total Comprehensive Income & Expenditure	**(525,993)**	**0**	**0**	**0**	**(525,993)**	**(360,000)**	**(885,993)**
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	(17,757)	0	0	0	**(17,757)**	17,757	0
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	**(543,750)**	**0**	**0**	**0**	**(543,750)**	**(342,243)**	**(885,993)**
Transfers (To)/From Earmarked Reserves (Note 8)	543,750	(28,250)	150,000	(665,500)	**0**	0	0
(Increase)/Decrease in 2019/20	**0**	**(28,250)**	**150,000**	**(665,500)**	**(543,750)**	**(342,243)**	**(885,993)**
Balance At 31 March 2020 Carried Forward	**0**	**(112,383)**	**(232,831)**	**(665,500)**	**(1,010,714)**	**12,065,675**	**11,054,961**

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves available to the Authority to provide services. The Authority must maintain a prudent level of these reserves for unexpected events. The second category of reserves is unusable reserves, i.e. those that the Authority is not able to use to provide services.

31 March 2020 £		Note	31 March 2021 £
59,859	Property, Plant & Equipment	[10]	85,429
52,651	Intangible Assets	[11]	25,183
112,510	**Long Term Assets**		**110,612**
2,329,704	Short Term Debtors	[13]	2,688,908
445	Cash and Cash Equivalents	[14]	445
2,330,149	**Current Assets**		**2,689,353**
(1,357,783)	Short Term Creditors	[15]	(1,136,133)
(1,357,783)	**Current Liabilities**		**(1,136,133)**
0	Long Term Provision	[19]	(24,000)
(12,139,837)	Pensions Liability	[24]	(13,875,275)
(12,139,837)	**Long Term Liabilities**		**(13,899,275)**
(11,054,961)	**Net Assets**		**(12,235,443)**
(1,010,714)	Usable Reserves	[8]	(1,611,267)
12,065,675	Unusable Reserves	[16]	13,846,710
11,054,961	**Total Reserves**		**12,235,443**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The Authority has no cash flows from financing activities due to the nature of the Authority's work which is entirely related to the adminstering of the South Yorkshire Pension Fund.

31 March 2020		Note	31 March 2021
£			£
525,993	Net Surplus on the Provision of Services		171,518
(475,215)	Adjustment to Net Surplus on the Provision of Services For Non-Cash Movements	[17]	(93,943)
50,778	**Net Cash Flows from Operating Activities**		**77,575**
(51,109)	Net Cash Flows from Investing Activities	[18]	(77,575)
(331)	**Net Increase or (Decrease) in Cash & Cash Equivalents**		0
776	Cash & Cash Equivalents at the Beginning of the Reporting Period	[14]	445
445	**Cash & Cash Equivalents at the End of the Reporting Period**	**[14]**	**445**

Note 1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. As a single purpose Authority, most expenditure is charged to the Pension Fund and, with the exception of earmarked reserves, there is no balance retained on the General Fund at the end of either the current or prior year. This note also shows how the expenditure is allocated for decision making purposes between the Authority's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20				**2020/21**		
Net Expenditure chargeable to General Fund	**Adjustments between the funding and accounting basis**	**Net Expenditure in the CIES**		**Net Expenditure chargeable to General Fund**	**Adjustments between the funding and accounting basis**	**Net Expenditure in the CIES**
£	**£**	**£**		**£**	**£**	**£**
2,657,168	75,791	2,732,959	Pensions Administration	2,478,072	240,372	2,718,444
1,213,127	20,110	1,233,237	Investment Strategy	842,288	38,847	881,135
661,979	34,048	696,027	Finance & Corporate Services	735,483	113,073	848,556
547,528	5,438	552,966	ICT	560,965	85,858	646,823
360,195	2,630	362,825	Management & Corporate Costs	430,003	73,271	503,274
82,913	2,630	85,543	Democratic Representation	118,181	3,852	122,033
5,522,910	**140,647**	**5,663,557**	**Net Cost of Services**	**5,164,992**	**555,273**	**5,720,265**

2019/20				2020/21		
Net Expenditure chargeable to General Fund	**Adjustments between the funding and accounting basis**	**Net Expenditure in the CIES**		**Net Expenditure chargeable to General Fund**	**Adjustments between the funding and accounting basis**	**Net Expenditure in the CIES**
£	**£**	**£**		**£**	**£**	**£**
(6,066,660)	(122,890)	(6,189,550)	Other Income and Expenditure	(5,765,545)	(126,238)	(5,891,783)
(543,750)	**17,757**	**(525,993)**	**Surplus on Provision of Services**	**(600,553)**	**429,035**	**(171,518)**
(466,964)			Opening General Fund and Earmarked Reserves Balance	(1,010,714)		
(543,750)			Plus Surplus for the Year	(600,553)		
(1,010,714)			Closing General Fund and Earmarked Reserves Balance	(1,611,267)		

Note 2. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the Local Government Act 2003 (the 2003 Act) primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost.

The financial statements have been prepared on the going concern basis which assumes that the Pensions Authority will continue in existence for the foreseeable future. The Authority is the administering authority of the South Yorkshire Pension Fund and as such, its expenses are borne by the Fund it administers.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Where income and expenditure has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is included in the Balance Sheet.
- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Interest receivable on investments is accounted for in the year to which it relates.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits held with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The Expenditure and Funding Analysis provides the Authority's segmental analysis and the service section of the Comprehensive Income and Expenditure Statement follows the same segmental analysis. In line with Code requirements, the reportable segments are based on the Authority's internal management reporting. Where changes occur to the reportable segments as a result of re-organisation, comparative figures for the prior year are re-stated to match the new format in accordance with the requirements set out in the Code.

v. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the net cost of services in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The Authority participates in the Local Government Pension Scheme (LGPS) which it also administers. The Local Government Pensions Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on bond yields as at the date of calculation.

- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - Quoted securities - current bid price
  - Unquoted securities - professional estimate
  - Unitised securities - current bid price
  - Property - market value

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs; and

  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and Expenditure; and
  - Contributions paid to the Fund by the employer – cash paid as employer contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

<u>Discretionary Benefits</u>

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

vi. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the accounting period – the Statement of Accounts is adjusted to reflect such events

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

vii. Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and includes the borrowing, creditors, debtors, investments and bank deposits of the Authority.

Cash, debtors and creditors are the Authority's only financial instruments; these are disclosed on the Balance Sheet, and are classified as financial assets at amortised cost, and financial liabilities at amortised cost, respectively.

viii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefit or service potential will flow from the intangible asset to the Authority. Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life on a straight line basis. The assets are funded directly from revenue and charged to the fund. The capital element is then adjusted in the Capital Adjustment Account.

ix. Property, Plant and Equipment

Assets that have a physical substance and are held for use in the supply of services or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:
- The purchase price; and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Assets are then carried in the Balance Sheet at depreciated historical cost, due to the assets having short useful lives or low values (or both).

Impairment

Assets are assessed each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives.
Depreciation is calculated on the following basis:
- Vehicles, plant, furniture and equipment – on a straight line basis, as advised by a suitably qualified officer.

Disposals

When an asset is disposed or decommissioned, the carrying amount of the asset in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Any amounts written off on disposals will not be a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

x. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Operating Leases - The Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

xi. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

xii. Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xiii. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge for the expenditure in that year.

Certain reserves are kept to manage the accounting processes for non-current assets and for retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

xiv. VAT

The Authority has partial exemption from VAT, as such not all VAT suffered is recoverable. Income and expenditure items are accounted for net of VAT; however, the irrecoverable VAT expense is charged to the relevant services in the Comprehensive Income and Expenditure Statement.

Note 3. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, the Authority is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2021 but not yet adopted by the Code. It is anticipated that the 2021/22 Code will introduce amendments in respect of:

> Amendments to IFRS 3 Business Combinations: Definition of a Business
> Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
> Amendments to IFRS 9, IAS 39. IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2

At the date these accounts have been authorised for issue, the 2021/22 Code has not yet been published. However, the amendments above are not expected to have any significant impact on the Authority's accounts.

Note 4. Assumptions Made About The Future and Other Major Sources Of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The item estimated in the Authority's Balance Sheet at 31 March 2021 where there is significant estimation uncertainty that could result in a material adjustment within the next financial year is as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For example: > A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £750,000 > A 0.1% increase in the salary inflation rate assumption would result in an increase to the pension liability of £157,000 > A one year increase in the life expectancy assumption would result in an increase to the pension liability of £1,186,000. However, the assumptions interact in complex ways. During 2020/21, the Authority's actuaries advised that the net pensions liability had increased by £6,224,000 due to updating of the financial assumptions and had decreased by £567,000 due to estimates being corrected as a result of experience.

Court of Appeal Ruling - McCloud

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to for the LGPS as "McCloud") have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgment are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and either remain active or left service after 1 April 2014 (including to those members who no longer have a benefit entitlement from the Fund). The figures in the accounts as provided by the actuary already include an allowance for McCloud that is substantially in line with the above. Therefore, we have concluded that no further adjustments are required in relation to the McCloud ruling.

Impact of COVID-19 on Mortality Assumptions for Pensions Liability

The current population mortality projections used by the actuary in estimating the pensions liability make no specific allowance for the impact of COVID-19 or any other pandemics. The starting rates for mortality improvement are based on projections of past trends in UK mortality and the effect of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. The actuary has concluded that as at 31 March 2021, it is not possible to draw any meaningful conclusions on the potential impact of COVID-19 on mortality rates going forward and it would therefore be inappropriate to make any adjustment to the mortality assumptions used in their calculations at this time. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future years' accounts.

Note 5. Events After The Reporting Period

The Statement of Accounts was authorised for issue on 28 May 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Non-Adjusting Event

The financial statements and notes have not been adjusted for the following event taking place after 31 March 2021 as it provides information that is relevant to an understanding of the Authority’s financial position but does not relate to conditions at that date.

In May 2021, the Authority served notice to exercise the lease break option on its current office lease with Barnsley Metropolitan Borough Council on 30 November 2021 and entered into a new lease agreement on 28 May 2021 for office accommodation at Oakwell House, Beevor Court in Barnsley. The lease period is thirty years with a break option at fifteen years. There will be an initial rent-free period of six months, during which time works will be undertaken to refurbish and fit out the accommodation. This significant decision was taken during 2020/21 after conducting an options appraisal and review of the long-term accommodation needs of the organisation. The move to new office accommodation, which will be solely occupied by the Authority, will provide greater certainty and the ability to design and tailor the accommodation to our needs and future working arrangements.

The planned change is expected to deliver on-going revenue savings of approximately £35,000 per annum. There will be a capital outlay for design, project management, fitting out of the building and purchase of furniture and equipment - estimated at around £1.2 million in total and this will be financed from the earmarked 'Capital Projects' reserve.

Note 6. Supplementary Information to Note 1. Expenditure and Funding Analysis

This note provides further information and a breakdown of the adjustments shown in Note 1 Expenditure & Funding Analysis to show how the figures accounted for in the Comprehensive Income and Expenditure Statement are adjusted from accounting basis to funding basis.

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	**Adjustments between funding and accounting basis 2020/21** **Adjustment for Capital Purposes**	**Net Change for Pensions Adjustments**	**Other Statutory Adjustments**	**Total Adjustments**
	£	**£**	**£**	**£**
Pensions Administration	0	217,131	23,241	**240,372**
Investment Strategy	0	31,830	7,017	**38,847**
Finance & Corporate Services	0	104,031	9,042	**113,073**
ICT	44,494	36,965	4,399	**85,858**
Management & Corporate Costs	0	73,271	0	**73,271**
Democratic Representation	0	3,852	0	**3,852**
Net Cost of Services	**44,494**	**467,080**	**43,699**	**555,273**
Other Income and Expenditure from the Expenditure & Funding Analysis	(42,596)	(83,642)	0	(126,238)
Difference Between General Fund Surplus and the CIES Surplus on the Provision of Services	**1,898**	**383,438**	**43,699**	**429,035**

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	**Adjustments between funding and accounting basis 2019/20** **Adjustment for Capital Purposes**	**Net Change for Pensions Adjustments**	**Other Statutory Adjustments**	**Total Adjustments**
	£	**£**	**£**	**£**
Pensions Administration	0	51,054	24,737	**75,791**
Investment Strategy	0	15,720	4,390	**20,110**
Finance & Corporate Services	0	28,801	5,247	**34,048**
ICT	(15,130)	16,594	3,974	**5,438**
Management & Corporate Costs	0	2,630	0	**2,630**
Democratic Representation	0	2,630	0	**2,630**
Net Cost of Services	**(15,130)**	**117,429**	**38,348**	**140,647**
Other Income and Expenditure from the Expenditure & Funding Analysis	0	(122,890)	0	(122,890)
Difference Between General Fund Surplus and the CIES Surplus on the Provision of Services	**(15,130)**	**(5,461)**	**38,348**	**17,757**

Note 7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. All expenditure of the Authority that is charged to the General Fund is then fully charged to the Pension Fund.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of an Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice.

2019/20 £ General Fund	*Adjustments to Revenue Resources*	2020/21 £ General Fund
(99,669)	Reversal of Entries Included in the Surplus on Provision of Services in Relation to Capital Expenditure (Transferred to Capital Adjustment Account)	(44,494)
5,461	Pensions Costs (Transferred to the Pensions Reserve)	(383,438)
(38,348)	Holiday Pay (Transferred to the Accumulated Absences Adjustment Account)	(43,699)
(132,556)	**Total Adjustments to Revenue Resources**	**(471,631)**
	Adjustments Between Revenue and Capital Resources	
114,799	Capital Expenditure Financed from Revenue Balances (Transferred to the Capital Adjustment Account)	42,596
114,799	**Total Adjustments Between Revenue and Capital Resources**	**42,596**
(17,757)	**Total Adjustments**	**(429,035)**

8. Transfers (To) / From Earmarked Reserves

This note sets out the amounts set aside in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

	Balance at 1 Apr 2019	Transfers Between Reserves	Transfers In	Balance at 31 Mar 2020	Transfers Out	Transfers In	Balance at 31 Mar 2021
	£	£	£	£	£	£	£
Corporate Strategy Reserve	(382,831)	150,000	0	(232,831)	24,331	(30,000)	**(238,500)**
ICT Development Reserve	(84,133)	0	(28,250)	(112,383)	0	(5,917)	**(118,300)**
Capital Projects Reserve		(150,000)	(515,500)	(665,500)	0	(588,967)	**(1,254,467)**
Total:	**(466,964)**	**0**	**(543,750)**	**(1,010,714)**	**24,331**	**(624,884)**	**(1,611,267)**

Corporate Strategy Reserve

This reserve exists to fund non-recurrent costs associated with various projects required for the implementation of the Corporate Strategy of the Authority. An amount of £24,331 has been used in 2020/21 to fund the costs of the consultancy relating to the options appraisal for office accommodation. An amount of £30,000 has been transferred into this reserve to be set aside to fund the employment of an HR Undergraduate placement for 12 months starting in 2021/22. This will support a number of corporate strategy aims in relation to learning and development in particular.

ICT Development Reserve

This reserve is used to fund expenditure on ICT equipment and to enable a programme of hardware replacement and systems development for the Authority. During the year, the income generated from the sales of in-house developed software to other organisations has been transferred into this reserve.

Capital Projects Reserve

This reserve was established in 2019/20 in order to earmark resources to finance the major projects that are included in the Corporate Strategy; these include the following:

a) New core business systems - Finance and HR / Staff Payroll.
b) Re-procurement of Pensions Administration System and associated implementation costs.
c) Office Accommodation - refurbishment and fit-out of new premises.

An amount of £588,967 has been transferred into this reserve at the end of the year from the under spend on the operational budget of the Authority. This will ensure that the reserve is sufficient to meet the costs associated with the projects outlined above, the majority of which will be incurred in 2021/22.

Note 9. Expenditure and Income Analysed By Nature

The Authority’s expenditure and income is analysed as follows:

2019/20 **£**	**Expenditure**	**2020/21** **£**
3,395,243	Employee Benefits Expenses	3,870,894
99,669	Amortisation	44,494
1,707,981	Other Service Expenses	1,585,729
621,062	Irrecoverable VAT Expense	362,541
296,000	Net Interest on the Net Defined Benefit Liability	280,000
6,119,955	**Total Expenditure**	**6,143,658**

2019/20 **£**	**Income**		**2020/21** **£**
	Fees, Charges & Other Service Income:		
(84,618)	Charges for provision of IT services and IT sales	(63,831)	
(32,980)	Charges for administration in relation to employer recharges for actuarial services	(37,100)	
(37,803)	Charges for administration in relation to payroll	(38,517)	
(4,997)	Charges to scheme members in relation to information provision on receipt of pension sharing orders upon divorce	(2,945)	
0	Other Income	(1,000)	
(160,398)	***Subtotal Fees, Charges and Other Service Income***		**(143,393)**

2019/20 **Restated** **£**	**Income**		**2020/21** **£**
	Other Operating Income:		
(6,066,660)	Charge to the South Yorkshire Pension Fund	(5,808,141)	
	Taxation Income		
(418,890)	Levy for Residual Liabilities	(363,642)	
(6,485,550)	***Subtotal Other Income***		**(6,171,783)**
(6,645,948)	**Total Income**		**(6,315,176)**
(525,993)	**Surplus on the Provision of Services**		**(171,518)**

Fees, Charges and Other Service Income - Recognition

Income from the provision of IT services and sales of internally developed IT systems to other public sector bodies is recognised in the period in which the services are provided. The £63,831 income in 2020/21 includes £57,894 (2019/20: £56,000) charged to the Office of the Police and Crime Commissioner and the South Yorkshire Joint Authorities Governance Unit for IT service provision; this is charged in four equal quarterly instalments on the basis of a set fee agreed for each financial year and the income is recognised in the year in which the services are provided.

An administration fee is charged to employers in order to cover the costs of the Authority in relation to the handling of requests and other requirements for various actuarial services including provision of reports and information. This is calculated as a percentage of the fees charged by the actuary for these services and the income is recognised in the period when the services are provided.

The administration fee in respect of payroll relates to the administering of deductions from pension for members who have a health insurance plan provided by Westfield Health and the payment of these to the provider. The fee is charged as a percentage of the total amount deducted and paid over on a monthly basis and the income is recognised in the month to which it relates.

Other Operating Income

The Authority incurs costs in the discharge of its functions as the administering authority of the South Yorkshire Pension Fund. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Authority charges its costs to the Fund as they are incurred. The total charge to the South Yorkshire Pension Fund is recognised as Other Operating Income in the Authority's CIES for the year to which it relates.

Taxation Income

The costs and expenses incurred in administering the residual liabilities of the former South Yorkshire Residuary Body are financed by a Levy issued to the four district councils of Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and Sheffield City Council. The Levy is charged in accordance with The Levying Bodies (General) Regulations 1992 and is allocated to each district in proportion to their populations. The total received is recognised as Taxation Income in the Authority's CIES for the year to which it relates.

Restatement

In the prior year statement of accounts, the Levy income as described above was presented within Other Operating Income. This has been corrected in 2020/21 and the comparative figures for 2019/20 have been restated accordingly within this note and on the face of the CIES. This is a change in classification only, there is no change to the total value of income recognised or the final Surplus on Provision of Services for the year.

Note 10. Property, Plant And Equipment

Movements in 2020/21:	**Vehicles, Plant, Furniture & Equipment (VPFE)**	**Assets Under Construction**	**Total Property, Plant and Equipment**
	£	**£**	**£**
Cost			
At 1 April 2020	59,859	0	**59,859**
Additions	13,285	29,311	**42,596**
At 31 March 2021	**73,144**	**29,311**	**102,455**
Accumulated depreciation			
At 1 April 2020	0	0	**0**
Depreciation charge	(17,026)	0	**(17,026)**
At 31 March 2021	**(17,026)**	**0**	**(17,026)**
Net Book Value At 31 March 2021	**56,118**	**29,311**	**85,429**
Net Book Value At 31 March 2020	**59,859**	**0**	**59,859**

Comparative Movements in 2019/20:	**Vehicles, Plant, Furniture & Equipment (VPFE) £**	**Assets Under Construction £**	**Total Property, Plant and Equipment £**
Cost			
At 1 April 2019	0	0	**0**
Additions	59,859	0	**59,859**
At 31 March 2020	**59,859**	**0**	**59,859**
Accumulated depreciation			
At 1 April 2019	0	0	**0**
Depreciation charge	0	0	**0**
At 31 March 2020	**0**	**0**	**0**
Net Book Value At 31 March 2020	**59,859**	**0**	**59,859**
Net Book Value At 31 March 2019	**0**	**0**	**0**

The VPFE assets shown above comprise laptop computers, the majority of which were purchased in March 2020 to enable all staff to work at home. The balance of £29,311 in Assets Under Construction comprises initial capital expenditure incurred on architect services in relation to design and fit out of new office accommodation for the Authority.

Capital Commitments

At 31 March 2021, the Authority has entered into a contract for design and project management services on the new office accommodation. The value of the contractual commitment as at 31 March 2021 is £109,595. This project commenced in February 2021. The procurement and contract awards in relation to the build and fit out works will take place during 2021/22.

Depreciation

· Vehicles, plant, furniture and equipment - It has been determined that the laptops have a useful economic life of 4 years.
Depreciation is charged over 48 months on a straight line basis commencing in the month following acquisition.

Note 11. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

In February 2020 the Authority extended the existing licence to February 2022 at a cost of £54,940 and this expenditure was accounted for as an addition to the gross carrying amount of the asset on the balance sheet. The useful life for this addition to the asset is two years from 13 February 2020 and is therefore being amortised over 24 months starting from March 2020.

The amortisation charge of £27,468 in 2020/21 (£99,669 in 2019/20) was charged to the ICT service line within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

2019/20 **Pensions Administration System** **£**		**2020/21** **Pensions Administration System** **£**
	Balance at Start of Year:	
486,900	Gross Carrying Amount	541,840
(389,520)	Accumulated Amortisation	(489,189)
97,380	**Net Carrying Amount at Start of Year**	**52,651**
54,940	Additions - Purchase	0
(99,669)	Amortisation for the Period	(27,468)
52,651	**Net Carrying Amount at End of Year**	**25,183**
	Comprising:	
541,840	Gross Carrying Amount	541,840
(489,189)	Accumulated Amortisation	(516,657)

Note 12. Financial Instruments

31 March 2020		31 March 2021
£		£
	Financial Assets at Amortised Cost	
2,168,497	Short Term Debtors	2,377,771
445	Cash and Cash Equivalents	445
2,168,942	**Total Financial Assets at Amortised Cost**	**2,378,216**
	Financial Liabilities at Amortised Cost	
(524,559)	Short Term Creditors	(499,317)
(524,559)	**Total Financial Liabilities at Amortised Cost**	**(499,317)**
1,644,383	**Total Financial Instruments**	**1,878,899**

The short term debtors classified as financial assets do not include prepayments.

The short term creditors classified as financial liabilities do not include statutory creditors in respect of taxes payable to HMRC.

Nature and Extent of Risks Arising From Financial Instruments

The Authority’s activities expose it to the following financial risks:

- Credit risk – the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.
- Liquidity risk – the risk that an entity (the Fund) will have difficulties in paying its financial liabilities.

As the Authority’s primary purpose is as the administrator of the South Yorkshire Pension Fund, the management of risk in relation to financial instruments is mainly relevant to the Fund itself and is covered in detail in Note 18 to the South Yorkshire Pension Fund Accounts that follow.

All of the Authority’s income and expenditure is charged directly to the Fund (or financed from the Levy in respect of residual liabilities), therefore market risks and liquidity risks are managed by the Fund.

All of the Authority’s financial instrument debtors and creditors are short term and have been assessed for likelihood of default. All are anticipated to be paid or received within 3 months.

Note 13. Short Term Debtors

31 March 2020		31 March 2021
£		£
108,945	Trade Receivables	232,599
161,207	Prepayments	311,137
2,059,552	Owed from Pension Fund	2,145,172
2,329,704	**Total**	**2,688,908**

Note 14. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2020		31 March 2021
£		£
445	Bank Current Accounts	445
445	**Total**	**445**

Note 15. Short Term Creditors

31 March 2020		31 March 2021
£		£
(422,521)	Trade Payables	(376,495)
(47,624)	Payable to HMRC - Employment Taxes	(58,751)
(785,600)	Payable to HMRC - VAT	(578,065)
(63,690)	Capital Creditors	(28,711)
(38,348)	Other Payables	(94,111)
(1,357,783)	**Total**	**(1,136,133)**

Note 16. Unusable Reserves

31 March 2020		Note 16	31 March 2021
£			£
(112,510)	Capital Adjustment Account	[a]	(110,612)
12,139,837	Pensions Reserve	[b]	13,875,275
38,348	Accumulated Absences Adjustment Account	[c]	82,047
12,065,675	**Total Unusable Reserves**		**13,846,710**

a) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition or subsequent costs such as depreciation, impairment losses and amortisation are charged to the Comprehensive Income & Expenditure Statement. The Account is credited with amounts set aside by the Authority as finance for the costs of acquisition or enhancement.

2019/20		2020/21
£		£
(97,380)	Balance at 1 April	(112,510)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
99,669	Amortisation of Intangible Assets	27,468
0	Depreciation of Vehicles, Plant, Furniture & Equipment	17,026
	Capital financing applied in the year:	
(114,799)	Capital Expenditure Charged Against the General Fund Balance	(42,596)
(112,510)	**Balance at 31 March**	**(110,612)**

b) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20		**2020/21**
£		**£**
12,505,298	Balance at 1 April	12,139,837
(360,000)	Remeasurement Of The Net Defined Benefit Liability	1,352,000
1,013,000	Reversal Of Items Relating To Retirement Benefits Debited or Credited to the Surplus On the Provision Of Services in the CIES	1,247,000
(1,018,461)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable In The Year	(863,562)
12,139,837	**Balance at 31 March**	**13,875,275**

The Pensions Reserve includes the reserve calculated for the residual liabilities; the breakdown is shown below:

31 March 2020		**31 March 2021**
£	**Pensions Reserve**	**£**
9,284,666	Authority	11,235,746
2,855,171	Residual Liabilities	2,639,529
12,139,837	**Total**	**13,875,275**

c) Accumulated Absences Adjustment Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2019/20			2020/21
£			£
0	Balance at 1 April		38,348
0	Settlement or cancellation of accrual made at the end of the preceding year	(38,348)	
38,348	Amounts accrued at the end of the current year	82,047	
38,348	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**43,699**
38,348	**Balance at 31 March**		**82,047**

Note 17. Cash Flow Statement - Operating Activities

The Surplus on Provision of Services has been adjusted for the following non-cash movements:

2019/20		**2020/21**
£		**£**
99,669	Amortisation	27,468
0	Depreciation	17,026
(5,461)	Movement in Pension Liability	383,438
0	Increase in Provisions	24,000
154,651	Increase / (Decrease) in Creditors	(186,671)
(724,074)	(Increase) in Debtors	(359,204)
(475,215)	**Total Adjustment for Non Cash Movements**	**(93,943)**

Note 18. Cash Flow Statement - Investing Activities

2019/20		**2020/21**
£		**£**
(51,109)	Purchase of Property Plant & Equipment	(77,575)
(51,109)	**Total Investing Activities**	**(77,575)**

The Authority does not have any financing cash flows. This is due to the nature of the Authority's work in that its sole purpose is to administer the South Yorkshire Pension Fund.

Note 19. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

		Further Details	Salary, fees and allowances £	Employer Pension Contributions £	Pension Contributions Provision* £	Total £
Director (Head of Paid Service)	2020/21	[a]	109,050	16,963		**126,013**
	2019/20		110,118	16,407		**126,525**
Head of Investment Strategy	2020/21		87,240	14,046	12,000	**113,286**
	2019/20		82,251	12,255	0	**94,506**
Head of Pensions Administration	2020/21		87,240	14,046	12,000	**113,286**
	2019/20		84,905	12,651	0	**97,556**
Head of Finance & Corporate Services	2020/21	[b]	76,335	12,290		**88,625**
	2019/20		57,945	8,634		**66,579**
Treasurer	2020/21	[c]	4,880	796		**5,676**
	2019/20		4,717	693		**5,410**
Monitoring Officer (June 2020 - March 2021)	2020/21	[d]	4,067	667		**4,734**
Monitoring Officer (April 2020- May 2020)	2020/21	[e]	1,051	171		**1,222**
	2019/20		6,025	886		**6,911**

*** Pensions Contribution Provision**

A provision has been made for the payment of additional employer pension contributions for the Head of Investment Strategy and the Head of Pensions Administration as shown in the table above.
This is in respect of a new Staff Retention Incentives Scheme introduced in 2020/21 to support succession planning. Under the terms of the scheme, the payment of £12,000 pension contributions for each of these officers is due in respect of service during 2020/21 but will only become payable at the end of three years if they remain in post until that time.
Consequently, the total amount of £24,000 has been recognised as a long term provision on the Balance Sheet as at 31 March 2021.

[a] The Director's job title changed from 'Fund Director' on 19 March 2020. Remuneration in 2019/20 included an arrears payment.

[b] The Head of Finance & Corporate Services started in post in May 2019. The post was re-graded with effect from 1 April 2020 following an independent job evaluation.

[c] The Treasurer role is provided by an officer of Barnsley MBC under a service level agreement. The Treasurer charged approximately 5% of salary in 2020/21 (2019/20: 5%), the annualised salary for 2020/21 was £97,613 (2019/20: £94,327).

[d] The Monitoring Officer role is provided by an officer of Barnsley MBC under a service level agreement. The role was fulfilled by a different officer with effect from June 2020 following the retirement of the previous role holder.
The Monitoring Officer charged approximately 5% of salary in 2020/21. The annualised salary was £81,344 in 2020/21.

[e] The previous Monitoring Officer role holder retired in May 2020. They charged approximately 5% of salary in 2020/21 (5% in 2019/20). The salary was £21,021 for the period April to May 2020. (£120,505 in 2019/20).

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2019/20 Number of employees	2020/21 Number of employees
£55,000-£59,999	1	1

Exit Packages

The Authority is required to report on the number and value of exit packages awarded to staff leaving the organisation on grounds of either voluntary or compulsory redundancy. There were two such packages in 2020/21 (2019/20: two), both of which were on the grounds of voluntary redundancy and were approved on the basis of being consistent with the aims of the re-organisation of Finance & Corporate Services.

Exit Package Cost Band	**2019/20**	**2020/21**
	Number of voluntary redundancies	**Number of voluntary redundancies**
£0 - £20,000	2	0
£40,000 - £60,000	0	1
£80,000 - £100,000	0	1

Note 20. Members' Allowances

In March 2020, a new Members' Allowances scheme for the Authority was approved for 2020/21.

Prior to the new scheme being approved, the cost of allowances for members of the Authority was borne by the individual district councils rather than by the Authority. Proper accounting practice would dictate that the costs of allowances solely concerned with the work of the Authority should be borne by the Authority and ultimately by the Pension Fund.

The district councils agreed that with effect from the 2020/21 financial year the Authority should create its own scheme of allowances and meet these costs directly. In order to create a valid scheme, the Authority commissioned an independent review so that members were not involved in setting their own remuneration. The scheme approved was based on the proposals resulting from this review.

However, the outcome of the review highlighted a difference between the former and proposed allowances for the Chair and Vice-Chair; given the difference and the fact that these members had been working to the requirements of the roles since June 2019, it was determined that the Authority would bear the cost of the new allowances for these members only for the relevant portion of the 2019/20 financial year.

The Authority paid a total of £61,493 for Members' Allowances in 2020/21. (2019/20: £13,921).

Note 21. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the statement of accounts:

2019/20 £		2020/21 £
31,833	Fees payable to Deloitte LLP with regard to external audit services carried out for the year	31,833
0	Fees payable to Deloitte LLP with regard to agreed additional costs for external audit services carried out for the previous year	17,500
(3,208)	Rebate receivable from Public Sector Audit Appointments Limited in respect of previous years' audit fees	0
28,625	**Total**	**49,333**

In carrying out their audit in relation to 2019/20, Deloitte incurred additional costs as a result of the COVID-19 pandemic which meant that the audit had to be carried out remotely and that additional testing was required in relation to the value of investments due to the uncertainty in the markets at 31 March 2020. It was agreed during 2020/21 that the Authority would contribute towards these additional costs and therefore an additional fee of £17,500 in this respect is payable as shown above.

Note 22. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party’s ability to bargain freely with the Authority.

South Yorkshire Pension Fund

The Pension Fund is a related party to the Authority as all expenditure (except for that financed by the Levy in relation to Residual Liabilities) is charged to the Fund.

During the year, the Authority paid a total of £499,920 (2019/20: £599,796) to the Fund in respect of employer pension contributions and received a total of £5,808,141 (2019/20: £6,066,660) from the Fund as the amount recharged for Authority expenditure for the year.

At 31 March 2021, there is a debtor balance of £2,145,172 (31 March 2020: £2,059,552) in the Authority's balance sheet for the sum due from the Fund.

In addition to the above, the Authority paid a total of £363,642 to the Fund as contributions for the unfunded benefits residual liabilities of the former South Yorkshire County Council and Residuary Body. The Authority's expenditure in this regard was financed by charging a levy for this amount to the four South Yorkshire districts (Barnsley MBC, Doncaster MBC, Rotherham MBC and Sheffield CC) in proportion to their populations.

Barnsley Metropolitan Borough Council

The statutory roles of Clerk, Treasurer and Monitoring Officer for the Authority are undertaken by officers of Barnsley MBC. Amounts paid to Barnsley MBC during the year included:

£170,907 (2019/20: £188,000) in respect of rent, service charges and other expenses including business rates, for the office accommodation leased from the Council;

£183,067 (2019/20: £177,000) in respect of fees for the Service Level Agreement through which the Council provides a range of support services to the Authority including Governance, HR, Audit and other corporate services.

Members

Members of the Authority have direct control over the Authority’s financial and operating policies. An examination of the Register of Members’ Interests confirms that there were no related party transactions to disclose.

Officers

Certain officers might also be in a position to influence significantly the policies of the Authority. No material related party transactions have been identified following consultation with relevant officers.

Note 23. Leases

Operating Leases - Authority as Lessee

The Authority currently leases its office accommodation from Barnsley MBC. The Authority moved to the premises in December 2018 and the lease rental of £88,000 per annum was agreed for a term of 5 years from the lease commencement date of 30 November 2018. There is a rent review due on 30 November 2021 and a lease break clause at the same date.

The future minimum lease payments due under the non-cancellable lease in future years are:

31 March 2020 £		31 March 2021 £
88,000	Not later than one year	58,667
58,667	Later than one year and not later than five years	0
146,667	**Total**	**58,667**

During 2020/21, the Authority carried out a review of its accommodation needs and made the decision to exercise the lease break option on its current office at 30 November 2021 in order to enter into a new lease for alternative office accommodation in Barnsley. The new lease commenced on 28 May 2021. This is therefore disclosed as a non-adjusting event after the reporting period. See Note 5 for details.

Note 24. Defined Benefit Pension Liability

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) for its employees, administered by the Authority itself, which is a defined benefit scheme. It is also a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The South Yorkshire Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. South Yorkshire Pensions Authority is the designated statutory body responsible for administering the South Yorkshire Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. Policy is determined in accordance with Pension Fund regulations.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields, and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions relating to post-employment benefits

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made to the Authority is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year.

2019/20		**2020/21**
£	**Comprehensive Income & Expenditure Statement**	**£**
	Cost of Services	
	Service Cost Comprising:	
750,000	Current Service Cost	754,000
12,000	Administration Expenses	12,000
(45,000)	Past Service Cost Including Curtailments	201,000
	Financing and Investment Income and Expenditure	
296,000	Net Interest Expense	280,000
1,013,000	**Total Post-Employment Benefits Charged to the Surplus on the Provision of Services**	**1,247,000**
	Other Post-Employment Benefits Charged To The Comprehensive Income And Expenditure Statement	
	Remeasurement of the Net Defined Benefit Liability Comprising:	
596,000	Return on Plan Assets (excluding the amount included in the net interest expense)	(4,389,000)
(1,338,000)	Actuarial Gains Arising on Changes Based on Demographic Assumptions	0
(124,000)	Actuarial (Gains) / Losses Arising on Changes in Financial Assumptions	6,351,000
506,000	Actuarial (Gains) / Losses Arising on Changes Based on Other Experience	(610,000)
(360,000)	**Total Post-Employment Benefits Charged to Other Comprehensive Income And Expenditure**	**1,352,000**
	Movement in Reserves Statement	
1,013,000	Reversal of Net Charges Made to the Surplus On Provision Of Services for Post-Employment Benefits in Accordance with the Code	**1,247,000**
(1,018,461)	Actual Amount Charged Against the General Fund Balance for Pensions in the Year: Employer's Contributions Payable to the Scheme	**(863,562)**
(5,461)	**Total Post-Employment Benefits Adjustment Recognised in Movement in Reserves Statement**	**383,438**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

31 March 2020 £		31 March 2021 £
(32,514,000)	Present Value of Funded Liabilities	(39,469,666)
(3,066,000)	Present Value of Unfunded Liabilities	(2,859,529)
23,441,000	Fair Value of Plan Assets	28,453,920
(12,139,000)	**Net Liability Arising from Defined Benefit Obligation**	**(13,875,275)**
	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	
23,369,000	**Opening Fair Value of Plan Assets At 1 April**	**23,441,000**
585,000	Interest Income	563,000
	Remeasurement Gain/(Loss):	
(596,000)	Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	4,389,000
(12,000)	Administration Expenses	(12,000)
1,006,000	Contributions from Employer	849,226
15,000	Contributions from Employer in Respect of Unfunded Benefits	14,336
156,000	Contributions from Employees Into the Scheme	164,000
(646,000)	Benefits Paid	(591,000)
(436,000)	Unfunded Benefits Paid	(363,642)
23,441,000	**Closing Fair Value of Plan Assets At 31 March**	**28,453,920**

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

31 March 2020 **£**		**31 March 2021** **£**
(35,876,000)	**Opening Balance At 1 April**	**(35,580,000)**
0	Rounding Adjustment	(837)
(35,876,000)	**Adjusted Opening Balance At 1 April**	**(35,580,837)**
(750,000)	Current Service Cost	(754,000)
(881,000)	Interest Cost	(843,000)
(156,000)	Contributions from Scheme Participants	(164,000)
	Remeasurement (Gains) And Losses:	
1,338,000	Actuarial Gains Arising on Changes Based on Demographic Assumptions	0
124,000	Actuarial (Gains) / Losses Arising on Changes in Financial Assumptions	(6,351,000)
(506,000)	Actuarial (Gains) / Losses Arising on Changes Based on Other Experience	610,000
86,000	Past Service Cost	0
(41,000)	Losses on Curtailment	(201,000)
646,000	Benefits Paid	591,000
436,000	Unfunded Benefits Paid	363,642
(35,580,000)	**Closing Balance At 31 March**	**(42,329,195)**
	Comprising:	
(32,514,000)	Present Value Of Funded Liabilities	(39,469,666)
(3,066,000)	Present Value Of Unfunded Liabilities	(2,859,529)
(35,580,000)		**(42,329,195)**

Local Government Pension Scheme Assets

The fair value of the plan assets held at 31 March 2021 comprised the following classes of assets:

Asset Category	Quoted Prices in Active Markets	Quoted Prices Not in Active Markets	Total as at 31 March 2021
	£	£	£
Cash and Cash Equivalents			
Cash Accounts	340,920	0	340,920
Equity Instruments			
UK	2,959,000	0	2,959,000
Global	10,926,000	0	10,926,000
Bonds			
UK Government Indexed	2,988,000	0	2,988,000
Overseas Government Fixed	740,000	0	740,000
UK Other	1,423,000	0	1,423,000
Overseas Other	825,000	0	825,000
Property			
UK	2,219,000	0	2,219,000
Property Funds	285,000	0	285,000
Alternatives			
Pooled Investment Vehicles	0	5,748,000	5,748,000
Total Assets	**22,705,920**	**5,748,000**	**28,453,920**

The fair value of the plan assets held at 31 March 2020 comprised the following classes of assets:

Asset Category	**Quoted Prices in Active Markets**	**Quoted Prices Not in Active Markets**	**Total as at 31 March 2020**
	£	**£**	**£**
Cash and Cash Equivalents			
Cash Instruments	352,000	0	352,000
Cash Accounts	469,000	0	469,000
Equity Instruments			
UK	2,952,000	0	2,952,000
Global	7,946,000	0	7,946,000
Bonds			
UK Government Indexed	2,954,000	0	2,954,000
Overseas Government Fixed	563,000	0	563,000
UK Other	1,266,000	0	1,266,000
Overseas Other	750,000	0	750,000
Property			
UK	2,016,000	0	2,016,000
Property Funds	211,000	0	211,000
Alternatives			
Pooled Investment Vehicles	0	3,962,000	3,962,000
Total Assets	**19,479,000**	**3,962,000**	**23,441,000**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc.

The defined benefit liability has been estimated by Mercer Limited, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary are as follows:

31 March 2020	**Financial Assumptions**	**31 March 2021**
% p.a		**% p.a**
2.10	CPI inflation/CARE benefits revaluation	2.70
3.35	Increase in Salaries	3.95
2.20	Increase in Pensions in Payment/Deferment	2.80
2.40	Discount Rate	2.10
	Mortality Assumptions	
31 March 2020		**31 March 2021**
Years	*Longevity at 65 for current pensioners*	**Years**
22.4	Men	22.5
25.2	Women	25.3
	Longevity at 65 for future pensioners	
23.9	Men	24.0
27.1	Women	27.2

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below is consistent with those used in the previous period.

	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	**Decrease in assumption**
Longevity (Increase or Decrease by 1 Year)	1,186,000	(1,186,000)
Rate of inflation (Increase or Decrease by 0.1% p.a)	765,000	(765,000)
Rate of Increase in Pay Growth (Increase or Decrease by 0.1% p.a)	157,000	(157,000)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 0.1% p.a)	(750,000)	750,000

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. These figures are based on IAS 19 assumptions, however using the actuarial assumptions during the latest valuation the funding level for the Authority has been calculated at just over 100%, the South Yorkshire Pension Fund has an agreed strategy with the actuary to maintain this level. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022.

The scheme takes account of the national changes that were introduced to the scheme under the Public Services Pensions Act 2013. The Act provided for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. Members started earning benefits under the new scheme from April 2014.

The Authority expects to pay employer's contributions for the period to 31 March 2022 of approximately £371,000 in relation to the Authority itself and of £363,000 in relation to the unfunded residual liabilities of the former South Yorkshire Residuary Body.

The average duration of the defined benefit obligation for funded scheme members is estimated to be 19 years and for unfunded members is estimated to be 5 years.

Note 25. Contingent Liabilities

At 31 March 2021, the Authority had one material contingent liability as follows.

The Authority, along with the other 10 partner funds of Border to Coast, has entered into a guarantee to fund the liabilities of Border to Coast should they become unable to meet them. At 31 March 2021 the value was calculated at £285,636 based on a 1/11 share of the total net defined pension liability (31 March 2020: £201,583; a 1/12 share of the total) purely on an accounting basis but the real value is uncertain and will, if it materialises, be calculated on a valuation basis which is different. The event is unlikely to ever occur, therefore no provision has been accounted for but instead this is disclosed as a contingent liability in line with the Code definition and as set out in Note 2 Accounting Policies.
The merger of two of the partner funds (Northumberland and Tyne & Wear) took effect from 1 April 2020 resulting in the Authority's share changing from 1/12 of the total at 31 March 2020 to 1/11 of the total at 31 March 2021.

SOUTH YORKSHIRE
PENSIONS AUTHORITY

South Yorkshire Pension Fund

Financial Statements & Notes 2020/21

South Yorkshire Pension Fund - Fund Account

2019/20 £000		Notes	2020/21 £000
	Dealings with Members, Employers and Others Directly Involved in the Fund		
(308,108)	Contributions	[7]	(282,816)
(37,063)	Transfers In from Other Pension Funds	[8]	(20,726)
(345,171)			**(303,542)**
308,182	Benefits	[9]	314,330
29,618	Payments To and On Account of Leavers	[10]	16,870
337,800			**331,200**
(7,371)	**Net (Additions)/Withdrawals from Dealings With Members**		**27,658**
49,419	Management Expenses	[11]	64,658
42,048	**Net (Additions)/Withdrawals Including Fund Management Expenses**		**92,316**
	Returns On Investments		
(73,456)	Investment Income	[12]	(68,114)
1	Taxes On Income	[12]	0
300,971	Profit And Losses on Disposal of Investments and Changes in the Value of Investments	[14b]	(1,715,874)
227,516	**Net Return on Investments**		**(1,783,988)**
269,564	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**(1,691,672)**
(8,439,965)	**Opening Net Assets of the Scheme**		(8,170,401)
(8,170,401)	**Closing Net Assets of the Scheme**		**(9,862,073)**

South Yorkshire Pension Fund - Net Assets Statement

31 March 2020 £000		Notes	31 March 2021 £000
	Long Term Investments		
833	Equities		1,182
	Investment Assets		
74,649	Equities		55,941
390,990	Fixed Interest Securities		409,648
170,737	Index Linked Securities		192,840
6,656,270	Pooled Investment Vehicles		8,296,976
697,748	Direct Property	[14a]	762,177
0	Derivative Contracts	[15]	186
159,720	Cash - Sterling		116,520
11,049	Cash - Foreign Currency		9,370
8,950	Other Investment Assets		7,443
	Investment Liabilities		
(11,995)	Derivative Contracts	[15]	(3,361)
0	Other Investment Liabilities		(4)
8,158,951	**Total Net investments**	[14a]	**9,848,918**
23,739	Current Assets	[21a]	26,472
604	Long Term Debtors	[21b]	39
8,183,294			**9,875,429**
(12,893)	Current Liabilities	[22]	(13,356)
8,170,401	**Net Assets of the Fund Available to Fund Benefits at the End of the Reporting Period**		**9,862,073**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes To The South Yorkshire Pension Fund For The Year Ended 31 March 2021

Note 1. Description Of Fund

The South Yorkshire Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by South Yorkshire Pensions Authority.

a) General

The LGPS is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following scheme legislation:
- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by South Yorkshire Pensions Authority (the Authority) to provide pensions and other benefits for pensionable employees of South Yorkshire Pensions Authority, the four district councils in South Yorkshire and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Authority, which consists of 12 councillors appointed by the District Councils roughly in proportion to population. In addition, 3 representatives of the recognised Trades Unions act as observers to represent the interests of scheme members.
In accordance with the requirements of the Public Services Pensions Act 2013, the Authority has established a Local Pension Board. The Board holds regular meetings and provides oversight, challenge and scrutiny over how the administering authority exercises its responsibilities. It publishes its own annual report which is available on the Authority’s website and within the Annual Report.

The Border to Coast Pensions Partnership (Border to Coast) was created in response to Government policy on the pooling of investments. South Yorkshire Pension Fund, along with 10 other partner funds, are equal shareholders in the company. Most of the Fund's equity investments have been managed by Border to Coast since July 2018 and transition of the Fund's assets from internal management to Border to Coast is a continuing process that is expected to take a number of years to complete fully. At 31 March 2021, approximately 63% of the Fund's assets were being managed in pooled structures provided by Border to Coast.
Asset allocation remains the responsibility of the Authority.

Other investments are managed internally, with the assistance of advisors on real estate matters, in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. The Authority has a retained actuary, Mercer Limited, and has appointed an independent investment advisory panel.

Further information is available in the Annual Report available from the Fund's website at www.sypensions.org.uk

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the South Yorkshire Pension Fund include:
- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation.

Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

South Yorkshire Pension Fund	**31 March 2020**	**31 March 2021**
Number of Employers with Active Members	526	533
Number of Employees (Active Contributors)	49,866	51,050
Number of Pensioners	55,189	57,308
Number of Deferred Pensioners *	56,422	58,511
Total Number of Members in the Pension Scheme	**161,477**	**166,869**

* Includes 9,073 unprocessed leavers at 31 March 2021 (5,483 at 31 March 2020).

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employer contributions are set based on triennial actuarial funding valuations. The latest triennial valuation was undertaken as at 31 March 2019 and this determined the employer contribution rates payable from April 2020 to March 2023. These rates ranged from 12.5% to 30.8% of pensionable pay in 2020/21.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided under the scheme including early retirement, disability pensions and death benefits, as explained on the LGPS website at www.lgpsmember.org.

e) Investment Performance

The 2020/21 financial year has been extraordinary in that we have been impacted by the worst global pandemic since the Spanish Flu of 1918.
In equity markets, a bear market at the end of March 2020 quickly transformed into a bull market as investors became reassured by the extent of the monetary and fiscal support being delivered. Markets also had to contend with protracted negotiations over the terms of the UK's trade agreement with the European Union and one of the most contentious US elections seen. With a Brexit deal agreed the uncertainty of a no-deal Brexit evaporated and the UK market rallied in the final quarter of the financial year. Markets globally continued to reach new highs during the financial year, especially with the further impetus provided by the potential for the vaccine roll-out to generate a more sustainable recovery.

Bond markets lagged this year with the higher risk emerging market bonds and high yield bond markets being the areas to add performance.
The oil price reached a 17-year low in April but then started to recover slowly during the summer months as economies started to come out of the first lockdown and showed stronger upward movements during the winter months as the vaccine roll-out led to hopes of a strong economic rebound.

Direct property transactions started to be evidenced in the second half of the year but the returns in the market were very polarised. Consumer facing sectors such as retail, leisure and hotels continued to face challenging trading conditions whilst supermarket and industrial sectors continued to show relative resilience. Our longer-term stance has been to be overweight in the south-east industrial sector which has been comparatively robust, and to be underweight in the retail sector and this led to outperformance of the benchmark.
Market returns show that this recession was unusual in that the recovery was not due to fundamental economic issues. Instead, it was due to large scale fiscal and central bank responses with many companies performing better than expected due to government support and increasing demand.

In terms of asset allocation for the Fund, there continued to be a reduction in the overall cash exposure in order to fund new investments within the alternative asset classes of private equity, private debt, infrastructure and property.
The equity protection that the Fund had had in place for two years rolled off in April 2020 and a decision was taken that, given that the Fund had been de-risking its overall strategy and given the market conditions prevailing at that time, it was not necessary to renew this protection. The strategy had worked as anticipated. There was a negative impact to performance in April because markets were rising as the options were expiring but even given this, the Fund delivered a return of 21.1% over the year against an expected return of 18% (-3.6% in 2019/20 against an expected return of -4.5%) and it had a market value (net investment assets only) of £9,848 million at 31 March 2021 (£8,159 million at 31 March 2020).

Note 2. Basis Of Preparation

The Statement of Accounts summarises the Fund's transactions for 2020/21 and its financial position at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code for the relevant financial year. There are no such accounting changes to be disclosed in this respect for 2020/21.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the notes to the accounts, or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 20.

The accounts have been prepared on a going concern basis.

Note 3. Summary of Significant Accounting Policies

The following accounting policies have been applied consistently during the financial year and the previous financial year.

Fund Account - Revenue Recognition

a) Contribution Income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they related.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body or on receipt if received earlier than the due date. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers To / From Other Schemes

Transfers in and out relate to members who have either joined or left the fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment Income

i. Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii. Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as an investment asset.

iii. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as an investment asset.

iv. Property-related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a straight-line basis over the term of the lease. Rental income is recognised in the Fund Account as it accrues and any amounts received in respect of the future year are disclosed in the Net Assets Statement as current liabilities.

v. Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account - Expense Items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance, Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative Expenses	All costs incurred by the Authority in respect of pensions administration are accounted for on an accruals basis and charged to the Fund.
Oversight and Governance	All costs incurred by the Authority in respect of Oversight and Governance are accounted for on an accruals basis and are charged to the Fund.
Investment Management Expenses	Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments. Fees of the external investment managers, property advisor and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. All costs incurred by South Yorkshire Pensions Authority internally in respect of investment management expenses are accounted for on an accruals basis and are also charged to the Fund.

Net Assets Statement

g) Financial Assets

The shares held as an unquoted equity investment in Border to Coast Pensions Partnership Ltd, are valued at cost - i.e. transaction price - as an appropriate estimate of fair value. It has been determined that cost remains an appropriate proxy for fair value at 31 March 2021. There is no market in the shares held and cost is a reasonable estimate of fair value. See Note 4 for further details.

All other financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of the fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and Leasehold Properties

Properties are valued quarterly by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards, see Note 16 for more details.

i) Foreign Currency Transactions

Dividends, interest, and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

k) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Loans and Receivables

Financial assets classed as amortised cost are carried in the Net Assets Statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

m) Financial Liabilities

A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from the changes in the fair value of the liability between contract date, the year-end and the eventual settlement date are recognised in the Fund Account as part of the change in market value of the investments.

Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the Net Assets Statement is the outstanding principal repayable plus any accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

n) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standards (IAS) 19 and relevant accounting standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

o) Additional Voluntary Contributions

The South Yorkshire Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 23.

p) Contingent Liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.
Contingent liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

Note 4. Critical Judgements In Applying Accounting Policies

Pension Fund Liability

The net pension fund liability is re-calculated every three years by the appointed actuary, Mercer Limited, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Notes 19 and 20. Actuarial re-valuations are used to set future contribution rates and underpin the Fund’s most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Investment in Border to Coast

This investment has been valued at cost, i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shares held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured so as not to make a profit. As at 31 March 2021, taking consideration of audited accounts for the company at 31 December 2020, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that cost remains an appropriate proxy for fair value at 31 March 2021.

Directly Held Property

The Fund’s property portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods between three months and ten years. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by IAS 17 and the Code, therefore the properties are retained on the Net Assets Statement at fair value. Rental income is recognised in the Fund Account on a straight-line basis over the life of the lease.

Private Equity

It is important to recognise the highly subjective nature of determining the fair value of unquoted private equity investments. They are inherently based on forward looking estimates and it is necessary to apply judgement to the valuation. Unquoted private equities and infrastructure investments are valued by the investment managers in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

Note 5. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made. The items in the net assets statement for which there is a significant risk of material adjustment for the following year are as follows:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The funding position at the most recent triennial valuation as at 31 March 2019 was a deficit of £63 million. The following examples illustrate the sensitivity of this figure to changes in the key assumptions: • a 0.25% reduction in the real investment return would increase the deficit by £379 million • a 0.25% increase in salary growth would increase the deficit by £32 million • a 0.25% per annum reduction in the long term improvement rate of life expectancy would reduce the deficit by £64 million • a 25% fall in assets would increase the deficit by £2,110 million
Private equity investments (Note 16)	Private equity instruments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation guidelines (2012). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £1,658 million at 31 March 2021 (£1,231 million at 31 March 2020) in the financial statements. Based on the assessed level of volatility using the same methodology as outlined in the sensitivity analysis shown in Note 18, if prices fell by 8.2% this would reduce the value of these assets by £136 million.

Investments in private equity funds are valued based on the Fund’s share of the net assets in the private equity fund using the latest financial statements published by the respective fund managers. The 31 December valuations are normally used, and rolled forward for known cash flows to derive the valuation at 31 March, on the basis that any changes in market value from 31 December to 31 March would be unlikely to be material.

Each year, the reasonableness of this assumption is reviewed and checked against the fund manager statements at 31 March as they become available. The review of fund manager statements for 31 March 2021 indicated a material movement, therefore the valuations for these investments have been measured on the basis of the fund manager reports as at 31 March 2021 where available in order to take into account market movement from January to March 2021. The values at which these are carried in the Net Assets Statement on this basis is £130.8 million higher than if the valuations had been based on the 31 December 2020 financial statements and rolled forward.

Freehold, leasehold property and pooled property funds (Note 16)	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could all affect the fair value of property-based investments. The total value of property investments in the Net Assets Statement is £860 million including both directly held property and property held in pooled investment vehicles. At 31 March 2021 there is a range of potential outcomes. Note 18 shows the effect, based on an assessed volatility range, of a fall of 4% in these property values. For illustrative purposes, a fall of 10% would result in a reduction to the values in the Net Assets Statement of £85.7 million. However, it should be noted that this is illustrative only and is not necessarily indicative of the actual effects that would be experienced.

Property Valuations - COVID-19

In the accounts for the previous year ended 31 March 2020, it was reported that there was additional uncertainty over the valuations of property investments due to the impact of COVID-19. For this year ended 31 March 2021, this additional uncertainty arising from the pandemic has reduced sufficiently that the valuation report from our valuers is no longer subject to a material uncertainty clause. The professional valuers commissioned by the Fund to value the directly held property as at 31 March 2021 have provided the following commentary.

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

Note 6. Events After The Reporting Period

The Statement of Accounts was authorised for issue on 28 May 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7. Contributions Receivable

By Category

2019/20 £000		2020/21 £000
60,269	**Employees' Contributions**	**63,014**
	Employers' Contributions *	
217,118	Normal Contributions	193,420
24,047	Deficit Recovery Contributions	20,720
6,674	Augmentation Contributions	5,662
247,839	**Total Employers' Contributions**	**219,802**
308,108	**Total Contributions Receivable**	**282,816**

By Employer Type

2019/20 £000		2020/21 £000
716	Administering Authority	624
	Scheduled Bodies:	
20,981	Barnsley Metropolitan Borough Council	24,803
12,565	Doncaster Metropolitan Borough Council	51,281
24,523	Rotherham Metropolitan Borough Council	55,315
138,012	Sheffield City Council	25,733
96,323	Other Scheduled Bodies	111,278
14,988	Admitted Bodies	13,782
308,108		**282,816**

*** Employer Contributions: Prepayments**

In April 2020, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and one Other Scheduled Body (South Yorkshire Fire & Rescue Authority) made prepayments in relation to their employer contributions due for the period April 2020 to March 2023. By making the payments early, the cash amounts payable over the period are reduced. The amount of the prepayment and the discount applied were calculated by the Fund's actuary based on an estimate of the pensionable pay for each employer over the 3 year period. The prepayments amounted to £87.366 million in respect of normal contributions. These amounts have been accounted for in the period received and are included in the figures shown above for 2020/21.

Additionally, Barnsley Metropolitan Borough Council and 46 Other Scheduled Bodies (primarily Multi Academy Trusts and large employers including South Yorkshire Fire & Rescue Authority and The Chief Constable) opted to make prepayments in relation to their deficit recovery contributions due for the period April 2020 to March 2023. The cash amount payable for these contributions over the period is similarly reduced as a result of the early payment, and this discount is calculated by the Fund's actuary. The prepayments of these deficit recovery contributions amounted to £13.241 million, accounted for in the period received and included in the relevant figures shown above for 2020/21.

Sheffield City Council made a prepayment in the final quarter of 2019/20 in relation to their employer contributions due for the period April 2020 to March 2023 on the same principles as outlined above. The prepayment amounted to £87.551 million in respect of normal contributions and £3.169 million in respect of deficit recovery contributions. These amounts were accounted for in the period received and are included in the figures shown above for 2019/20.

Note 8. Transfers In From Other Pension Funds

2019/20 **£000**		**2020/21** **£000**
0	Group Transfers	0
37,063	Individual Transfers	20,726
37,063		**20,726**

Note 9. Benefits Payable

By Category

2019/20 £000		2020/21 £000
239,618	Pensions	250,114
63,216	Commutation and Lump Sum Retirement Benefits	56,345
5,348	Lump Sum Death Benefits	7,871
308,182		**314,330**

By Employer Type

2019/20 £000		2020/21 £000
1,009	Administering Authority	673
	Scheduled Bodies:	
41,771	Barnsley Metropolitan Borough Council	41,194
44,740	Doncaster Metropolitan Borough Council	46,269
43,883	Rotherham Metropolitan Borough Council	44,369
93,030	Sheffield City Council	93,648
57,584	Other Scheduled Bodies	59,102
26,165	Admitted Bodies	29,075
308,182		**314,330**

Note 10. Payments To And On Account of Leavers

2019/20 £000		2020/21 £000
439	Refunds to Members Leaving Service	365
7,981	Group Transfers	0
21,286	Individual Transfers	16,507
(88)	Payments for Members Joining State Scheme	(2)
29,618		**16,870**

Note 11. Management Expenses

2019/20 £000		2020/21 £000
3,025	Administrative Costs	2,962
44,478	Investment Management Expenses [Note 11a]	59,600
1,916	Oversight and Governance Costs	2,096
49,419		**64,658**

Note 11a. Investment Management Expenses

2019/20 £000		2020/21 £000
596	Internal Management Costs	506
2,066	External Management Costs - Border To Coast	3,891
451	Bond Manager	0
1,169	Property Advisor Fees	1,190
469	Equity Protection Manager	10
79	Custody	38
30	Research Fees	28
1,331	Transaction Costs	1,295
37,790	Management Fees Deducted At Source	52,431
497	Irrecoverable VAT	211
44,478		**59,600**

In accordance with CIPFA guidance management fees deducted at source and transaction costs are shown gross.

Wherever possible these figures are based on actual costs disclosed by the manager; where this is not available, best estimates have been made using other available information.

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

Note 12. Investment Income

2019/20 £000		2020/21 £000
2,636	Income from Equities	971
30,167	Income from Fixed Interest Securities	28,409
2,623	Income from Index-Linked Securities	1,846
8,004	Income from Pooled Investment Vehicles	9,381
27,308	Net Property Income [Note 12a]	26,640
2,232	Interest on Cash Deposits	353
174	Stock Lending	129
312	Other	385
73,456	**Total Before Taxes**	**68,114**
(1)	Irrecoverable Withholding Tax on Equities	0
73,455	**Net Investment Income**	**68,114**

The Fund’s equity holdings, together with its investment grade and index linked bond holdings, are now managed in pooled funds provided by Border to Coast and there is no direct income from those funds; the value of that income is instead reflected within the valuation of the Fund holdings. The income is accumulated and reinvested; therefore, the value of the income is reflected in the price of the units held and would only be realisable by the Fund by selling the units. The value of this re-invested income is reported separately and is shown below for information.

	Re-Invested Income In Border to Coast Pooled Investment Vehicles	
48,805	Border to Coast UK	30,795
61,498	Border to Coast Developed Overseas	53,370
18,965	Border to Coast Emerging Markets	16,775
0	Border to Coast Sterling Index Linked Bonds	527
129,268		**101,467**

Note 12a. Property Income

2019/20 £000		2020/21 £000
28,189	Rental income	28,752
210	Other dividends and interest	0
(1,091)	Direct operating expenses	(2,112)
27,308	**Net income**	**26,640**

No contingent rents have been recognised as income during the period.

Note 13a. Other Fund Account Disclosures - External Audit Costs

2019/20 £000		2020/21 £000
32	Fees Payable in Respect of External Audit	49
32		**49**

The external audit costs total above is included within the Oversight and Governance costs shown in Note 11.

Note 13b. Other Fund Account Disclosures - Irrecoverable VAT

2019/20 £000		2020/21 £000
75	Irrecoverable VAT Included in Administration Cost	101
497	Irrecoverable VAT Included in Investment Management Expense	211
49	Irrecoverable VAT Included in Oversight & Governance Cost	50
621		**362**

Unlike other local authorities, the Authority does not currently have Section 33 status under the VAT Act 1994 that would enable it to reclaim VAT incurred. This is due to its unique nature as a local authority with the sole purpose of administering the Pension Fund. Instead, a special exemption method agreed with HMRC is used for reclaiming a proportion of the Authority's VAT expense only. The remaining proportion that is not recoverable is charged to the management expenses of the Fund as outlined above. This irrecoverable proportion is approximately 65% of the total VAT expense incurred. The amounts shown here are included in the respective totals shown in Note 11.

Note 14a. Investments

2019/20 £000		2020/21 £000	2020/21 £000
	Long Term Investments		
833	Equities	1,182	**1,182**
	Investment Assets		
	Equities		
74,649	Overseas Quoted	55,941	
74,649			**55,941**
	Fixed Interest Securities		
79,071	UK Corporate Bonds	68,727	
140,137	Overseas Public Sector Quoted	184,698	
171,782	Overseas Other Quoted	156,223	
390,990			**409,648**
	Index Linked Securities		
68,685	UK Public Sector Quoted	192,840	
102,052	UK Corporate Bonds	0	
170,737			**192,840**
	Pooled Investments		
	UK		
1,028,787	Equities	1,025,943	
95,810	Private Equity	119,766	
47,050	Credit	54,361	
83,805	Infrastructure	126,967	
1,480,613	Other Managed Funds	1,438,514	
	Overseas		
2,687,165	Equities	3,722,241	
476,469	Private Equity	695,479	
292,792	Credit	356,991	
235,313	Infrastructure	304,930	
99	Hedge Fund of Funds	0	
152,001	Other Managed Funds	352,190	

Note 14a. Investments

2019/20 £000	Pooled Investments (continued)	2020/21 £000	2020/21 £000
	Indirect Property		
62,402	UK Property	86,038	
13,964	Overseas Property	13,556	
6,656,270			**8,296,976**
	Direct Property		
575,552	UK Freehold	643,569	
108,495	UK Leasehold	104,645	
13,701	UK Other	13,963	
697,748			**762,177**
	Derivative Contracts		
0	Forward Currency Contracts	186	
	Cash Deposits		
159,720	Sterling	116,520	
11,049	Foreign Currency	9,370	
	Receivables		
8,752	Investment Income Due	7,443	
198	Amounts Receivable - Sales	0	
8,170,946	**Total Investment Assets**		**9,852,283**
	Investment Liabilities		
	Derivative Contracts		
(11,995)	Forward Currency Contracts	(3,361)	
0	Amounts Payable - Purchases	(4)	
(11,995)	**Total Investment Liabilities**		**(3,365)**
8,158,951	**Net Investment Assets**		**9,848,918**

Note 14b. Reconciliation Of Movements In Investments And Derivatives

Period 2020/21	**Market value 1 April 2020**	**Purchases during the year and derivative payments**	**Sales during the year and derivative receipts**	**Change in value during the year**	**Market value 31 March 2021**
	£000	**£000**	**£000**	**£000**	**£000**
Equities	75,482	348	(44,386)	25,679	**57,123**
Fixed Interest Securities	390,990	165,322	(101,384)	(45,280)	**409,648**
Index Linked Securities	170,737	1,857,480	(1,939,990)	104,613	**192,840**
Pooled Investments	6,656,270	540,593	(497,026)	1,597,139	**8,296,976**
Property	697,748	58,565	0	5,864	**762,177**
	7,991,227	**2,622,308**	**(2,582,786)**	**1,688,015**	**9,718,764**
Derivative Contracts:					
Forward Currency Contracts	(11,995)	7,372	(27,946)	29,394	**(3,175)**
	7,979,232	**2,629,680**	**(2,610,732)**	**1,717,409**	**9,715,589**
Other Investment Balances:					
Cash Deposits	170,769			(1,535)	125,890
Other Investment Assets	8,950				7,443
Other Investment Liabilities	0				(4)
Net Investment Assets	**8,158,951**			**1,715,874**	**9,848,918**

Period 2019/20	**Market value 1 April 2020**	**Purchases during the year and derivative payments**	**Sales during the year and derivative receipts**	**Change in value during the year**	**Market value 31 March 2020**
	£000	**£000**	**£000**	**£000**	**£000**
Equities	176,842	841	(92,063)	(10,138)	**75,482**
Fixed Interest Securities	826,372	661,153	(538,153)	(558,382)	**390,990**
Index Linked Securities	267,475	53,139	(125,491)	(24,386)	**170,737**
Pooled Investments	6,131,698	383,236	(186,194)	327,530	**6,656,270**
Property	687,245	39,679	(6,349)	(22,827)	**697,748**
					0
	8,089,632	**1,138,048**	**(948,250)**	**(288,203)**	**7,991,227**
Derivative Contracts:					
Forward Currency Contracts	(481)	25,001	(18,777)	(17,738)	**(11,995)**
	8,089,151	**1,163,049**	**(967,027)**	**(305,941)**	**7,979,232**
Other Investment Balances:					
Cash Deposits	325,774			4,970	170,769
Other Investment Assets	15,161				8,950
Other Investment Liabilities	(94)				0
Net Investment Assets	**8,429,992**			**(300,971)**	**8,158,951**

Note 14c. Investments Analysed By Fund Manager

Market value 31 March 2020			Market value 31 March 2021	
%	**£000**		**£000**	**%**
Investments managed by Border to Coast Pensions Partnership:				
0.0%	0	Border to Coast Sterling Index Linked Bonds	837,108	8.5%
12.6%	1,028,787	Border to Coast UK	1,025,943	10.4%
25.9%	2,111,628	Border to Coast Developed Overseas	2,935,183	29.8%
7.1%	575,537	Border to Coast Emerging Markets	787,058	8.0%
5.4%	439,639	Border to Coast Investment Grade Credit	487,249	5.0%
0.2%	13,791	Border to Coast Private Equity Series	50,649	0.5%
0.0%	0	Border to Coast Private Credit Series	6,753	0.1%
0.1%	12,446	Border to Coast Infrastructure Series	43,376	0.4%
51.3%	**4,181,828**		**6,173,319**	**62.7%**
Investments managed outside of Border to Coast Pensions Partnership:				
48.7%	3,977,123	South Yorkshire Pensions Authority	3,675,599	37.3%
48.7%	**3,977,123**		**3,675,599**	**37.3%**
100.0%	**8,158,951**	**Total Net Investment Assets**	**9,848,918**	**100.0%**

The following investments each represent 5% or more of the net assets of the Fund.

%	£000	Security	£000	%
0.0%	0	Border to Coast Sterling Index Linked Bonds	837,108	8.5%
12.6%	1,028,787	Border to Coast UK	1,025,943	10.4%
25.9%	2,111,628	Border to Coast Developed Overseas	2,935,183	29.8%
7.1%	575,537	Border to Coast Emerging Markets	787,058	8.0%
5.4%	439,639	Border to Coast Investment Grade Credit	487,249	5.0%
12.1%	984,803	Schroder Matching Plus (Equity Protection)	0	0.0%
	5,140,394		**6,072,541**	

Note 14d. Stock Lending

The Fund’s investment strategy sets the parameters for its stock lending programme. At the year end, the value of assets on loan was as shown below. These assets continue to be recognised in the Fund’s financial statements. No liabilities are associated with the loaned assets.
Counterparty risk is managed through holding collateral at the Fund’s custodian bank; the value of collateral held at year end is also shown below.

31 March 2020 £000		31 March 2021 £000
	Assets on Loan	
9,050	UK Corporate Bonds	3,935
11,318	Overseas Corporate Bonds	26,461
20,301	Overseas Government Bonds	40,602
40,669	**Total Value of Stock on Loan**	**70,998**
	Collateral Held	
3,286	UK Gilts	11,199
42,217	Overseas Bonds	64,505
45,503		**75,704**

Income generated from stock lending in the year was £0.129 million (2019/20: £0.174 million) as shown in note 12. This income has reduced in the last two years due to the transition of UK and overseas equities into the Border to Coast Pensions Partnership pool. The current stocks on loan as shown above comprise the Fund's Bonds assets and reflect the lending activity required in order to generate the level of income currently being achieved.

Note 14e. Property Holdings

The Fund's investment property portfolio comprises investments in pooled property funds and a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows.

2019/20 £000		2020/21 £000
675,492	**Opening balance**	**684,047**
	Additions:	
29,750	Purchases	54,780
6,023	New Construction	449
1,906	Subsequent Expenditure	3,336
(6,350)	Disposals	0
(22,774)	Net Increase / (Reduction) in Market Value	5,602
684,047	**Closing balance**	**748,214**

In the accounts for the previous year ended 31 March 2020, it was reported that there was additional uncertainty over the valuations of property holdings due to the impact of COVID-19. For this year ended 31 March 2021, this additional uncertainty arising from the pandemic has reduced sufficiently that the valuation report from our valuers is no longer subject to a material uncertainty clause. Further details regarding this assessment are disclosed in Note 5.

The Fund holds a number of buildings in prime locations. There are no legal restrictions on the ability to realise these properties or on the remittance of income or disposal proceeds, although the Fund recognises that it could take six months to achieve disposal on favourable terms.

As at 31 March 2021, there was one vacant property (31 March 2020: nil) and seven (31 March 2020: nine) vacant units across the property portfolio. Repairs and maintenance of the properties are either directly with the occupant of the property or via a service charge. Each lease sets out the condition in which a property should be left at the end of the tenancy and states that any cost to restore it to this condition is the responsibility of the tenant.

Note 15. Analysis Of Derivatives

The Fund uses currency hedging to manage risk, its foreign currency exposure and volatility in the bond and property fund portfolio. The exposure is in US Dollar and Euro denominated assets and has been transacted by forward currency contracts with the custodian bank, whereby the parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

Settlement	**Currency bought**	**Local Value £000**	**Currency Sold**	**Local Value 000**	**Asset Value £000**	**Liability Value £000**
Up to Three Months	GBP	11,165	EUR	13,000	76	0
Up to Three Months	GBP	236,198	USD	330,000	0	(2,926)
Up to Three Months	GBP	3,435	EUR	4,000	23	0
Up to Three Months	GBP	35,072	USD	49,000	0	(435)
Up to Three Months	GBP	12,883	EUR	15,000	87	0
Open forward currency contracts at 31 March 2021					**186**	**(3,361)**
Net forward currency contracts at 31 March 2021						**(3,175)**
Open forward currency contracts at 31 March 2020					**0**	**(11,995)**
Net forward currency contracts at 31 March 2020						**(11,995)**

Note 16. Fair Value - Basis Of Valuation

The shares held as unquoted equities in our pool, Border to Coast Pensions Partnership Ltd, are valued at cost, i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shares held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured so as not to make a profit. As at 31 March 2021, taking consideration of audited accounts for the company at 31 December 2020, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that cost remains an appropriate proxy for fair value at 31 March 2021.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of asset	**Valuation hierarchy**	**Basis of valuation**	**Observable and unobservable inputs**	**Key sensitivities affecting the valuations provided**
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Exchange traded pooled investments and property funds	Level 1	Closing bid value on published exchanges	Not required	Not required
Bonds	Level 2	Average of broker prices (Valued on a "clean basis" i.e. not including accrued interest)	Evaluated price feeds/Composite prices	Not required
Pooled investments - listed debt funds and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis or a single price advised by the fund manager	Not required

Description of asset	**Valuation hierarchy**	**Basis of valuation**	**Observable and unobservable inputs**	**Key sensitivities affecting the valuations provided**
Pooled investments - limited partnerships, hedge fund of funds, other funds and property funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by post balance sheet events, gating or closing of pooled property funds, changes to expected cash flows, or by any differences between audited and unaudited accounts.
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by Jones Lang LaSalle for the commercial portfolio and Fisher German for the agricultural portfolio in accordance with the *RICS Valuation – Professional Standards* January 2014	• Existing lease terms and rentals • Independent market research • Vacancy levels • Estimated rental growth • Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.

Sensitivity Of Assets Valued At Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

	Assessed valuation range (+/-)	**Value at 31 March 2021**	**Value on increase**	**Value on decrease**
		£000	**£000**	**£000**
UK Unquoted Equities	0%	1,182	1,182	1,182
Overseas Equities	14%	885	1,009	761
Pooled Investment Vehicles	8%	1,690,432	1,825,667	1,555,197
Pooled Property Funds	4%	64,390	66,966	61,814
Freehold & Leasehold Property	4%	748,214	778,143	718,285
Other Property (Wholly Owned Subsidiaries)	4%	13,963	14,521	13,405
		2,519,066	**2,687,488**	**2,350,644**

Note 16a. Fair Value Hierarchy

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data. This includes composite prices for fixed income instruments and fund net asset value prices.

Level 3

Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.
Such instruments include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.
Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association or other professional bodies.

The table that follows provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2021	**Quoted Market Price** **Level 1** **£000**	**Using Observable Inputs** **Level 2** **£000**	**With Significant Unobservable Inputs** **Level 3** **£000**	**Total** **£000**
Financial assets at fair value through profit and loss	341,959	6,862,002	1,769,671	8,973,632
Non-financial assets at fair value through profit and loss (Note 14e)	0	0	748,214	748,214
Net investment assets	**341,959**	**6,862,002**	**2,517,885**	**9,721,846**

The following assets were carried at cost:

Values at 31 March 2021	**Total** **£000**
Investments in Border to Coast Pensions Partnership Pool	1,182
Investments held at cost	**1,182**

Reconciliation to Net Assets Statement	
Total Analysed Above	9,723,028
Plus Cash - Sterling	116,520
Plus Cash - Foreign Currency	9,370
Total Net Investments per Net Assets Statement	**9,848,918**

Values at 31 March 2020	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	191,887	5,801,541	1,309,874	7,303,302
Non-financial assets at fair value through profit and loss (Note 14e)	0	0	684,047	684,047
Net investment assets	**191,887**	**5,801,541**	**1,993,921**	**7,987,349**

The following assets were carried at cost: **Values at 31 March 2020**				**Total** **£000**
Investments in Border to Coast Pensions Partnership Pool				833
Investments held at cost	**0**	**0**	**0**	**833**

Reconciliation to Net Assets Statement	
Total Analysed Above	7,988,182
Plus Cash - Sterling	159,720
Plus Cash - Foreign Currency	11,049
Total Net Investments per Net Assets Statement	**8,158,951**

Note 17a. Classification Of Financial Instruments

The financial instruments of the Fund comprises its investment assets, debtors and creditors as shown in the Net Assets Statement. Property held is classified as investment property and is not a financial instrument so is not included in the classification below.

31 March 2020				31 March 2021		
Fair value through profit and loss	**Assets at amortised cost**	**Liabilities at amortised cost**		**Fair value through profit and loss**	**Assets at amortised cost**	**Liabilities at amortised cost**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Financial Assets			
75,482			Equities	57,123		
390,990			Fixed Interest Securities	409,648		
170,737			Index Linked Securities	192,840		
6,656,270			Pooled Investments	8,296,976		
13,701			Other Property (Wholly Owned Subsidiaries)	13,963		
0			Forward Currency Contracts	186		
8,950			Other Investment Balances	7,443		
	159,720		Cash - Sterling		116,520	
	11,049		Cash - Foreign Currency		9,370	
	24,343		Sundry Debtors and Prepayments		26,511	
7,316,130	**195,112**	**0**		**8,978,179**	**152,401**	**0**
			Financial Liabilities			
(11,995)			Forward Currency Contracts	(3,361)		
0		(12,893)	Sundry Creditors	(4)		(13,356)
7,304,135	**195,112**	**(12,893)**	**Total**	**8,974,814**	**152,401**	**(13,356)**
7,486,354				**9,113,859**		

Note 17b. Net Gains And Losses On Financial Instruments

2019/20 £000		2020/21 £000
	Financial Assets	
(265,376)	Gain / (Loss) on Assets at Fair Value Through Profit and Loss	1,682,151
4,970	Gain / (Loss) on Assets at Amortised Cost	(1,535)
	Financial liabilities	
(17,738)	Gain / (Loss) on Liabilities at Fair Value Through Profit and Loss	29,394
(278,144)	**Net Gain / (Loss) on Financial Instruments**	**1,710,010**

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

Note 18. Nature And Extent Of Risks Arising From Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members).
Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The management of risk is described within the Fund's Investment Strategy Statement (ISS) which is included in the published annual report and accounts and is also available in the 'Investments' area of the Fund's website (https://www.sypensions.org.uk). It centres upon the adoption of an investment strategy, as represented by the Fund's customised benchmark, which is appropriate to meet the objectives of the Funding Strategy Statement. It focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services.

The cash balances of the Fund are managed by the Administering Authority. The Authority's treasury management activities are governed by the Local Government Act 2003 and the Fund has broadly adopted CIPFA's Treasury Management Code of Practice. The annual Treasury Management Strategy was approved by the Authority in March 2021.

a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, any identified risk is monitored and reviewed.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter (OTC) equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund's ISS sets out the details of how the risk of negative returns due to price fluctuations is managed. Different asset classes have different risk and return characteristics and will therefore react differently to external events and will not necessarily do so in a correlated or pre-determined manner. No single asset class or market acts in isolation from other assets or markets. It is, therefore, extremely difficult to meaningfully estimate the consequences of a particular event in a particular asset on other asset classes. It is important to recognise that returns, volatility and risks vary over time.
In order to minimise the risks associated with market movements the Fund is well diversified across asset classes and within individual portfolios and constantly monitored and reviewed.

Price Risk - Sensitivity Analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. ‘Riskier’ assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on the Fund’s’ asset allocations. Based on this, the Fund has determined that the following movements in market price risk are reasonably possible for 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Values as at 31 March 2021 £000	Potential Market Movements (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
UK Equities	1,025,943	15.98%	1,189,889	861,997
Overseas Equities	3,778,182	13.56%	4,290,503	3,265,861
Fixed Interest Securities	409,648	6.92%	437,996	381,300
Index Linked Securities	192,840	13.57%	219,008	166,672
Private Equity	815,245	8.51%	884,622	745,868
Credit	411,352	7.31%	441,422	381,282
Infrastructure	431,897	8.85%	470,120	393,674
Property (Unit Trusts)	99,594	4.23%	103,807	95,381
Other Pooled Investment Vehicles	1,790,704	0.00%	1,790,704	1,790,704
UK Unquoted Equities	1,182	0.00%	1,182	1,182
Total	**8,956,587**		**9,829,253**	**8,083,921**

Asset Type	Values as at 31 March 2020 £000	Potential Market Movements (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
UK Equities	1,028,787	9.23%	1,123,744	933,830
Overseas Equities	2,761,814	10.07%	3,039,929	2,483,699
Fixed Interest Securities	390,990	4.45%	408,389	373,591
Index Linked Securities	170,737	14.43%	195,374	146,100
Private Equity	572,279	6.69%	610,564	533,994
Credit	339,842	6.57%	362,170	317,514
Infrastructure	319,118	6.36%	339,414	298,822
Property (Unit Trusts)	76,366	3.70%	79,192	73,540
Other Pooled Investment Vehicles	1,632,713	0.00%	1,632,713	1,632,713
UK Unquoted Equities	833	0.00%	833	833
Total	**7,293,479**		**7,792,322**	**6,794,636**

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Different classes of asset have different risk and return characteristics and sensitivities to changes in financial factors, in particular to inflation and interest rates. The Fund's investment strategy takes into account these differences and the correlation between them. The Fund regularly monitors its exposure to interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. The sensitivity analysis shown below is based on the Fund's methodology for this risk and shows the potential impact of a 0.69% (31 March 2020: 0.72%) change in interest rates. This percentage is equal to 1 standard deviation of the 10 year government bond yield (annualised).

The analysis assumes that all other variables, in particular exchange rates, remain constant.

Exposure To Interest Rate Risk	**Values as at 31 March 2021 £000**	**Potential Interest Rate Movement (+/-)**	**Potential Value on Increase £000**	**Potential Value on Decrease £000**
Cash - Sterling	116,520	0.69%	117,324	115,716

Exposure To Interest Rate Risk	**Values as at 31 March 2020 £000**	**Potential Interest Rate Movement (+/-)**	**Potential Value on Increase £000**	**Potential Value on Decrease £000**
Cash - Sterling	159,720	0.72%	160,870	158,570

Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. The Fund's customised benchmark regulates such exposure: part of that approach involves the Authority passively hedging its overseas property portfolio's currency risk.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 8.36%. A strengthening/weakening of the pound by 8.36% against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets Exposed to Currency Risk	**Asset Value as at 31 March 2021**	**Potential Market Movement**	**Value on Increase**	**Value on Decrease**
	£000	**£000**	**£000**	**£000**
Overseas Quoted Equities	3,778,182	315,856	4,094,038	3,462,326
Overseas Fixed Interest Securities	340,921	28,501	369,422	312,420
Overseas Private Equity	695,479	58,143	753,622	637,336
Overseas Credit	356,991	29,844	386,835	327,147
Overseas Infrastructure	304,930	25,492	330,422	279,438
Overseas Other Managed Funds	352,190	29,443	381,633	322,747
Overseas Property Funds	13,556	1,133	14,689	12,423
Forward Currency Contracts	(3,175)	(265)	(3,440)	(2,910)
Cash - Foreign Currency	9,370	783	10,153	8,587
Total Change In Assets Available To Pay Benefits	**5,848,444**	**488,930**	**6,337,374**	**5,359,514**

Assets exposed to currency risk	**Asset Value as at 31 March 2020**	**Potential Market Movement**	**Value on Increase**	**Value on Decrease**
	£000	**£000**	**£000**	**£000**
Overseas Quoted Equities	2,761,814	230,888	2,992,702	2,530,926
Overseas Fixed Interest Securities	311,919	26,076	337,995	285,843
Overseas Private Equity	476,469	39,833	516,302	436,636
Overseas Credit	292,792	24,478	317,270	268,314
Overseas Infrastructure	235,313	19,672	254,985	215,641
Overseas Hedge Fund Of Funds	99	8	107	91
Overseas Other Managed Funds	152,001	12,707	164,708	139,294
Overseas Property Funds	13,964	1,167	15,131	12,797
Forward Currency Contracts	(11,995)	(1,003)	(12,998)	(10,992)
Cash - Foreign Currency	11,049	924	11,973	10,125
Total Change In Assets Available To Pay Benefits	**4,243,425**	**354,750**	**4,598,175**	**3,888,675**

b) Credit Risk

Credit risk represents the risk that the counterparty to the financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner.

The Fund's benchmark allowance for cash at 31 March 2021 was a maximum of 10% of the Fund (10% at 31 March 2020). The actual cash held at 31 March 2021 represented 1.2% of the Fund value (1.9% at 31 March 2020).
The Treasury Management Strategy for managing the cash balances held includes limits as to the maximum sum placed on deposit with individual financial institutions and applies a minimum short term credit rating requirement of F1 or better.

Summary of Cash Balances and Credit Ratings

Counterparty Type	**Rating**	**Balances at 31 March 2020 £000**	**Balances at 31 March 2021 £000**
Money Market Funds	AAA	30,000	5,000
Banks	Minimum of F1	51,745	42,020
Other Local Authorities	-	77,000	69,500
Total		**158,745**	**116,520**

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £116.5 million (31 March 2020 £158.7 million).

The Fund maintains at least £40 million of its cash balances as readily available through the use of money market funds, call accounts and short-term deposits. In addition, the Fund holds Government bonds amounting to £170.2 million (£122.9 million at 31 March 2020) which could be realised within a week in normal market conditions, if necessary, to meet expected or unexpected demands for cash.

Note 19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation is due to take place as at 31 March 2022.

The key elements of the funding policy are:

1. to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
2. to ensure that employer contribution rates are as stable as possible
3. to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
4. to reflect the different characteristics of employing bodies in determining contributions rates where it is possible to do so
5. to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve solvency over a period as set out in the Funding Strategy Statement (FSS) and to provide stability in employer contribution rates by spreading any increases over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

An actuarial valuation of the South Yorkshire Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

Based on the assumptions adopted, the Fund was assessed as 99% funded (86% at the 2016 valuation). This corresponded to a deficit of £63 million (2016 valuation: £1,025 million).

Primary Contribution Rate

The valuation also showed that a Primary contribution rate of 16.1% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Valuation Date	Employers' Primary Contribution Rate
31 March 2016	15.00%
31 March 2019	16.10%

Secondary Contribution Rate

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 15 years, and the total initial recovery payment (the “Secondary rate” for 2020-2023) is an addition of approximately £19.5 million per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Valuation Assumptions

The valuation was carried out using the projected unit actuarial method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The main actuarial assumptions used for assessing the Solvency Funding Target were as follows.

Financial Assumptions	**31 March 2016**	**31 March 2019**
Rate of return on investments (discount rate)	4.2% per annum	3.9% per annum
Price inflation (CPI)	2.4% per annum	2.4% per annum
Rate of salary increases (short term) *	1.25% per annum for 4 years	3% per annum for 4 years
Rate of salary increases (long term) *	3.45% per annum	3.65% per annum
Rate of increases in pensions in payment	2.2% per annum	2.4% per annum

* Allowance was also made for short-term public sector pay restraint over a 4 year period.

Demographic Assumptions	**Years**
Life expectancy for a male aged 65 now	22.4
Life expectancy at 65 for a male aged 45 now	23.8
Life expectancy for a female aged 65 now	25.1
Life expectancy at 65 for a female aged 45 now	27.0

Commutation Assumption

Members have the option to commute part of their pension at retirement in return for a lump sum at a rate of £12 cash for each £1 per annum of pension given up.

Following an analysis of the take-up rates, it has been assumed that, on average, retiring members will take 90% of the maximum tax-free cash available at retirement. This is slightly more than the assumption used at the 2016 actuarial valuation, which was broadly equivalent to members taking 80% of the maximum tax-free cash available.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level the actuary estimates that the cost of the judgment could be an increase in past service liabilities of broadly £74 million and an increase in the Primary Contribution rate of 0.7% of Pensionable Pay per annum. To the extent that employers have opted to pay additional contributions over 2020/23 in relation to the McCloud judgement, these emerge in the secondary contribution rate figures quoted above.

Overall, based on the decisions taken by employers, it is expected that an additional £38.4 million will be paid into the Fund over 2020 to 2023 as a provision in relation to the potential costs emerging from the McCloud judgment. This represents 97% of the total £39.7 million calculated across all employers. It also represents approximately 7% of the total contributions (primary and secondary rate) payable over 2020 to 2023.

Impact of COVID-19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 and 2021 we have seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. The potential consequences of which in terms of funding and risk will be kept under review. It is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. The actuary's view is that employer contributions should not be revisited as a general rule but the Authority (as administering authority for the Fund) is consulting on updates to the Funding Strategy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The Authority will keep the position under review and will monitor as the situation develops and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020; this is available in the 'Publications' area on the Fund's website at: www.sypensions.org.uk

Note 20. Actuarial Present Value Of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year.

This valuation is not carried out on the same basis as that used for setting fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes set out in Note 19. The actuary has also valued ill health and death benefits in line with IAS 19.

Financial Assumptions	**31 March 2020**	**31 March 2021**
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Price inflation (CPI) / CARE Benefit Revaluation	2.1% per annum	2.7% per annum
Rate of salary increases *	3.35% per annum	3.95% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred Revaluation	2.2% per annum	2.8% per annum

* This is the long term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

Demographic Assumptions

The demographic assumptions are the same as those used for funding purposes (shown in Note 19).

Results	**31 March 2020**	**31 March 2021**
Present value of promised retirement benefits	£11,336 million	£13,421 million

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4%). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £11,336 million including the potential impact of the McCloud judgment.

Interest over the year increased the liabilities by c.£269 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c.£72million (this includes any increase in liabilities arising as a result of early retirements). There was also an increase in liabilities of £1,744 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £13,421 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

Note 21a. Current Assets

31 March 2020 £000		31 March 2021 £000
	Short Term Debtors	
4,255	Contributions Due - Employees	5,344
11,322	Contributions Due - Employers	12,769
15,577		**18,113**
1,786	Early Retirement Strain Contributions Receivable	633
6,376	Sundry Debtors	7,726
23,739	**Total**	**26,472**

Note 21b. Long Term Debtors

31 March 2020 £000		31 March 2021 £000
	Long Term Debtors	
604	Early Retirement Strain Contributions Receivable	39
604	**Total**	**39**

Note 22. Current Liabilities

31 March 2020 £000		31 March 2021 £000
(3,143)	Sundry Creditors	(2,574)
(2,059)	Payroll Expenses Payable	(2,201)
(5,732)	Advance Property Rents	(5,736)
(1,596)	Property Rental Deposits	(2,670)
(363)	Other Balances	(175)
(12,893)	**Total**	**(13,356)**

The Fund Net Assets Statement at 31 March 2021 includes a creditor of £2.145 million (£2.060 million at 31 March 2020) for sums due to the Authority. This is included in the 'Sundry Creditors' line above.

Note 23. Additional Voluntary Contributions

The Pension Fund’s Additional Voluntary Contributions (AVC) providers are Prudential, Scottish Widows and Utmost Life & Pensions. This note shows information about these separately invested AVCs. The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs.
In accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 as amended, the contributions paid and the assets of these investments are not included in the Fund’s Accounts.

Market Value 31 March 2020 £000		Market Value 31 March 2021 £000
8,811	Prudential[1]	Not available
5,301	Scottish Widows	4,798
1,911	Utmost Life & Pensions (formerly Equitable Life)[2]	1,860
16,023	**Total**	**6,658**

AVCs Paid to Providers 2019/20 £000		AVCs Paid to Providers 2020/21 £000
2,099	Prudential[1]	Not available
160	Scottish Widows	187
5	Utmost Life & Pensions (formerly Equitable Life)[2]	5
2,264	**Total**	**192**

[1] It was not possible to obtain the information from Prudential on the market value at 31 March 2021 and the AVCs paid in year for 2020/21 in the required timescale to be included in the statement of accounts note above. Prudential report that due to the migration of their administration systems and delays in respect of some investments of contributions, the annual benefits statements will be issued at least 8 weeks later than in previous years. Prudential state they are working through a service recovery plan and have informed the Pensions Regulator of the issues and challenges being experienced.

[2] The business of Equitable Life transferred to Utmost Life & Pensions on 1 January 2020.

Note 24. Agency Services

The South Yorkshire Pension Fund pays discretionary awards to former employees of various bodies as shown below. The amounts paid are fully reclaimed from the employer bodies.

2019/20 £000		2020/21 £000
	Payments on behalf of:	
15	South Yorkshire Pensions Authority	14
2,544	Barnsley MBC	2,511
1,863	Doncaster MBC	1,825
1,312	Rotherham MBC	1,295
6,136	Sheffield CC	5,915
1,702	Other Scheduled Bodies	1,574
62	Admitted Bodies	59
13,634	**Total**	**13,193**

Note 25. Related Party Transactions

South Yorkshire Pensions Authority

The South Yorkshire Pension Fund is administered by South Yorkshire Pensions Authority. During the reporting period, the Authority incurred costs of £5.808 million (2019/20 £6.066 million) in relation to the administration and management of the Fund and was reimbursed by the Fund for these expenses. All transactions are shown either in the Authority's statements or in the Fund accounts. All contributing employers are related parties to the Fund, and have material transactions with the Fund during the year in the form of contributions described elsewhere in the accounts.
The Fund received a total of £0.364 million from the Authority as contributions for the unfunded benefits residual liabilities of the former South Yorkshire County Council and Residuary Body.

Elected members of the Authority are related parties to the Fund and are required to sign declarations when they are also members of the Fund.

External fund managers are also related parties to the Fund and fees paid to them are included within investment management expenses (see Note 11a).

One officer of the Authority is a director of the Fund's wholly owned subsidiaries, Waldersey Farms Limited and F H Bowser Limited (see Note 25a).

Border To Coast Pensions Partnership

Border to Coast Pensions Partnership (Border to Coast) is a related party to the Fund as the Fund is a shareholder in the company. On 1 April 2020, a merger of the Northumberland and Tyne & Wear Pension Fund came into effect. This resulted in the reduction of the number of partner funds from 12 to 11 and the issuing of new shares at a cost of £0.076 million to each of these remaining partner funds in order to maintain equality of shareholding and a sufficient level of equity for regulatory capital purposes. As part of the Border to Coast strategic planning process, the company were required to increase the regulatory capital by a further £3 million achieved by a further issue of shares at a cost of £0.273 million to each partner fund. Therefore, at 31 March 2021, the Fund holds total shares amounting to £1.182 million.

In addition to the purchases of shares outlined above, direct costs of £3.891 million (2019/20 £2.066 million) were paid to Border to Coast during the year.

Note 25a. Related Party Transactions - Subsidiary Companies

The Fund has within its portfolio two wholly owned subsidiary companies; Waldersey Farms Limited and F H Bowser Limited.

Waldersey Farms Limited

Waldersey Farms Limited is primarily a farming company. The book value of the company is included in the Net Assets Statement under the heading of Investment Assets, to reflect the exposure of the Pension Fund. One officer of the Authority is a director of the company.

31 March 2020 £		31 March 2021 £
1,365,012	Pension Fund Investment at Book Cost	1,365,012
6,143,100	Debenture Loan	6,143,100
7,508,112	Total Investment at Book Cost	7,508,112
7,508,100	Pension Fund Investment Market Value (Included in the Net Assets Statement)	7,508,100

Waldersey Farms Limited has a year end of 31 December, the latest available accounts for Waldersey Farms Limited contain the following information:

31 December 2019 £		31 December 2020 £
904,282	Profit/(Loss) On Ordinary Activites Before Taxation	40,721
726,701	Profit/(Loss) After Taxation	37,452
4,781,429	Retained Profit/(Loss)	4,818,881
6,646,429	Net Assets	6,683,881
2,372,360	Rent paid to South Yorkshire Pensions Authority	2,502,884
0	Dividends paid to South Yorkshire Pensions Authority	20,475

A full Statement of Accounts for Waldersey Farms Limited can be obtained from the Company at Northfield Farm, Lynn Road, Southery, Norfolk, PE38 0HT.

The Authority has a debenture in the company of up to £7 million with a maturity date of 31 March 2025, of which £6.143 million has been drawn down as at 31 March 2021 (£6.143 million at 31 March 2020).

FH Bowser Limited

F H Bowser Limited owns property which it lets to third parties. The book value of the company is included in the net assets statement under the heading of Investment assets, to reflect the exposure of the Pensions Authority. One officer of the Authority is a director of the company.

31 March 2020 £		31 March 2021 £
10,497,338	Pension Fund Investment at Book Cost	10,497,338
6,193,000	Pension Fund Investment Market Value (Included in the Net Assets Statement)	6,455,001

F H Bowser has a year end of 31 December, the latest available accounts for F H Bowser Limited contain the following information:

31 December 2019 £		31 December 2020 £
7,080,600	Fixed Assets	6,930,600
203,816	Current Assets	290,226
(47,390)	Current Liabilities	(38,679)
7,237,026	Net Assets	7,182,147
166,411	Profit/(Loss) On Ordinary Activities	(32,719)

A full Statement of Accounts for F H Bowser Limited can be obtained from the Company at Floor 8 Gateway Plaza, Sackville Street, Barnsley, S70 2RD.

Note 25b. Key Management Personnel

The key management personnel of the Fund are the senior managers and the holders of statutory roles for the South Yorkshire Pensions Authority. These officers and their remuneration payable are set out in Note 19 to the Authority's accounts.

Note 26. Contingent Liabilities And Contractual Commitments

Outstanding capital commitments (investments) at 31 March are shown below. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of a number of years from the date of the original commitment. The following table shows the commitments analysed according to the different currencies in which they are designated.

Currency 000	31 March 2020 £ Equivalent £000	Currency 000	31 March 2021 £ Equivalent £000
£263,274	**263,274**	£328,147	**328,147**
€ 206,474	**182,709**	€ 271,092	**230,931**
US $761,931	**614,485**	US $919,316	**666,316**
	1,060,468		**1,225,394**

Employer Bonds

At 31 March 2021, 13 admitted body employers (31 March 2020: 12) in the South Yorkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2020/21 (2019/20: Nil).

Glossary of Key Terms

Accounting Period
The length of time covered by the accounts. In the case of these accounts, it is the year from 1 April to 31 March.

Accruals Basis
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses
Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

Amortisation
A measure of the cost of economic benefits derived from intangible assets that are consumed during the period.

Balances
These represent the accumulated surplus of revenue income over expenditure.

Budget
An expression, mainly in financial terms, of the Authority's intended income and expenditure to carry out its objectives.

Capital Adjustment Account
The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure
Payments for the acquisition, construction, enhancement or replacement of non-current assets that will be of use or benefit to the Authority in providing its services for more than one year.

Cash Equivalents
Short term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the main professional body for accountants working in public services.

Contingent Liability
A contingent liability is either:

- A possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Authority; or
- A present obligation arising from past events where it is not probable that there will be an associated cost, or the amount of the obligation cannot be accurately measured.

Creditors
Amounts owed by the Authority for work done, goods received or services rendered, for which payment has not been made at the balance sheet date.

Current Service Cost
Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Debtors
Amounts due to the Authority that have not been received at the balance sheet date.

Depreciation
The measure of the consumption, wearing out or other reduction in the useful economic life of non-current assets that has been consumed in the period.

Employee Benefits
Amounts due to employees including salaries, paid annual leave, paid sick leave, and bonuses. These also include the cost of employer's national insurance contributions paid on these benefits; and the cost of post-employment benefits, i.e. pensions.

Expected Rate of Return on Pensions Assets
The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the pension scheme.

Fair Value
The amount for which an asset could be exchanged or a liability settled, in an orderly transaction between market participants at the measurement date.

Fair Value Hierarchy and Inputs
In measuring fair value of assets and liabilities, the valuation technique used is categorised according to the extent of observable data that is available to estimate the fair value – this is known as the fair value hierarchy. Observable inputs refers to publicly available information about actual transactions and events in the market. Unobservable inputs are used where no market data is available and are developed using the best information available.
The fair value hierarchy has three levels of inputs:

Level 1: Quoted prices for identical items in an active market – i.e. the actual price for which the asset or liability is sold;

Level 2: Other significant observable inputs – i.e. actual prices for which similar assets or liabilities have been sold;

Level 3: Unobservable inputs – i.e. where market data is not available and other information is used in order to arrive at a best estimate of fair value.

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

General Fund
The main revenue fund of the Authority which is used to meet the cost of services paid for from the Pension Fund for which the Authority is the administering authority.

Intangible Assets
Assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software and licences.

Interest Cost
For defined benefit pension schemes, the interest cost is the present value of the liabilities during the year as a result of moving one year closer to being paid.

Leasing
A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

Liability
An amount due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are those that are payable within one year of the balance sheet date.

Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

Non-Current Asset
An item that yields benefit to the Authority for a period of more than one year.

Past Service Cost
Past service costs arise from decisions taken in the current year but whose financial effect is derived from service earned in earlier years.

Reserves
The residual interest in the assets of the Authority after deducting all of its liabilities. These are split into two categories, usable and unusable. Usable reserves are those reserves that contain resources that an authority can apply to fund expenditure of either a revenue or capital nature (as defined). Unusable reserves are those that an authority is not able to utilise to provide services. They hold timing differences between expenditure being incurred and its financing e.g. Capital Adjustment Account.

Revenue Expenditure
Spending incurred on the day-to-day running of the Authority. This mainly includes employee costs and general running expenses.

Useful Economic Life
The period over which the Authority expects to derive benefit from non-current assets.

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PENSIONS AUTHORITY

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