South Yorkshire Pensions Authority

Statement of Accounts 2021/22

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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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- Our Priorities
- Our Performance & Achievements
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- Our Future Spending Plans
- Risks and Challenges
- Current Issues
- Explanation of Our Financial Statements 2021/22

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 £10.6 billion and a total of 171,108 members at 31 March 2022.

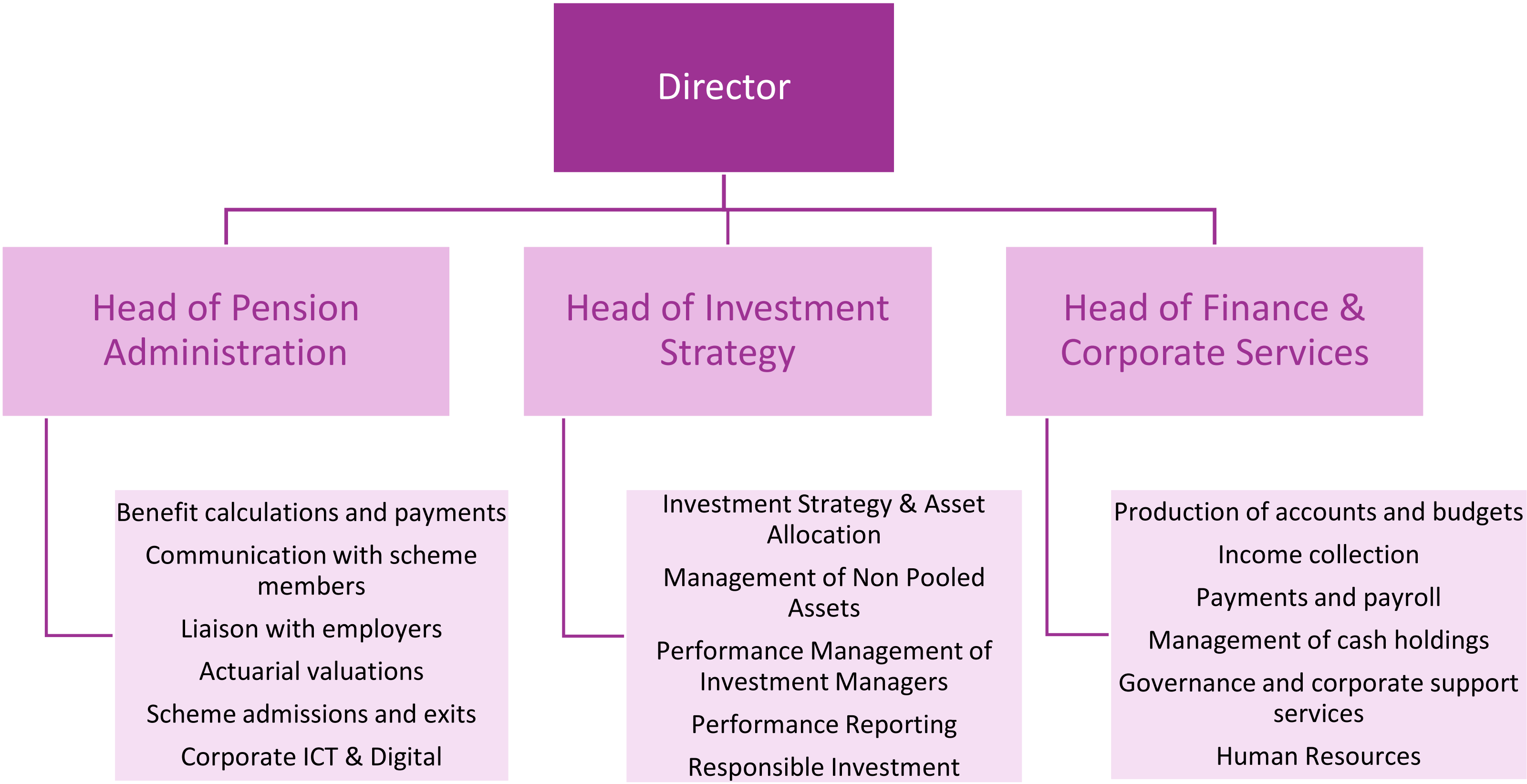
When the Authority was established in 1988, it was also made responsible for certain residual liabilities of the South Yorkshire Residuary Body. These were compensation payments which were not met by the Pension Fund. These liabilities are met by a levy on the four district councils of South Yorkshire 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 membership of the Authority at 31 March 2022 was as follows.

Barnsley MBC [2 members]	Doncaster MBC [3 members]	Rotherham MBC [2 members]	Sheffield CC [5 members]	Non-Voting Co-Opted Members
M Stowe	S Cox	D Fisher	F Belbin	N Doolan-Hamer (Unison)
N Wright	J Mounsey (Chair)	M Havard	S Clement-Jones	D Patterson (Unite)
	D Nevett		C Rosling-Josephs	G Warwick (GMB)
			A Sangar	
			G Weatherall (Vice Chair)	

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 (87 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 2022 to 2025 reflects the continuing journey to build a stronger, more resilient organisation focussed on delivering for our customers whilst reflecting what we have learnt from having to adapt the way in which we operate to the COVID-19 pandemic. The strategy over the next three years focuses on delivering improvements to the way in which we do things in order to ultimately improve the service received by our customers and our overall efficiency.

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

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

The actions in the strategy are as follows:

Ref	Project / Action	Timescale Start	Timescale Finish
Data			
D01	**Complete Valuation 2022**	**Nov-21**	**Mar-23**
	Data Submission	*Apr-22*	*May-22*
	Employer Engagement	*Feb-22*	*Mar-23*
	Funding Strategy	*Nov-21*	*Mar-23*
D02	**Guaranteed Minimum Pension – Completion of Rectification process**	Nov-21	May-22

Ref	Project / Action	Timescale Start	Timescale Finish
D03	**McCloud Remedy-**	**Mar-22**	**Apr-24**
	System Upgrades	*Sep-22*	*Mar-23*
	Processing and Case Reviews	*Apr-23*	*Mar-24*
	Member Communications	*Apr-22*	*Mar-24*
	Employer Communications	*Oct-21*	*Mar-24*
D04	**Complaints – Undertake root cause analysis of complaints which occur on multiple occasions**	**Apr-22**	**Sep-22**
D05	**Pensions Dashboard – Provision of data in line with regulatory requirements**	**Apr-23**	**Mar-25**
D06	**Deliver annual data improvement plan**	**Apr-22**	**Mar-25**
Process Improvement			
P01	**Implement contractual improvements to the Core UPM Pension Administration System –**	**Feb-22**	**Mar-25**
	Review of compliance with the new contract and effectiveness of delivery	*Dec-22*	*Mar-23*
	Review and updating of processes	*Apr-22*	*Mar-24*
	Retire Online	*Jan-21*	*Apr-22*
	Automation of Joiners	*Sep-21*	*Apr-22*
	Automation of leavers / deferred members	*Jun-21*	*Jun-22*
	Implement dynamic homepage and improve the log in / sign up process for mypension	*Apr-22*	*Mar-23*
	mypension App	*Apr-24*	*Mar-25*
	Feasibility/Pilot of Chatbots	*Apr-24*	*Mar-25*
	Online ID Verification for pension claims	*Apr-24*	*Mar-25*
	Improve functionality of employer hub	*Apr-23*	*Mar-24*
P02	**Monthly Data Collection-**	**Mar-22**	**Mar-25**
	Validator App enhancements	*Mar-22*	*Mar-25*

Ref	Project / Action	Timescale Start	Timescale Finish
	Automate the processing of direct debit instructions from data submissions	*Nov-21*	*Jun-22*
P03	**Reporting – Implement improvements to the completeness and degree of automating of reporting across the organisation –**	**Apr-22**	**Mar-25**
	Statutory Disclosures	*Apr-22*	*Mar-23*
	Pension Administration Regular Management Information	*Apr-22*	*Mar-24*
	UPM Finance Reports	*Apr-22*	*Mar-24*
	Customer Centre Management Information	*Apr-22*	*Mar-23*
	Employer Performance	*Apr-22*	*Mar-24*
	Financial Reporting	*Apr-22*	*Mar-25*
	HR Reporting	*Oct-22*	*Sep-23*
P04	**Financial Process Improvements -**	**Apr-22**	**Mar-24**
	Review debt recovery processes	*Apr-23*	*Mar-24*
	Review of processes following implementation of new financial systems to capture benefits	*Apr-22*	*Mar-23*
	Complete the review of the VAT Partial Exemption Special Method	*Jun-22*	*Dec-22*
	Review custodian arrangements and procure as necessary	*Feb-22*	*Sep-22*
	Review banking arrangements and procure as necessary	*Apr-22*	*Sep-22*
	Review arrangements for Treasury Management advice and procure as necessary	*Sep-22*	*Mar-23*
	Reprocure commercial property insurance if required	*Jul-24*	*Mar-25*
P05	**Certifications aimed at embedding process improvements across the organisation –**	**Apr-22**	**Mar-25**
	Maintain Customer Services Excellence accreditation	*Apr-22*	*Mar-24*
	Achieve initial Investors in People accreditation	*Apr-23*	*Mar-25*
	Achieve initial Pensions Administration Standards Association (PASA) accreditation	*Apr-22*	*Mar-25*

Ref	Project / Action	Timescale Start	Timescale Finish
Investment			
I01	**Strategic Issues –**	**Apr-22**	**Mar-25**
	Conduct an Investment Strategy review following the 2022 Valuation and update the Investment Strategy Statement	*Apr-22*	*Mar-23*
	Address systemic risks to the fund’s investments resulting from climate change through progressing annual updates to the Net Zero action plan.	*Mar-22*	*Mar-25*
	Implement new requirements related to TCFD Reporting	*Apr-22*	*Ongoing*
I02	**Tactical and Transactional Issues –**	**Apr-22**	**Ongoing**
	Implement revisions to the Strategic Asset allocation	*Apr-22*	*Ongoing*
	Determine the approach to the Border to Coast property proposition and transition assets as necessary	*Mar-22*	*Dec-24*
	Conclude Project Chip	*Sep-21*	*Sep-22*
	Review legacy portfolios and determine the ultimate exit routes in each case	*Apr-22*	*Dec-22*
	Continue to develop stewardship reporting in response to regulatory feedback	*Apr-22*	*Ongoing*
Organisation			
O01	**Governance –**	**Dec-21**	**Mar-25**
	Review and update information governance arrangements	*Jun-22*	*Mar-23*
	Complete roll out of workflows etc. within Modern.gov and implement paperless meetings	*Apr-22*	*Jun-22*
	Implement new statutory officer arrangements and internalise committee and member support activity	*Apr-22*	*Mar-23*
	Update procurement arrangements, processes, and systems including the implementation of the YORtender replacement	*Dec-21*	*Jun-23*
	Update process and procedure documentation across all aspects of Pension Administration to allow regulatory compliance to be demonstrated through the Portal	*Apr-22*	*Mar-25*
	Demonstrate compliance with the relevant TPR codes	*Sep-22*	*Aug-23*

Ref	Project / Action	Timescale Start	Timescale Finish
O02	**People –**	**Jan-22**	**Ongoing**
	Procure and implement a new HR and Payroll System	*Jan-22*	*Mar-23*
	Consolidate the new finance team structure and capture benefits	*Apr-22*	*Ongoing*
	Address currently identified recruitment and retention risks	*Jan-22*	*Dec-22*
	Develop a staff Health and Wellbeing Strategy	*Jan-23*	*Apr-24*
	Develop an Apprenticeship framework to support existing and future apprentices	*Jan-22*	*Apr-23*
	Create structured learning paths for different job roles using the different learning support technologies available	*Jan-22*	*Apr-23*
	Implement actions from the 2020 staff survey	*Ongoing*	
	Undertake 2022 staff survey and identify appropriate responses to the results	*Sep-22*	*Mar-23*
	Enhance collaborative working across the organisation	*Jan-22*	*Ongoing*
O03	**ICT –**	**Jun-21**	**Mar-25**
	Complete the roll out of Microsoft 365 tools and the migration to 365 infrastructure	*Jun-21*	*Sep-22*
	Agree and implement a revised hardware replacement programme	*Apr-22*	*Apr-23*
	Implement the updated corporate website	*Nov-21*	*Ongoing*
	Review and update ICT policies, including specifically a review of password management arrangements	*Apr-22*	*Ongoing*
	Undertake annual ICT security health checks	*Apr-22*	*Ongoing*
O04	**Project and Programme Management –**	**Jun-22**	**Mar-23**
	Determine a stripped down and appropriately scaled programme and project management process	*Jun-22*	*Mar-23*
	Initiate a clearly defined process for prioritising and agreeing development and other system change requests	*Jun-22*	*Mar-23*
O05	**Business Continuity –**	**Apr-22**	**Ongoing**
	Produce revised corporate business continuity plan	*Apr-22*	*Sep-22*
	Reinstate annual testing of ICT Disaster Recovery arrangements.	*Sep-22*	*Ongoing*

Our Performance and Achievements

The performance of the organisation in delivering on our corporate objectives and plans is reported quarterly at full Authority meetings. These Corporate Performance Reports are available on the agenda and minutes pages of the website at: Governance (sypensions.org.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 2021/22 year was 9.6% against the expected benchmark of 7.7%, with a Fund value of £10.674 billion at 31 March 2022.

Two further transitions took place to funds managed by Border to Coast in the year; a transition of legacy high yield and emerging market bonds to the new Border to Coast Multi Asset Credit (MAC) fund took place in October 2021, and in January 2022, £140 million of listed alternative holdings transferred to the Border to Coast Listed Alternatives Fund.

At the end of the financial year, 70% of the Fund's assets were being managed in pooled structures provided by Border to Coast.

Pension Administration

85% of priority cases were processed on time and 74% of all cases were processed on time in 2021/22, showing an improvement on the previous year, and progress continues to be made in this area with performance improving incrementally over time.

The proportion of employer data submissions received on time was 99% in 2021/22. The current performance measure in relation to data submissions does not currently include a measure of data accuracy. This will begin to be measured and reported on during 2022/23.

Corporate Plan Delivery

During 2021/22, significant progress has been made against many of the corporate plan targets; some of the highlights are as follows.

- The major 'Office Accommodation' project was completed, and the Authority moved into our new home at Oakwell House in January 2022 – the building having been fully refurbished to provide a high-quality environment tailored to new ways of working with suitable technology to enable the maximum benefits to be gained from hybrid working and collaboration.
- A range of back-office software systems were replaced – including the main accounting system, investment accounting system and committee administration system.
- Completed the procurement process and signed a new 5-year contract for the pensions administration software system; with an improvement plan for the supplier incorporated into the contract; in relation to monthly data collection and aggregations handling in particular.
- A revised career grade scheme for Pensions Officers was implemented, providing increased flexibilities and opportunities for progression and development.

- Implemented a new e-learning platform through *LinkedIn Learning* – providing access for all our employees to a vast range of courses on various topics and also giving us the opportunity to implement tailored and bespoke e-learning and training videos for Authority staff ranging from induction and on-boarding new staff to learning pathways that will support the pensions officer career grade scheme.
- Delivered a 12-month leadership and management development programme for all team managers and team leaders, enhancing their skills and knowledge and providing action learning sets for this group to work together and help each other in relation to current work issues. This last aspect of the programme has also been commissioned to continue over the next 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.
- A new and improved website was launched in January 2022, with a more modern look and feel, improved functionality and appearance on mobile devices, and includes a new fully integrated site for Authority meetings, agendas and minutes.
- The Authority once again achieved Cyber Security Essentials Plus accreditation following the annual independent evaluation.
- A new Deferred Retire Online facility was made available to scheme members via the *MyPension* website and allowing deferred members the opportunity to claim their pension fully online with no form filling.
- In March 2022, the Authority published its first impact report which uses the framework of the United Nations Sustainable Development Goals (SDG's) to understand the way in which its investments interact with people and planet, and whether that interaction is positive or negative.
- The Authority was awarded the first ever *Impact Investing Adopters Award* at a ceremony in London in November, in recognition of its adoption of an impact focussed approach to its investments. This is a national award given by Pensions for Purpose, a knowledge sharing network focussed on responsible and impact investing.
- The annual update of the Net Zero Action Plan (with the aim of achieving net zero by 2030) was reported and agreed in March 2022 with work continuing to identify investments that positively support the transition and result in reduced emissions. However, given the early target date, there does remain a significant risk of missing the goal. The specification for the review of the Investment Strategy to take place in 2022/23 reflects the need to accelerate emissions reduction.
- The Health, Safety & Wellbeing Committee delivered a range of initiatives, including:
    - A series of webinars on specific wellbeing topics including menopause awareness, men's mental health, mindfulness, and optimising sleep.
    - A health screening day was held providing 15-minute appointments for a total of 23 employees for physical health checks including BMI, body fat, visceral fat, blood pressure, blood glucose and total cholesterol.
    - A fundraising drive at Christmas, resulting in a donation of £263 worth of goods to a local food bank.

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 2021/22 was approved in January 2021 at a total of £5,445,600. The overall outturn for the year, before transfers from reserves, was an under-spend of £299,590; the details of which are set out below.

South Yorkshire Pensions Authority Operational Budget	2021/22 Budget £	2021/22 Outturn £	2021/22 Outturn Variance £	2021/22 Outturn Variance %
Pensions Administration	2,719,750	2,500,610	(219,140)	(8.10%)
Investment Strategy	539,760	565,090	25,330	4.70%
Finance & Corporate Services	738,220	772,420	34,200	4.60%
ICT	667,200	635,850	(31,350)	(4.70%)
Management & Corporate	375,050	368,090	(6,960)	(1.90%)
Democratic Representation	142,620	124,020	(18,600)	(13.00%)
Subtotal Net Cost of Services	**5,182,600**	**4,966,080**	**(216,520)**	**(4.20%)**
Capital Expenditure Charged to Revenue	1,630,000	1,546,930	(83,070)	(5.10%)
Subtotal Before Transfers to Reserves	**6,812,600**	**6,513,010**	**(299,590)**	**(4.40%)**
Appropriations to Reserves	(1,367,000)	(1,067,410)	299,590	(21.90%)
Total	**5,445,600**	**5,445,600**	**0**	**0.00%**

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 (£129k) which includes:
    - Savings of (£133k) in Pensions Administration as a result of staff turnover and vacancies over the course of the year. This includes (£35k) relating to a training officer post that was advertised internally on a secondment basis but not taken up, therefore the post remained vacant all year. This has subsequently been revised to a permanent Technical Specialist post which has been filled in the first quarter of 2022/23. Recruitment of pensions officers and customer services officers posts also took place towards the end of the financial year.
    - A net under-spend of (29k) relating to staff turnover in Finance & Corporate Services – comprising a (£43k) saving on vacancies in the year that has been used to fund additional costs of £14k on overtime that was required in the first half of this year due to having staff shortages at the same time as undertaking major projects to implement a new finance system and a new investment accounting system, and also produce the 2020/21 accounts and ensure the audit was completed successfully to the usual early timescale of 31 July, well ahead of the statutory deadline of 30 September.
    - A planned over-spend of £33k in Finance & Corporate Services to be financed from reserves. Relating to two items: agency staff costs as a result of hiring an interim accountant in the early part of the year to support the accounts closedown and audit process whilst implementing the new main accounting system, and the employment of an HR Undergraduate on a 12-month placement to support work on various HR projects including learning and development.
- The organisational training and development budget was included as a growth item in the budget with effect from 2020/21 but due to the impact of COVID-19 and remote working, progress on the planned activities in this area has been slower than originally anticipated, and the available budget in 2021/22 of £55k has been under-spent this year by (£23k). Nevertheless, the planned work in this area is continuing to progress with a number of initiatives under way including a manager development training programme, implementation of the LinkedIn Learning platform, and an HR Undergraduate student in post on a 12-month placement, which will provide the needed additional staff resource to support and take forward some of the plans around training and development including production of an e-learning package for new staff.
- Additionally, the training budgets for individual service areas of pensions administration and ICT were under-spent by a total of (£17k) – partly affected by the impact of staff vacancies and also some continued impact from the pandemic. Plans are in place to make greater use of these budgeted resources in 2022/23.
- The budget for office accommodation costs, apportioned to services pro-rata to staffing numbers, was over-spent by £90k in total. This is due to a range of issues including the fact that the unavoidable delay in being able to transfer the data centre from Gateway Plaza until January 2022 meant that rent, business rates, utilities etc. for the Gateway Plaza office were all charged for an additional two months (Dec and Jan) that hadn't been included in the budget. In addition, the costs of electricity have been higher than expected as a result of the wider inflation on energy prices. Finally, the costs of the facilities management provision required in the first few months of mobilisation were higher than forecast. This will stabilise now as the transition period comes to an end.

- There is an under-spend of (£59k) on actuarial fees for the year. This is partly due to the fact that a prudent approach was taken to setting the budget for 2021/22 based on experience of actual costs in previous years and pending the outcome of procurement for a new contract. The change of contract that resulted from the procurement has resulted in savings being realised.
- Income for Pensions Administration arising from fees and charges is (£13k) more than budget. This includes income from member fees for sharing orders for example, and employer fees in relation to administrative charges. Additionally, funding of (£6k) was received from the Education and Skills Funding Agency (ESFA) for apprenticeships during the year. This will be set aside in reserves to be used towards learning and development.
- ICT received additional income from software sales and maintenance fees of (£38k) more than budget which will be transferred into the ICT Development earmarked reserve for re-investment in future ICT projects.
- The Democratic Representation budget was under-spent by a total of (£19k). This included running costs under-spent by (£14k) due to the fall in expenditure for room hire, catering, travel, subsistence, mainly arising from the knock-on effects of COVID-19. The training budget was also under-spent this year, by (£4k) for Authority members and by (£1k) for Local Pension Board members.
- The total budget for capital expenditure this year was £1,630k, comprising £225k for new pension administration system 5-year contract and £1,405k for the Oakwell House office project. The actual implementation cost of the new pensions administration software contract that commenced in February 2022 was £185k, resulting in a (£40k) under-spend against the budget for this project. The remaining balance of capital expenditure is £1,362k for the Oakwell House project, which is (£43k) under the budgeted 2021/22 spend – which is due to slippage in timing only, on the final stage of AV installation works that were held up as a result of global supply chain delays – this work and therefore the associated expenditure will be carried out during the first quarter of the next financial year.

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	2021/22 Budget Outturn £	2021/22 Irrecoverable VAT Expense - Not Reported for Budget Purposes £	Rounding Adjustments for Budget Reporting £	2021/22 Net Expenditure Chargeable to the General Fund in the EFA Note £
Pensions Administration	2,500,610	298,161	2	2,798,773
Investment Strategy	565,090	143,891	5	708,986
Finance & Corporate Services	772,420	94,895	(5)	867,310
ICT	635,850	-	(1)	635,849
Management & Corporate	368,090	-	(7)	368,083
Democratic Representation	124,020	-	3	124,023
Net Cost of Services	**4,966,080**	**536,947**	**(3)**	**5,503,024**

Earmarked Reserves

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

For 2021/22, movements to and from these reserves have been agreed as shown in the following table.

We operate within a rule which limits the amount we can hold in the revenue reserves, i.e., Corporate Strategy and ICT reserves, to 7.5% of the Operational Budget (resulting in a limit of £408k for 31 March 2022), and the current level remains just below this limit at £405k or 7.4%.

Earmarked Reserves	Balance at 01/04/2021 £	Contributions to Reserves £	Contributions from Reserves £	Balance at 31/03/2022 £
Corporate Strategy Reserve	238,500	145,000	(184,700)	198,800
ICT Reserve	118,300	87,650	0	205,950
Subtotal Revenue Reserves	**356,800**	**232,650**	**(184,700)**	**404,750**
Capital Projects Reserve	1,254,467	105,119	(1,220,470)	139,116
Total Earmarked Reserves	**1,611,267**	**337,769**	**(1,405,170)**	**543,866**

The earmarked 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 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.
- Capital Projects Reserve – Originally established to fund costs of major projects; Oakwell House office accommodation project and pensions administration software contract implementation. Going forward, the reserve will be maintained for financing of future projects and expenditure in relation to the office accommodation and any further major systems purchases for the Authority.

Our Future Spending Plans

The operating budget for 2022/23 was approved in February 2022.

For the previous three years – from 2019/20 to 2021/22 inclusive – the budget was held at the same level in cash terms enabled by a re-alignment of financial resources in order to provide the required investment in a range of areas to support delivery of the Authority's corporate priorities.

The budget and medium-term financial strategy (MTFS) for 2022/23 to 2024/25 were prepared in the context of a number of drivers for growth in cost. Having retained the budget at the same cash level for the previous three years, this provided the time necessary for officers to examine all the resourcing requirements and clarify the base position before allowing for any budget growth. This aligns with the wider objectives of how the organisation is to be run, and the completion of this work provided a sound and clear basis for increasing the budget requirement from 2022/23.

The budget for the year ahead reflects continued emphasis on equipping the organisation for meeting the challenges expected in the next three years as detailed in the Corporate Strategy. Additional resources are included for four new posts to be established to support various specific areas of the planned work. The budget also includes the impact of some significant savings that have been achieved following completion of previous corporate objectives in respect of business systems and procurement of a new contract for actuarial services.

South Yorkshire Pensions Authority Medium Term Financial Strategy	2021/22 Outturn £	2022/23 Budget £	2023/24 Estimate £	2024/25 Estimate £
Pensions Administration	2,500,610	2,717,850	2,710,340	2,763,860
Investment Strategy	565,090	572,750	507,180	521,850
Finance & Corporate Services	772,420	818,800	818,590	834,780
ICT	635,850	738,710	686,490	698,770
Management & Corporate	368,090	911,160	846,410	857,860
Democratic Representation	124,020	137,090	182,230	185,810
Unfunded Liabilities	337,477	350,000	351,750	353,510
Subtotal Revenue Expenditure:	**5,303,557**	**6,246,360**	**6,102,990**	**6,216,440**
Capital Expenditure	1,546,930	0	0	0
Contribution (from) / to Reserves	(1,067,410)	(66,360)	50,000	50,000
Levy on District Councils	(337,477)	(350,000)	(351,750)	(353,510)
Total Charge to Pension Fund	**5,445,600**	**5,830,000**	**5,801,240**	**5,912,930**

The estimates for the remainder of the Medium Term set out above are based on projecting the 2022/23 budget forward, adjusting for planned savings and estimated 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. The pay award for the 2021/22 year was only agreed by the National Joint Council for Local Government Services (the NJC) in March 2022. For 2022/23, it is not yet known at what level the national pay award may be agreed or when. Separately the Authority have committed to undertake an independent review of pay and benefits. Given the uncertainty of the outcomes from this for pay costs, a prudent provision of £193,000 (approximately 5% of the salaries budget) has been separately included as a corporate contingency in the total budget for the Authority for 2022/23.
- The process of filling new posts approved as part of the budget will, as far as possible, begin before April 2022 with the aim of ensuring the posts are filled at the earliest opportunity. Whilst the Authority's intention is generally to operate at full establishment throughout the year, experience has shown that the time taken to recruit can often result in periods of posts being vacant and therefore the 2022/23 budget also includes a (£40,000) vacancy allowance.
- In the event of higher employee 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. Budgetary controls and processes are currently robust and well-embedded. Work to refine and enhance this, will continue over the next financial year, to maximise the benefits we're aiming to achieve from the newly implemented main accounting system in particular. There is therefore no indication of any likelihood of deterioration. The controls in this regard are also subject to regular internal audit review.
- 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.

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 that face the Authority therefore include both the risks to it as an organisation, and the risks inherent in its role as administering authority of the South Yorkshire Pension Fund. The details below 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 forms an integral part of the Corporate Strategy, is regularly reviewed throughout the year by the Authority's Senior Management Team, reported to the Authority on a quarterly basis, and the risk management framework and arrangements are overseen by the Audit Committee over the course of the year. A full revision exercise was carried out towards the end of the year, and the risk register re-based as at March 2022. The key risks identified and the assessment of their relative probability and impact are shown in the figure below.

South Yorkshire Pensions Authority - Corporate Risk Register Matrix

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

Current Issues

COVID-19

The 2021/22 year has seen the Authority gradually return to business as usual and adjust to the current ‘living with COVID-19’ stage of the government’s plan. Fully remote working from home for all staff continued for the majority of time from April 2021 to December 2021. In January 2022, the final stages of work on our new office at Oakwell House were completed, enabling a return to the office for all staff from the end of that month. The new working arrangements are based on a homeworking policy that enables all staff to work on a hybrid basis – with a minimum of 2 days per week in the office for full-time staff, and 1 day per week for part-time staff. The bespoke design and specification of the new office has facilitated this new way of working with meeting rooms equipped with full MS Teams capabilities and an events room equipped for holding and webcasting our Authority and other committee meetings, as well as training and forum events.

Ukraine War

The Russian invasion of Ukraine in February 2022 clearly held implications for the Fund’s investment assets. The Fund’s only exposure to Russian assets is held in two pooled investment vehicles managed by Border to Coast Pensions Partnership (one for Emerging Market Equities and the other for Multi Asset Credit). Prior to the invasion, the estimated value of Russian holdings within these funds represents only 0.3% of the total value of the Fund. Clearly since the invasion, the value has fallen significantly. The financial sanctions imposed by western governments and the measures taken by the Russian government to mitigate these sanctions mean that it is not possible to trade in any of these assets at present, even if another party was willing to buy them. Following the invasion, Border to Coast immediately suspended making any further investments in Russia, and continue to review existing investments, including the approach to exiting in due course as and when markets permit. This is above and beyond the UK sanctions currently in place.

Inflation

While in part driven by the issues identified above (e.g., the impact of sanctions on oil and gas supply and hence prices), inflation in and of itself presents a significant issue for the Authority in terms of both its management of the Pension Fund and the operations of the organisation. As regards the Pension Fund, a sustained higher level of inflation could materially increase the liability to pay pensions which would impact either on a requirement for increased investment returns or increased employer contributions. The former may be difficult to achieve in current market conditions and the latter is potentially unaffordable. At the operational level, inflation impacts on the Authority’s ability to live within its budget, although given the tendency in recent years to under-spend, this is not regarded as a significant risk. More importantly, inflation puts pressure on pay and the ability of the Authority to compete in the labour market. A review of pay and benefits is planned for 2022/23 which will seek to address this issue within the overall constraints within which the Authority operates.

Regulatory Drift

The Local Government Pension Scheme is awaiting a very large number of regulatory changes which have been outstanding for a considerable time, notably in relation to the McCloud remedy and climate reporting, but also in relation to governance and investment pooling. This is preventing action in some areas, such as accelerating progress on delivering the McCloud remedy, and creating uncertainty in others such as the particular metrics to commission for climate reporting. Work is being progressed in all these areas to the extent possible in the absence of regulatory clarity, and one of the reasons for maintaining reserves is to allow the Authority to respond quickly when required.

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.

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Annual Governance Statement

2021/22

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.

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 2022 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.

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 individual level as part of the appraisal system.

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, has supported the Authority's democratic processes during the year ensuring compliance with the relevant regulations. This function will be internalised within the Authority during the coming year.

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 around 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, which has been significantly upgraded and redesigned during the year making information easier to find. The Freedom of Information Act Publication Scheme which specifies the information published by the Authority and how to access was updated last year and is now used as one means of signposting information electronically.

This includes a range of information on investment holdings, performance, the policy frameworks, and responsible investment issues such as how shares have been voted. In addition, the agendas and papers for the Authority, the various Committees and the Local Pension Board are published online a week before each meeting and all meetings are open to the public, and an increasing number of meetings are also webcast. Key decisions made by officers are formally recorded and details published on the website.

The pandemic has continued to result in some disruption to meeting arrangements during the year, and while in-person meetings have resumed, they have, until the latter part of the year, required social distancing measures to be in place which has impacted the nature of the debate. The Local Pension Board which is not subject to the same rules as the Authority, has amended its constitution during the year to provide for virtual and hybrid meetings, where appropriate, although the expectation is that in-person meetings will be the norm.

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.

Emphasis has continued to be placed on increasing the volume and improving the quality of interaction with employers and an employer forum session and survey have been undertaken during the year as well as the institution of a new employer newsletter. Responding to the Local Pension Board there has been an emphasis on monitoring the performance of employers in resolving data queries.

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 rolling customer satisfaction surveys which examine specific aspects of the service to scheme members, which also include information on learning and actions from this feedback.

As a result of the pandemic, interaction with scheme members was moved entirely online and this has proved successful and popular with members, although the facility for face-to-face meetings will be restored in the coming year. 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 report, allowing action to be taken to address any variations if required. All activity is undertaken within a risk management framework which covers all aspects of the Authority's work.

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. Development in this area has continued over the last year with the completion of an assessment of the impact of the Authority's investments on people and planet together with further updating of policies in the light of wider developments.

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 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 both 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 taken into account.

In addition, given the centrality of being a responsible investor to the way in which the Authority invests the Pension Fund, regular publicly available reports are provided to the Authority detailing responsible investment activity undertaken and the outcomes achieved through this activity. These include summaries of the Fund's votes at company annual meetings. As part of this approach the Authority subscribes to the principles set out in the FRC's Stewardship Code which requires investors to report to stakeholders in a clear way on how they have managed the funds for which they are responsible.

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 the Good Governance Review undertaken 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. Steps have also been taken to equip members of the Audit Committee to enable them to provide more effective challenge.

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 online learning and specific reading materials. A targeted induction programme is provided for new members. Members of both the Authority and the Local Pension Board are asked to self-assess their learning needs as part of developing the annual training programme.

For staff, access is provided to ongoing 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 revised during the year to make it more clearly competency based and better focussed on meeting the Authority's needs, and similar progression schemes have been developed for Customer Services and Pension Systems teams and for the two levels of the Senior Practitioner role.

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

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 and following the Director's appraisal for 2021, members of the Authority have asked him to bring forward proposals for strengthening organisational resilience during 2022.

Arrangements for Health Safety and Wellbeing continue to be given prominence with the addition during the year of a contractual arrangement for Health and Safety advice and the provision of a range of additional health and wellbeing support including workplace health checks and a range of webinars and other activities aimed at developing knowledge and understanding of key issues such as stress.

Over the course of the year, the Authority has agreed a range of changes to its organisation including the internalisation of arrangements for the provision of the roles of Treasurer and Monitoring Officer which will be completed during the coming year. In addition, the Director has been instructed to produce a medium-term plan to address issues of resilience and sustainability within the organisational structure for presentation to elected members during the coming year, reflecting a longer-term approach to resource planning.

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. In addition, during the year an appointment was made to the new role of Governance and Risk Officer, increasing the level of resource and amount of focus that can be devoted to this area.

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 the use of 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 and the implementation of the recommendations from this review was completed during the year. A further review will be undertaken during 2023/24 in line with the proposals set out in the Good Governance Project sponsored by the Scheme Advisory Board.

Assurance processes 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 the investment accounting and financial management systems were completed during the year and the replacement of the HR and Payroll system is scheduled for the coming year. A need has been identified for an integrated risk management and performance system which will be developed into a business case during the coming year.

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, available within the Governance section of the Authority's website, which sets out the work it has undertaken during the year.

The Committee is responsible for overseeing the work of Internal Audit 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 2021/22 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 some improvements have been made in the level of challenge provided by the Audit Committee, through the provision of additional briefing sessions for members this remains a work in progress and further developments will be undertaken over the coming year.

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 (SIRO) and the Head of Internal Audit as the Data Protection Officer. Arrangements for the SIRO role will change in the coming year following the appointment to the new role of Corporate Manager – Governance.

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.

During the coming year the role of Senior Information Risk Owner will be passed to the new role of Corporate Manager – Governance who will provide additional resource to support the ongoing development of the information governance framework.

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 the production of an impact report for 2020/21 which was published in March 2022. This analyses the impact of the Authority's investments on people and planet using the UN Sustainable Development Goals as an analysis framework.

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.

The Authority has now completed implementation of the recommendations made in Hymans Robertson's review of its governance, pre-empting the Good Governance standards. The Authority has also appointed an independent adviser to support the Local Pension Board in providing effective challenge and scrutiny, and the Board has conducted its own review of its effectiveness.

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.

Governance Issues

The COVID-19 pandemic continued to impact Britain throughout the period under review and while, at the time of writing restrictions have been lifted, the pandemic continues to influence the way in which the Authority is operating and key management issues such as the level of staff sickness.

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 significant governance issues need to be included in the 2021/22 Annual Governance Statement Action Plan. These are:

- The need to conduct a comprehensive review of the Constitution to reflect the new statutory officer arrangements to be introduced in April 2023 and ensure that it is up to date in terms of changes in key regulations such as those arising from the UK's exit from the European Union.

- The need to further embed the appraisal process and link it to the organisation's values including adjusting the appraisal year so that appraisals are conducted away from key workload peaks and to ensure that training needs are effectively collated to support a corporate training programme.
- The need to review a range of processes and plans around business continuity and health and safety now that the Authority occupies its own building.
- The need to develop a longer-term view of the Authority's resource requirements and ensure that identified gaps are addressed.
- The need to link programme and project management arrangements more clearly to actions identified in the Corporate Strategy and other key plans.
- The need to make better use of information in managing performance.
- The ongoing need to strengthen internal governance building on the changes to staffing and service delivery arrangements already agreed.
- The need to reinvigorate the approach to staff engagement following a long period of entirely remote working which has made this more difficult.

The actions taken to date to address these have or will be reported to the Authority and the Audit Committee. Progress in implementing 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 2022/23			
Issue	**Action Required**	**Responsible Officer**	**Date for Completion**
Need to update the Constitution	Full review of the Constitution to be commissioned using legal advisers	Corporate Manager – Governance	March 2023
Improvements to the appraisal process and training plan	Changes to appraisal documentation and appraisal year, additional training for managers and move to an online system	Head of Finance and Corporate Services & HR Business Partner	June 2023
Updates to Business Continuity and Health and Safety arrangements	Review of arrangements in light of the move to the Authority's own premises and to fully document arrangements beyond those specifically related to ICT which are already documented	Head of Finance and Corporate Services	March 2023
Organisational resilience and sustainability	Prepare medium term proposals addressing both succession planning and resilience for implementation over the Corporate Strategy period	Director	December 2022
Strengthen project management	Implement arrangements to support individual project managers with scoping, planning, delivering and reporting on corporate strategy projects	Team Manager – Programmes and Performance	March 2023

Annual Governance Statement Action Plan for Completion in 2022/23			
Issue	**Action Required**	**Responsible Officer**	**Date for Completion**
Strengthen corporate performance management and reporting	Introduce arrangements for the centralised production of performance information allowing managers to focus on interpretation and follow up action	Team Manager – Programmes and Performance	March 2023
Strengthen internal governance	Update and refresh the arrangements around key processes such as procurement, information governance, decision recording and scheme of delegation.	Corporate Manager – Governance	March 2023
Reinvigorate staff engagement	Implement action plan developed following staff feedback	Senior Management Team	March 2023

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 2022 and its income and expenditure for the year then ended.

N Copley BA (Hons), CPFA **Date: 22 June 2022**

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.

2020/21 Gross Expenditure £	2020/21 Gross Income £	2020/21 Net Expenditure £		Notes	2021/22 Gross Expenditure £	2021/22 Gross Income £	2021/22 Net Expenditure £
2,798,006	(79,562)	2,718,444	Pensions Administration		3,200,787	(87,425)	3,113,362
881,135	0	881,135	Investment Strategy		750,324	0	750,324
848,556	0	848,556	Finance & Corporate Services		976,325	0	976,325
710,654	(63,831)	646,823	ICT		846,266	(108,980)	737,286
503,274	0	503,274	Management & Corporate Costs		453,453	0	453,453
122,033	0	122,033	Democratic Representation		132,264	0	132,264
5,863,658	(143,393)	5,720,265	**Cost of Services**		6,359,419	(196,405)	6,163,014

2020/21 Gross Expenditure £	2020/21 Gross Income £	2020/21 Net Expenditure £		Notes	2021/22 Gross Expenditure £	2021/22 Gross Income £	2021/22 Net Expenditure £
0	(5,808,141)	(5,808,141)	Other Operating Income	[9]	0	(5,982,548)	(5,982,548)
			Financing and Investment Income and Expenditure:				
280,000	0	280,000	Net Interest on the Net Defined Benefit Liability	[24]	295,000	0	295,000
0	(363,642)	(363,642)	Taxation Income	[9]	0	(337,477)	(337,477)
6,143,658	(6,315,176)	**(171,518)**	**(Surplus) or Deficit on Provision of Services**	[9]	6,654,419	(6,516,430)	**137,989**
		1,352,000	Remeasurements of the Net Defined Benefit Liability	[24]			(3,943,524)
		1,352,000	**Other Comprehensive Income and Expenditure**				(3,943,524)
		1,180,482	**Total Comprehensive Income and Expenditure**				**(3,805,535)**

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 2021/21:	**General Fund Balance**	**ICT Development Reserve**	**Corporate Strategy Reserve**	**Capital Projects Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Balance At 1 April 2021	**0**	**(118,300)**	**(238,500)**	**(1,254,467)**	**(1,611,267)**	**13,846,710**	**12,235,443**
Deficit On The Provision Of Services	137,989	0	0	0	**137,989**	0	137,989
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	(3,943,524)	(3,943,524)
Total Comprehensive Income & Expenditure	**137,989**	**0**	**0**	**0**	**137,989**	**(3,943,524)**	**(3,805,535)**
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	929,412	0	0	0	**929,412**	(929,412)	0
Net Increase Before Transfers To Earmarked Reserves	**1,067,401**	**0**	**0**	**0**	**1,067,401**	**(4,872,936)**	**(3,805,535)**
Transfers (To)/From Earmarked Reserves (Note 8)	(1,067,401)	(87,650)	39,700	1,115,351	**0**	0	0
(Increase)/Decrease in 2021/22	**0**	**(87,650)**	**39,700**	**1,115,351**	**1,067,401**	**(4,872,936)**	**(3,805,535)**
Balance At 31 March 2022 Carried Forward	**0**	**(205,950)**	**(198,800)**	**(139,116)**	**(543,866)**	**8,973,774**	**8,429,908**

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)/Decrease 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**

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 2021 £		Note	31 March 2022 £
85,429	Property, Plant & Equipment	[10]	1,405,306
25,183	Intangible Assets	[11]	181,622
110,612	**Long Term Assets**		**1,586,928**
2,688,908	Short Term Debtors	[13]	1,951,013
445	Cash and Cash Equivalents	[14]	720
2,689,353	**Current Assets**		**1,951,733**
(1,136,133)	Short Term Creditors	[15]	(1,412,570)
(1,136,133)	**Current Liabilities**		**(1,412,570)**
(24,000)	Long Term Provision	[19]	(48,744)
(13,875,275)	Pensions Liability	[24]	(10,507,255)
(13,899,275)	**Long Term Liabilities**		**(10,555,999)**
(12,235,443)	**Net Assets**		**(8,429,908)**
(1,611,267)	Usable Reserves	[8]	(543,866)
13,846,710	Unusable Reserves	[16]	8,973,774
12,235,443	**Total Reserves**		**8,429,908**

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 administration of the South Yorkshire Pension Fund.

31 March 2021		Note	31 March 2022
£			£
171,518	Net Surplus or (Deficit) on the Provision of Services		(137,989)
(93,943)	Adjustment to Net Surplus or Deficit on the Provision of Services For Non-Cash Movements	[17]	1,410,476
77,575	**Net Cash Flows from Operating Activities**		**1,272,487**
(77,575)	Net Cash Flows from Investing Activities	[18]	(1,272,212)
0	**Net Increase or (Decrease) in Cash & Cash Equivalents**		275
445	Cash & Cash Equivalents at the Beginning of the Reporting Period	[14]	445
445	**Cash & Cash Equivalents at the End of the Reporting Period**	**[14]**	**720**

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.

2020/21				2021/22		
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**
£	**£**	**£**		**£**	**£**	**£**
2,478,072	240,372	2,718,444	Pensions Administration	2,798,773	314,589	3,113,362
842,288	38,847	881,135	Investment Strategy	708,986	41,338	750,324
735,483	113,073	848,556	Finance & Corporate Services	867,310	109,015	976,325
560,965	85,858	646,823	ICT	635,849	101,437	737,286
430,003	73,271	503,274	Management & Corporate Costs	368,083	85,370	453,453
118,181	3,852	122,033	Democratic Representation	124,023	8,241	132,264
5,164,992	**555,273**	**5,720,265**	**Net Cost of Services**	**5,503,024**	**659,990**	**6,163,014**

2020/21				2021/22		
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**
£	**£**	**£**		**£**	**£**	**£**
(5,765,545)	(126,238)	(5,891,783)	Other Income and Expenditure	(4,435,623)	(1,589,402)	(6,025,025)
(600,553)	**429,035**	**(171,518)**	**(Surplus) or Deficit on Provision of Services**	**1,067,401**	**(929,412)**	**137,989**
(1,010,714)			Opening General Fund and Earmarked Reserves Balance	(1,611,267)		
(600,553)			Plus (Surplus) or Deficit for the Year	1,067,401		
(1,611,267)			Closing General Fund and Earmarked Reserves Balance	(543,866)		

Note 2. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 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.

Discretionary Benefits

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 2021/22, 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 2022 but not yet adopted by the Code. It is anticipated that the 2022/23 Code will introduce amendments in respect of:

> IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

Annual Improvements to IFRS Standards 2018–2020:
The annual IFRS improvement programme notes 4 changed standards as specified below. These are not covered in detail in the 2022/23 Code as they are not expected to have any significant impact in local authority financial statements.
> IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
> IAS 37 (Onerous contracts) – clarifies the intention of the standard
> IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
> IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

At the date these accounts have been authorised for issue, the 2022/23 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 2022 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% decrease in the discount rate assumption would result in an increase to the pension liability of approximately 2% or £799,000 > A one year increase in the life expectancy assumption would result in an increase to the pension liability of approximately 4% or £1,568,000 > A 0.1% increase in the salary inflation rate assumption would result in an increase to the pension liability of approximately 1% or £200,000 > A 0.1% increase in the pension increase rate assumption would result in an increase to the pension liability of approximately 2% or £590,000. However, the assumptions interact in complex ways. During 2021/22, the Authority's actuaries advised that the net pensions liability had decreased by £1,994,000 due to updating of the financial assumptions and had increased by £209,000 due to estimates being corrected as a result of experience.

Impact of Ukraine War on Pensions Liability

The effect of the war in Ukraine on the accounting position is quite small; in summary the relevant effects are as follows.
In the immediate aftermath of the invasion, there was a fall in the Fund's asset values. However, over the remainder of March 2022 the assets broadly recovered to similar levels as before the invasion.
The accounting assumptions (bond yields and inflation) are based on market expectations at 31 March 2022, which were shaped by all global events including the war in Ukraine, and will therefore have affected the value placed on the defined benefit obligation.

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 2022, it is not appropriate to amend the baseline or future longevity assumptions as the data is not yet available to make an evidence-based assessment on the pandemic's impact on long term longevity. 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 22 June 2022. 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 2022, 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 2022 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.

Contingent Liability - McCloud Judicial Review
In December 2021, several unions filed for a joint judicial review against the Government on the inclusion of the McCloud remedy costs within the cost control mechanism for public sector pension schemes. On 4 July 2022, the judicial review was granted permission to be heard, with no further detail currently available on the timeline for a hearing. Even if the judicial review is successful, it is unclear what remedy the court may order, and the Government would then need to consider how to proceed following that. Any attempt to predict such outcomes would be highly speculative at this stage.

Note 6. Supplementary Information to Note 1. Expenditure & 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 between funding and accounting basis 2021/22			
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	**Adjustment for Capital Purposes**	**Net Change for Pensions Adjustments**	**Other Statutory Adjustments**	**Total Adjustments**
	£	**£**	**£**	**£**
Pensions Administration	0	339,199	(24,610)	**314,589**
Investment Strategy	0	44,971	(3,633)	**41,338**
Finance & Corporate Services	0	113,211	(4,196)	**109,015**
ICT	46,547	61,418	(6,528)	**101,437**
Management & Corporate Costs	24,062	50,941	10,367	**85,370**
Democratic Representation	0	8,241	0	**8,241**
Net Cost of Services	**70,609**	**617,981**	**(28,600)**	**659,990**
Other Income and Expenditure from the Expenditure & Funding Analysis	(1,546,925)	(42,477)	0	(1,589,402)
Difference Between General Fund Deficit and the CIES Deficit on the Provision of Services	**(1,476,316)**	**575,504**	**(28,600)**	**(929,412)**

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**

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.

2020/21 £ General Fund	*Adjustments to Revenue Resources*	2021/22 £ General Fund
(44,494)	Reversal of Entries Included in the Surplus or Deficit on Provision of Services in Relation to Capital Expenditure (Transferred to Capital Adjustment Account)	(70,609)
(383,438)	Pensions Costs (Transferred to the Pensions Reserve)	(575,504)
(43,699)	Holiday Pay (Transferred (to)/ from the Accumulated Absences Adjustment Account)	28,600
(471,631)	**Total Adjustments to Revenue Resources**	**(617,513)**
	Adjustments Between Revenue and Capital Resources	
42,596	Capital Expenditure Financed from Revenue Balances (Transferred to the Capital Adjustment Account)	1,546,925
42,596	**Total Adjustments Between Revenue and Capital Resources**	**1,546,925**
(429,035)	**Total Adjustments**	**929,412**

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 2020	Transfers Out	Transfers In	Balance at 31 Mar 2021	Transfers Out	Transfers In	Balance at 31 Mar 2022
	£	£	£	£	£	£	£
Corporate Strategy Reserve	(232,831)	24,331	(30,000)	(238,500)	184,700	(145,000)	**(198,800)**
ICT Development Reserve	(112,383)		(5,917)	(118,300)	0	(87,650)	**(205,950)**
Capital Projects Reserve	(665,500)		(588,967)	(1,254,467)	1,220,470	(105,119)	**(139,116)**
Total:	**(1,010,714)**	**24,331**	**(624,884)**	**(1,611,267)**	**1,405,170**	**(337,769)**	**(543,866)**

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. Amounts from this reserve have been used during the year in line with plans as follows:

> £95,000 has been used for financing the Oakwell House office refurbishment project;
> £55,000 has been used to fund the costs of business systems replacements;
> £24,700 has been used to fund the 2021/22 cost in relation to the provision for retention incentive scheme payments as set out in Note 19; and
> £10,000 has been used to fund the 2021/22 costs of the HR Undergraduate placement.

An amount of £145,000 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 of future projects to deliver the corporate objectives.

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. The following transfers into the reserve have taken place during the year.

> £43,650 from income generated from the sales of in-house developed software to other organisations; and
> £44,000 has been set aside for financing costs in future years for the laptops replacement programme.

Capital Projects Reserve

This reserve was established in order to finance the major projects from the Corporate Strategy - specifically the Oakwell House office accommodation project, and the new pensions administration software system. During the year, amounts from this reserve have been used for these projects as follows.
> £1,035,770 for Oakwell House office accommodation project; and
> £184,700 for the pensions administration software system.

Going forward, the reserve will be maintained for the financing of future projects and expenditure in relation to the office accommodation and any further major systems purchases (including a new HR and Staff Payroll system).
An amount of £105,119 has been transferred into this reserve at the end of the year.

Note 9. Expenditure And Income Analysed By Nature

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

2020/21 £	Expenditure	2021/22 £
3,870,894	Employee Benefits Expenses	3,712,619
44,494	Depreciation and Amortisation	70,609
1,585,729	Other Service Expenses	2,039,243
362,541	Irrecoverable VAT Expense	536,948
280,000	Net Interest on the Net Defined Benefit Liability	295,000
6,143,658	**Total Expenditure**	**6,654,419**

2020/21 £	Income		2021/22 £
	Fees, Charges & Other Service Income:		
(63,831)	Charges for provision of IT services and IT sales	(108,980)	
(37,100)	Charges for administration in relation to employer recharges for actuarial services	(38,825)	
(38,517)	Charges for administration in relation to payroll	(37,019)	
(2,945)	Charges to scheme members in relation to information provision on receipt of pension sharing orders upon divorce	(4,581)	
(1,000)	Other Income	(7,000)	
(143,393)	***Subtotal Fees, Charges and Other Service Income***		**(196,405)**

2020/21 £	Income		2021/22 £
	Other Operating Income:		
(5,808,141)	Charge to the South Yorkshire Pension Fund	(5,982,548)	
	Taxation Income		
(363,642)	Levy for Residual Liabilities	(337,477)	
(6,171,783)	***Subtotal Other Income***		**(6,320,025)**
(6,315,176)	**Total Income**		**(6,516,430)**
(171,518)	**Surplus on the Provision of Services**		**137,989**

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 £108,980 income in 2021/22 includes £65,334 (2020/21: £57,894) 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. £43,646 ICT income is in relation to sales of internally developed software products (EPIC and DART) to other LGPS pension funds and maintenance of this software. The income for the sale of software licences is recognised at the date of sale, and the income for software maintenance services is recognised over the period for which the fee is charged.

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.

Note 10. Property, Plant and Equipment

Movements in 2021/22:	Vehicles, Plant, Furniture & Equipment - Oakwell House	Vehicles, Plant, Furniture & Equipment - Laptops	Assets Under Construction	Total Property, Plant and Equipment
	£		£	£
Cost				
At 1 April 2021	0	73,144	29,311	**102,455**
Additions	1,362,225	0	0	**1,362,225**
Transfers from AUC	29,311	0	(29,311)	**0**
At 31 March 2022	**1,391,536**	**73,144**	**0**	**1,464,680**
Accumulated depreciation				
At 1 April 2021	0	(17,026)	0	**(17,026)**
Depreciation charge	(24,062)	(18,286)	0	**(42,348)**
At 31 March 2022	**(24,062)**	**(35,312)**	**0**	**(59,374)**
Net Book Value At 31 March 2022	**1,367,474**	**37,832**	**0**	**1,405,306**
Net Book Value At 31 March 2021	**0**	**56,118**	**29,311**	**85,429**

Comparative Movements in 2020/21:

	Vehicles, Plant, Furniture & Equipment - Laptops	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**

The Oakwell House asset represents the value of the major refurbishment project on the Authority's office accommodation and includes full mechanical and electrical plant, solar panels, furniture, fittings and equipment. The practical completion date and handover was 06 December 2021 and the asset is being depreciated from 1 January 2022.

The Laptops asset represents the value of laptop computers purchased during 2020/21 to enable all staff to work at home. There have been no additions to this asset during the year.

Depreciation

· Vehicles, plant, furniture and equipment: Oakwell House
The Oakwell House asset comprises two components with different useful economic lives as follows:
> Audio-visual equipment and fittings: In line with advice from the Corporate ICT and Digital Manager, a useful life of 10 years has been determined for this component. Depreciation is therefore charged over 120 months on a straight line basis commencing in the month following acquisition.
> The remaining plant, furniture, fittings and equipment component has been determined as having a useful economic life of 15 years. Depreciation is therefore charged over 180 months on a straight line basis commencing in the month following acquisition.

· Vehicles, plant, furniture and equipment: Laptops
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.

The Authority's licence for its Pensions Administration software is the only intangible asset held. In February 2022, the previous licence for this software expired and a new contract was entered into for a new 5 year licence from this date. This has been accounted for as an addition in 2021/22 and is being amortised over 60 months starting from March 2022. The carrying value of the expired licence was nil as at the end of February 2022 and has been written out as a disposal in March 2022.

The amortisation charge of £28,261 in 2021/22 (£27,468 in 2020/21) was charged to the ICT service line within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

2020/21 Pensions Administration System £		2021/22 Pensions Administration System £
	Balance at Start of Year:	
541,840	Gross Carrying Amount	541,840
(489,189)	Accumulated Amortisation	(516,657)
52,651	**Net Carrying Amount at Start of Year**	**25,183**
0	Additions - Purchase	184,700
(27,468)	Amortisation for the Period	(28,261)
	Disposals - Fully Amortised Asset:	
0	Gross Carrying Amount Disposed	(541,840)
0	Accumulated Amortisation Disposed	541,840
25,183	**Net Carrying Amount at End of Year**	**181,622**
	Comprising:	
541,840	Gross Carrying Amount	184,700
(516,657)	Accumulated Amortisation	(3,078)

Note 12. Financial Instruments

31 March 2021		31 March 2022
£		£
	Financial Assets at Amortised Cost	
2,377,771	Short Term Debtors	1,741,053
445	Cash and Cash Equivalents	720
2,378,216	**Total Financial Assets at Amortised Cost**	**1,741,773**
	Financial Liabilities at Amortised Cost	
(499,317)	Short Term Creditors	(777,498)
(499,317)	**Total Financial Liabilities at Amortised Cost**	**(777,498)**
1,878,899	**Total Financial Instruments**	**964,275**

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 2021		31 March 2022
£		£
232,599	Trade Receivables	204,651
311,137	Prepayments	209,960
2,145,172	Owed from Pension Fund	1,536,402
2,688,908	**Total**	**1,951,013**

Note 14. Cash and Cash Equivalents

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

31 March 2021		31 March 2022
£		£
445	Bank Current Accounts	720
445	**Total**	**720**

Note 15. Short Term Creditors

31 March 2021		31 March 2022
£		£
(376,495)	Trade Payables	(410,382)
(58,751)	Payable to HMRC - Employment Taxes	(77,830)
(578,065)	Payable to HMRC - VAT	(557,242)
(28,711)	Capital Creditors	(303,424)
(94,111)	Other Payables	(63,692)
(1,136,133)	**Total**	**(1,412,570)**

Note 16. Unusable Reserves

31 March 2021 £		Note 16	31 March 2022 £
(110,612)	Capital Adjustment Account	[a]	(1,586,928)
13,875,275	Pensions Reserve	[b]	10,507,255
82,047	Accumulated Absences Adjustment Account	[c]	53,447
13,846,710	**Total Unusable Reserves**		**8,973,774**

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.

2020/21 £		2021/22 £
(112,510)	Balance at 1 April	(110,612)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
27,468	Amortisation of Intangible Assets	28,261
17,026	Depreciation of Vehicles, Plant, Furniture & Equipment	42,348
	Capital financing applied in the year:	
(42,596)	Capital Expenditure Charged Against the General Fund Balance	(1,546,925)
(110,612)	**Balance at 31 March**	**(1,586,928)**

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.

2020/21		2021/22
£		£
12,139,837	Balance at 1 April	13,875,275
1,352,000	Remeasurement Of The Net Defined Benefit Liability/(Asset)	(3,943,524)
1,247,000	Reversal Of Items Relating To Retirement Benefits Debited or Credited to the Surplus On the Provision Of Services in the CIES	1,309,000
(863,562)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable In The Year	(733,496)
13,875,275	**Balance at 31 March**	**10,507,255**

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

31 March 2021		31 March 2022
£	**Pensions Reserve**	£
11,235,746	Authority	8,081,727
2,639,529	Residual Liabilities	2,425,528
13,875,275	**Total**	**10,507,255**

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.

2020/21			2021/22
£			£
38,348	Balance at 1 April		82,047
(38,348)	Settlement or cancellation of accrual made at the end of the preceding year	(82,047)	
82,047	Amounts accrued at the end of the current year	53,447	
43,699	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		**(28,600)**
82,047	**Balance at 31 March**		**53,447**

Note 17. Cash Flow Statement - Operating Activities

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

2020/21		2021/22
£		£
27,468	Amortisation	28,261
17,026	Depreciation	42,348
383,438	Movement in Pension Liability	575,504
24,000	Increase in Provisions	24,744
(186,671)	Increase / (Decrease) in Creditors	1,724
(359,204)	(Increase) / Decrease in Debtors	737,895
(93,943)	**Total Adjustment for Non Cash Movements**	**1,410,476**

Note 18. Cash Flow Statement - Investing Activities

2020/21		2021/22
£		£
(77,575)	Purchase of Property Plant & Equipment	(1,272,212)
(77,575)	**Total Investing Activities**	**(1,272,212)**

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	2021/22		110,958	17,864		**128,822**
(Head of Paid Service)	2020/21		109,050	16,963		**126,013**
Head of Investment Strategy	2021/22		88,767	14,291	12,372	**115,430**
	2020/21		82,251	12,255	12,000	**106,506**
Head of Pensions Administration	2021/22		88,767	14,291	12,372	**115,430**
	2020/21		87,240	14,046	12,000	**113,286**
Head of Finance & Corporate Services	2021/22		80,945	13,032		**93,977**
(Deputy Treasurer)	2020/21		76,335	12,290		88,625
Treasurer	2021/22	[a]	4,966	809		**5,775**
	2020/21		4,880	796		**5,676**
Monitoring Officer (February 2022- March 2022)	2021/22	[b]	582	95		**677**
Monitoring Officer (April 2021- January 2022)	2021/22	[c]	4,138	675		**4,813**
	2020/21		4,067	667		**4,734**

*** 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 Staff Retention Incentives Scheme introduced in 2020/21 to support succession planning. Under the terms of the scheme, a payment of £12,372 pension contributions is due for each of these officers in respect of service during 2021/22, but will only become payable at the end of three years if they remain in post until that time.
Consequently, the total amount of £24,744 due for 2021/22 has been added to the long term provision for this on the Balance Sheet, the balance of which is £48,744 as at 31 March 2022 (£24,000 at 31 March 2021).

[a] The Treasurer role is provided by an officer of Barnsley MBC under a service level agreement. The Treasurer charged approximately 5% of salary in 2021/22 (2020/21: 5%), the annualised salary for 2021/22 was £99,321 (2020/21: £97,613).

[b] The Monitoring Officer role is provided by an officer of Barnsley MBC under a service level agreement. The current role holder commenced with effect from February 2022 following the retirement of the previous role holder.
The Monitoring Officer charged approximately 5% of salary in 2021/22. The annualised salary was £69,815 in 2021/22.

[c] The previous Monitoring Officer role holder retired in January 2022. They charged approximately 5% of salary in 2021/22 (5% in 2020/21). The annualised salary was £99,321 in 2021/22.

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	2020/21 Number of employees	2021/22 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 no such packages in 2021/22 (2020/21: two).

Exit Package Cost Band	2020/21 Number of voluntary redundancies	2021/22 Number of voluntary redundancies
£0 - £20,000	0	0
£40,001 - £60,000	1	0
£80,001 - £100,000	1	0

Note 20. Members' Allowances

The Authority paid the following amounts for elected members during the year. Member allowances are paid in accordance with the scheme of allowances as published on the Authority's website. Expenses paid are to reimburse members for travel and/or hotel costs incurred in travelling to meetings and/or training events on Authority business.

2020/21 £		2021/22 £
61,039	Member Allowances	60,069
454	Employer National Insurance on Member Allowances	319
0	Expenses	829
61,493	**Total**	**61,217**

Note 21. External Audit Costs

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

2020/21 £		2021/22 £
31,833	Fees payable to Deloitte LLP with regard to external audit services carried out for the year	31,833
17,500	Fees payable to Deloitte LLP with regard to additional costs for external audit services carried out for the previous year	14,136
49,333	**Total**	**45,969**

The scale audit fee set by Public Sector Audit Appointments Ltd (PSAA) is £31,833 for 2021/22. However in the last two years, it has become evident that the audit work requirements for the external auditor cannot be fully met within this fee level, and therefore Deloitte have previously discussed and agreed additional fee for the audit with the Authority in respect of the 2019/20 audit and have set out their intention to do so again in respect of the 2020/21 audit. The process for obtaining approval from the PSAA for additional fee means that there is a time lag before the additional fee is confirmed and charged to the Authority. Therefore the figure shown for this above is an estimate based on best available information.

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 £396,019 (2020/21: £499,920) to the Fund in respect of employer pension contributions and received a total of £5,982,548 (2020/21: £5,808,141) from the Fund as the amount recharged for Authority expenditure for the year.
At 31 March 2022, there is a debtor balance of £1,536,402 (31 March 2021: £2,145,172) in the Authority's balance sheet for the sum due from the Fund.

In addition to the above, the Authority paid a total of £337,477 (2020/21: £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:
£143,904 (2020/21: £170,907) in respect of rent, service charges and other expenses including business rates, for the office accommodation leased from the Council;
£178,352 (2020/21: £183,067) 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 significantly influence 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

During 2021/22, the Authority exercised the lease break option available in the lease with Barnsley MBC for office accommodation at Level 8, Gateway Plaza, Barnsley S70 2RD and terminated the lease with effect from 30 November 2021; although, as a result of delays on the new office project, occupation continued and rent charges paid until 4 February 2022.

A new lease was entered into with Mapeley Gamma Acquisitions Ltd (c/o FI Real Estate Management) for office accommodation at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley S71 1HG. The lease commenced with effect from 28 May 2021 for a period of 30 years with a lease break clause at 15 years, and a rent review due at 28 May 2031.

The lease rentals included an incentive in the first five years of the lease period, with rent set at £40,356 per annum to 27 May 2026. The rent will increase to £90,800 per annum thereafter subject to a rent review at 28 May 2031.

Additionally, the first six months of the lease period - to 27 November 2021 - were free of rent whilst the property was being refurbished by the Authority. The rent commencement date was 28 November 2021.

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

31 March 2021 £		31 March 2022 £
58,667	Not later than one year	40,235
0	Later than one year and not later than five years	203,989
0	Later than five years	831,380
58,667	**Total**	**1,075,604**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2020/21 £		2021/22 £
88,000	Minimum Lease Payments for Level 8, Gateway Plaza	74,438
0	Minimum Lease Payments for Oakwell House	13,996
88,000	**Total**	**88,434**

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.

2020/21		2021/22
£	**Comprehensive Income & Expenditure Statement**	**£**
	Cost of Services	
	Service Cost Comprising:	
766,000	Current Service Cost	1,014,000
201,000	Past Service Cost Including Curtailments	0
	Financing and Investment Income and Expenditure	
280,000	Net Interest Expense	295,000
1,247,000	**Total Post-Employment Benefits Charged to the Surplus on the Provision of Services**	**1,309,000**
	Other Post-Employment Benefits Charged To The Comprehensive Income And Expenditure Statement	
	Remeasurement of the Net Defined Benefit Liability Comprising:	
(4,389,000)	Return on Plan Assets (excluding the amount included in the net interest expense)	(2,146,000)
6,351,000	Actuarial (Gains) / Losses Arising on Changes in Financial Assumptions	(1,994,000)
(610,000)	Actuarial (Gains) / Losses Arising on Changes Based on Other Experience	196,476
1,352,000	**Total Post-Employment Benefits Charged to Other Comprehensive Income And Expenditure**	**(3,943,524)**
	Movement in Reserves Statement	
1,247,000	Reversal of Net Charges Made to the Surplus On Provision Of Services for Post-Employment Benefits in Accordance with the Code	**1,309,000**
(863,562)	Actual Amount Charged Against the General Fund Balance for Pensions in the Year: Employer's Contributions Payable to the Scheme	**(733,496)**
383,438	**Total Post-Employment Benefits Adjustment Recognised in Movement in Reserves Statement**	**575,504**

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 2021 £		31 March 2022 £
(39,469,666)	Present Value of Funded Liabilities	(38,976,257)
(2,859,529)	Present Value of Unfunded Liabilities	(2,655,529)
28,453,920	Fair Value of Plan Assets	31,124,531
(13,875,275)	**Net Liability Arising from Defined Benefit Obligation**	**(10,507,255)**
	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	
23,441,000	**Opening Fair Value of Plan Assets At 1 April**	**28,453,920**
563,000	Interest Income	596,000
	Remeasurement Gain/(Loss):	
4,389,000	Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	2,146,000
(12,000)	Administration Expenses	
485,584	Contributions from Employer	381,611
377,978	Contributions from Employer in Respect of Unfunded Benefits	351,885
164,000	Contributions from Employees Into the Scheme	174,000
(576,664)	Benefits Paid	(627,000)
(377,978)	Unfunded Benefits Paid	(351,885)
28,453,920	**Closing Fair Value of Plan Assets At 31 March**	**31,124,531**

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

31 March 2021 £		31 March 2022 £
(35,580,837)	**Opening Balance At 1 April**	**(42,329,194)**
(754,000)	Current Service Cost	(1,014,000)
(843,000)	Interest Cost	(891,000)
(164,000)	Contributions from Scheme Participants	(174,000)
	Remeasurement Gains And (Losses):	
(6,351,000)	Actuarial Gains / (Losses) Arising on Changes in Financial Assumptions	1,994,000
610,000	Actuarial Gains / (Losses) Arising on Changes Based on Other Experience	(196,477)
(201,000)	Past Service Cost (Including Curtailments)	0
576,665	Benefits Paid	627,000
377,978	Unfunded Benefits Paid	351,885
(42,329,194)	**Closing Balance At 31 March**	**(41,631,786)**
	Comprising:	
(39,469,666)	Present Value Of Funded Liabilities	(38,976,257)
(2,859,529)	Present Value Of Unfunded Liabilities	(2,655,529)
(42,329,195)		**(41,631,786)**

Local Government Pension Scheme Assets

The fair value of the plan assets held at 31 March 2022 comprised the following classes of assets. Please note the values are shown as £000 amounts, rounded to the nearest £100.

Asset Category	Quoted Prices in Active Markets	Quoted Prices Not in Active Markets	Total as at 31 March 2022	Percentage of Total Assets
	£000	£000	£000	
Equity Securities				
Other	74.7	0.2	74.9	0%
Debt Securities				
Corporate Bonds (Non Investment Grade)	0.0	3.4	3.4	0%
UK Government	0.0	185.7	185.7	1%
Other	88.4	1,464.4	1,552.8	5%
Private Equity				
All	66.9	2,983.9	3,050.8	10%
Real Estate				
UK Property	51.6	2,571.7	2,623.3	8%
Overseas Property	0.0	41.9	41.9	0%
Investment Funds and Unit Trusts				
Equities	0.0	14,502.7	14,502.7	47%
Bonds	0.0	5,590.6	5,590.6	18%
Infrastructure	399.7	2,171.6	2,571.3	8%
Other	0.0	580.5	580.5	2%
Cash and Cash Equivalents				
All	347.1	0.0	347.1	1%
Total Assets	**1,028.4**	**30,096.6**	**31,125.0**	**100%**

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	Percentage of Total Assets
	£000	£000	£000	
Equity Securities				
Other	159.1	0.0	159.1	1%
Debt Securities				
Corporate Bonds (Non Investment Grade)	0.0	1,549.9	1,549.9	5%
UK Government	0.0	557.5	557.5	2%
Other	82.7	1,315.9	1,398.6	5%
Private Equity				
All	153.9	2,389.9	2,543.8	9%
Real Estate				
UK Property	59.3	2,393.4	2,452.7	9%
Overseas Property	0.0	39.2	39.2	0%
Investment Funds and Unit Trusts				
Equities	0.0	13,728.1	13,728.1	48%
Bonds	0.0	3,829.0	3,829.0	14%
Infrastructure	521.3	1,310.7	1,832.0	6%
Other	0.0	0.0	0.0	0%
Cash and Cash Equivalents				
All	364.0	0.0	364.0	1%
Total Assets	**1,340.3**	**27,113.6**	**28,453.9**	**100%**

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 Hymans Robertson LLP, 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 2021	Financial Assumptions	31 March 2022
% p.a		**% p.a**
2.80	Pension Increase Rate (CPI)	3.20
3.95	Salary Increase Rate	4.20
2.10	Discount Rate	2.70

	Mortality Assumptions	
31 March 2021		**31 March 2022**
Years	*Longevity at 65 for current pensioners*	**Years**
22.5	Men	22.6
25.3	Women	25.4
	Longevity at 65 for future pensioners [1]	
24.0	Men	24.1
27.2	Women	27.3

[1] *Figures assume members aged 45 as at the last formal valuation date.*

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivities below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assume 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	
Change in Assumptions at 31 March 2022	**Approximate % Increase to Defined Benefit Obligation**	**Approximate monetary amount (£000)**
0.1% Decrease in Real Discount Rate	2%	799
1 Year Increase in Member Life Expectancy	4%	1,568
0.1% Increase in the Salary Increase Rate	1%	200
0.1% Increase in the Pension Increase Rate (CPI)	2%	590

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 2023 of approximately £381,000 in relation to the Authority itself and of £350,000 in relation to the unfunded residual liabilities of the former South Yorkshire County Council and Residuary Body.

The average duration of the defined benefit obligation for funded scheme members is estimated to be 20 years and for unfunded members is estimated to be 5 years.

Note 25. Contingent Liabilities

At 31 March 2022, 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 2022 the value was calculated at £248,727 based on a 1/11 share of the total net defined pension liability (31 March 2021: £285,636) 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.

SOUTH YORKSHIRE
PENSIONS AUTHORITY

South Yorkshire Pension Fund

Financial Statements

& Notes 2021/22

South Yorkshire Pension Fund - Fund Account

2020/21 £000		Notes	2021/22 £000
	Dealings with Members, Employers and Others Directly Involved in the Fund		
(282,816)	Contributions	[7]	(192,000)
(20,726)	Transfers In from Other Pension Funds	[8]	(18,584)
(303,542)			**(210,584)**
314,330	Benefits	[9]	320,872
16,870	Payments To and On Account of Leavers	[10]	17,136
331,200			**338,008**
27,658	**Net (Additions)/Withdrawals from Dealings With Members**		**127,424**
64,658	Management Expenses	[11]	105,678
92,316	**Net (Additions)/Withdrawals Including Fund Management Expenses**		**233,102**
	Returns On Investments		
(68,114)	Investment Income	[12]	(66,794)
0	Taxes On Income	[12]	0
(1,715,874)	Profit And Losses on Disposal of Investments and Changes in the Value of Investments	[14b]	(977,797)
(1,783,988)	**Net Return on Investments**		**(1,044,591)**
(1,691,672)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**(811,489)**
(8,170,401)	**Opening Net Assets of the Scheme**		(9,862,073)
(9,862,073)	**Closing Net Assets of the Scheme**		**(10,673,562)**

South Yorkshire Pension Fund - Net Assets Statement

31 March 2021 £000		Notes	31 March 2022 £000
	Long Term Investments		
1,182	Equities		1,182
	Investment Assets		
55,941	Equities		25,621
602,488	Bonds		64,692
8,296,976	Pooled Investment Vehicles		9,648,130
762,177	Direct Property	[14a]	795,555
186	Derivative Contracts	[15]	0
125,890	Cash		118,756
7,443	Other Investment Assets		2,468
	Investment Liabilities		
(3,361)	Derivative Contracts	[15]	0
(4)	Other Investment Liabilities		0
9,848,918	**Total Net investments**	[14a]	**10,656,404**
26,472	Current Assets	[21a]	33,828
39	Long Term Debtors	[21b]	0
9,875,429			**10,690,232**
(13,356)	Current Liabilities	[22]	(16,670)
9,862,073	**Net Assets of the Fund Available to Fund Benefits at the End of the Reporting Period**		**10,673,562**

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 2022
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 2022, approximately 70% (31 Mar 2021: 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 an appointed independent investment advisory panel and has a retained actuary, a new contract for which was let during the year. The actuary is now Hymans Robertson LLP from November 2021, and was previously Mercer Limited.

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 2021**	**31 March 2022**
Number of Employers with Active Members	533	548
Number of Employees (Active Contributors)	51,050	51,429
Number of Pensioners	57,308	59,755
Number of Deferred Pensioners *	58,511	59,924
Total Number of Members in the Pension Scheme	**166,869**	**171,108**

* The total shown for deferred pensioners includes 9,775 unprocessed leavers at 31 March 2022 (9,073 at 31 March 2021). Bulk processing tools are being developed to ensure these will be processed for valuation purposes. Once processed, these leavers could be a combination of deferred pensioners, frozen refunds, and aggregations. Until processed, this outcome is not known.

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 2022. 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 29.9% of pensionable pay in 2021/22.

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

A sharp recovery in global growth and continued monetary and fiscal support led to strong equity market gains up to the end of December, with all equity asset classes, except for emerging markets, showing positive returns. However, global inflationary pressures were felt across both goods and services, and central banks became increasingly hawkish towards the end of 2021. Bond markets thus gave lower returns as the expectation was for interest rates to rise although expectations were still for global economic growth to continue, albeit at a lower rate than we had seen in 2021.

From the beginning of January, the investor focus became the escalating inflation in many developed economies and the prospect of rising interest rates accounted for the sell-off in markets. This scenario was then exacerbated by the Russian invasion of Ukraine which triggered a massive round of sanctions by western allies which had effects on the global economy and its supply chains, with energy costs and food costs in particular spiralling upwards. Commodity prices rose and commodity currencies benefited from safe haven flows. Inflation rates rose globally ending almost thirty years of low and stable inflation. This unsettled capital markets and businesses with the prospect of rising interest rates and higher borrowing costs.
Within UK commercial property, transaction volumes increased over the course of the year driven by overseas investors and this led to a strong annual return.

Over the year, the Fund continued the long-term strategy to deliver a lower risk return by continuing to switch from listed equities to new investments within the alternative asset classes, in particular infrastructure.
This year our investments in private equity were the big driver of growth for the Fund, with additional contributions from our investments in infrastructure, private credit and property.

Over the year the Fund delivered a return of 9.6% against an expected return of 7.7% (21.1% in 2020/21 against an expected return of 18%) and it had a market value (net investment assets only) of £10,656 million at 31 March 2022 (£9,848 million at 31 March 2021).

Note 2. Basis Of Preparation

The Statement of Accounts summarises the Fund’s transactions for 2021/22 and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 2021/22.

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 2022. 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, Hymans Robertson LLP from November 2021 (Mercer Limited to November 2021), 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 2022, taking consideration of audited accounts for the company at 31 December 2021, 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 2022.

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 actuarial present value of promised retirement benefits at 31 March 2022 is £13,269 million. The sensitivities regarding the principal assumptions used to measure the obligations are as follows: • a 0.1% p.a. reduction in the discount rate would increase the promised retirement benefits by approximately 2% or £265 million • a 0.1% p.a. increase in salary growth would increase the promised retirement benefits by approximately £41 million • a 0.1% p.a. increase in the pension increase rate (CPI) would increase the promised retirement benefits by approximately 2% or £222 million • a 1 year increase in member life expectancy would increase the promised retirement benefits by approximately 4% or £531million
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 £4,128 million at 31 March 2022 (£3,133 million at 31 March 2021) 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 11.8% this would reduce the value of these assets by £487 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. These are as at 31 December 2021, then rolled forward for known cash flows in order to derive the valuation at 31 March 2022. This is the method used on the basis that any changes in market value from 31 December to 31 March are unlikely to be material. The reasonableness of this assumption is reviewed each year.

Item	Uncertainties	Effect if actual results differ from assumptions
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 £912 million including both directly held property and property held in pooled investment vehicles. At 31 March 2022 there is a range of potential outcomes. Note 18 shows the effect, based on an assessed volatility range, of a fall of 5% 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 £91.2 million. However, it should be noted that this is illustrative only and is not necessarily indicative of the actual effects that would be experienced.

Note 6. Events After The Reporting Period

The Statement of Accounts was authorised for issue on 22 June 2022. 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 2022, 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

2020/21 £000		2021/22 £000
63,014	**Employees' Contributions**	**66,198**
	Employers' Contributions*	
193,420	Normal Contributions	111,550
20,720	Deficit Recovery Contributions	8,246
5,662	Augmentation Contributions	6,006
219,802	**Total Employers' Contributions**	**125,802**
282,816	**Total Contributions Receivable**	**192,000**

By Employer Type

2020/21 £000		2021/22 £000
624	Administering Authority	556
	Scheduled Bodies:	
24,803	Barnsley Metropolitan Borough Council	23,002
51,281	Doncaster Metropolitan Borough Council	10,427
55,315	Rotherham Metropolitan Borough Council	12,276
25,733	Sheffield City Council	31,104
111,278	Other Scheduled Bodies	101,164
13,782	Admitted Bodies	13,471
282,816		**192,000**

*** 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 were 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 (2019/20) and are therefore not included in the figures shown above.

Note 8. Transfers In From Other Pension Funds

2020/21 £000		2021/22 £000
0	Group Transfers	0
20,726	Individual Transfers	18,584
20,726		**18,584**

Note 9. Benefits Payable

By Category

2020/21 £000		2021/22 £000
250,114	Pensions	257,953
56,345	Commutation and Lump Sum Retirement Benefits	57,102
7,871	Lump Sum Death Benefits	5,817
314,330		**320,872**

By Employer Type

2020/21 £000		2021/22 £000
673	Administering Authority	771
	Scheduled Bodies:	
41,194	Barnsley Metropolitan Borough Council	42,772
46,269	Doncaster Metropolitan Borough Council	45,239
44,369	Rotherham Metropolitan Borough Council	46,540
93,648	Sheffield City Council	95,093
59,102	Other Scheduled Bodies	61,938
29,075	Admitted Bodies	28,519
314,330		**320,872**

Note 10. Payments To And On Account of Leavers

2020/21 £000		2021/22 £000
365	Refunds to Members Leaving Service	535
0	Group Transfers	0
16,507	Individual Transfers	16,605
(2)	Payments for Members Joining State Scheme	(4)
16,870		**17,136**

Note 11. Management Expenses

2020/21 £000		2021/22 £000
2,962	Administrative Costs	3,382
59,600	Investment Management Expenses [Note 11a]	100,279
2,096	Oversight and Governance Costs	2,017
64,658		**105,678**

Note 11a. Investment Management Expenses

2020/21 Management Fees £000	2020/21 Performance Related Fees £000	2020/21 Transaction Costs £000	2020/21 Total £000		2021/22 Total £000	2021/22 Management Fees £000	2021/22 Performance Related Fees £000	2021/22 Transaction Costs £000
22,634	21,915	293	**44,842**	South Yorkshire Pensions Authority	**75,877**	22,867	52,874	136
11,175	1,272	1,002	**13,449**	Border to Coast Pensions Partnership	**22,977**	21,559	0	1,418
1,157	0	0	**1,157**	Abrdn	**1,325**	1,325	0	0
33	0	0	**33**	Bidwells	**40**	40	0	0
81	0	0	**81**	Schroder	**0**	0	0	0
35,080	**23,187**	**1,295**	**59,562**		**100,219**	**45,791**	**52,874**	**1,554**
			38	Custody fees	60			
			59,600	**Total**	**100,279**			

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.

The presentation of this note has been amended to comply with CIPFA guidance and present an analysis of investment management expenses by investment manager as a more meaningful categorisation to show the nature of the costs incurred and how these arise for each different investment manager type.
The overall increase in expenses for 2021/22 from the previous year has largely been driven by the increase in performance-related fees; reflecting the increase in value held and the strong performance of Pooled Investment Funds in particular.

Note 12. Investment Income

2020/21 £000		2021/22 £000
971	Income from Equities	572
30,255	Bonds	10,394
9,381	Income from Pooled Investment Vehicles	28,267
26,640	Net Property Income [Note 12a]	27,278
353	Interest on Cash Deposits	168
129	Stock Lending	80
385	Other	35
68,114	**Total Before Taxes**	**66,794**
0	Irrecoverable Withholding Tax on Equities	0
68,114	**Net Investment Income**	**66,794**

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

2020/21 £000		2021/22 £000
30,795	Border to Coast UK	37,894
53,370	Border to Coast Developed Overseas	62,472
16,775	Border to Coast Emerging Markets	17,977
12,347	Border to Coast Investment Grade Credit	11,661
527	Border to Coast Sterling Index Linked Bonds	16,945
0	Border to Coast MAC Fund	8,990
0	Border to Coast Listed Alternatives Fund	1,141
113,814		**157,080**

Note 12a. Property Income

2020/21 £000		2021/22 £000
28,752	Rental income	28,714
0	Other dividends and interest	186
(2,112)	Direct operating expenses	(1,622)
26,640	**Net income**	**27,278**

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

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

2020/21		2021/22
£000		**£000**
49	Fees Payable in Respect of External Audit	46
49		**46**

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

2020/21		2021/22
£000		**£000**
101	Irrecoverable VAT Included in Administration Cost	298
211	Irrecoverable VAT Included in Investment Management Expense	144
50	Irrecoverable VAT Included in Oversight & Governance Cost	95
362		**537**

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

2020/21 £000		2021/22 £000	2021/22 £000
	Long Term Investments		
1,182	Equities	1,182	
1,182			**1,182**
	Investment Assets		
55,941	Equities	25,621	
602,488	Bonds	64,692	
658,429			**90,313**
	Pooled Investments		
4,748,184	Equities	5,160,249	
815,245	Private Equity	1,019,328	
1,865,408	Credit	2,386,759	
431,897	Infrastructure	721,538	
99,594	Indirect Property	116,269	
0	Hedge Fund of Funds	14	
336,648	Other Managed Funds	243,973	
8,296,976			**9,648,130**

2020/21 £000		2021/22 £000	2021/22 £000
	Other Investments		
748,214	Direct Property	779,745	
13,963	Property Other	15,810	
	Derivative Contracts:		
186	Forward Currency Contracts	0	
762,363			**795,555**
125,890	Cash Deposits	118,756	
7,443	Investment Income Due	2,468	
0	Amounts Receivable - Sales		
133,333			**121,224**
9,852,283	**Total Investment Assets**		**10,656,404**
	Investment Liabilities		
	Derivative Contracts		
(3,361)	Forward Currency Contracts	0	
(4)	Amounts Payable - Purchases	0	
(3,365)	**Total Investment Liabilities**		**0**
9,848,918	**Net Investment Assets**		**10,656,404**

Note 14b. Reconciliation Of Movements In Investments And Derivatives

Period 2021/22	**Market value 1 April 2021**	**Purchases during the year and derivative payments**	**Sales during the year and derivative receipts**	**Change in value during the year**	**Market value 31 March 2022**
	£000	**£000**	**£000**	**£000**	**£000**
Equities	57,123	0	(32,567)	2,247	**26,803**
Bonds	602,488	660,910	(734,960)	(463,746)	**64,692**
Pooled Investments	8,296,976	815,214	(804,183)	1,340,123	**9,648,130**
Property	762,177	29,792	(83,893)	87,479	**795,555**
	9,718,764	**1,505,916**	**(1,655,603)**	**966,103**	**10,535,180**
Derivative Contracts:					
Forward Currency Contracts	(3,175)	67	(3,089)	6,197	**0**
	9,715,589	**1,505,983**	**(1,658,692)**	**972,300**	**10,535,180**
Other Investment Balances:					
Cash Deposits	125,890			5,497	118,756
Other Investment Assets	7,443				2,468
Other Investment Liabilities	(4)				0
Net Investment Assets	**9,848,918**			**977,797**	**10,656,404**

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**
Bonds	**561,727**	2,022,802	(2,041,374)	59,333	**602,488**
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**
					0
	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**

Note 14c. Investments Analysed By Fund Manager

Market value 31 March 2021 %	Market value 31 March 2021 £000		Market value 31 March 2022 £000	Market value 31 March 2022 %
Investments managed by Border to Coast Pensions Partnership:				
8.5%	837,108	Border to Coast Sterling Index Linked Bonds	870,683	8.2%
10.4%	1,025,943	Border to Coast UK	1,140,799	10.7%
29.8%	2,935,183	Border to Coast Developed Overseas	3,099,642	29.1%
8.0%	787,058	Border to Coast Emerging Markets	721,195	6.8%
0.0%	0	Border to Coast MAC (Multi Asset Credit) Fund	587,328	5.5%
5.0%	487,249	Border to Coast Investment Grade Credit	454,652	4.3%
0.0%	0	Border to Coast Listed Alternatives Fund	198,613	1.9%
0.5%	50,649	Border to Coast Private Equity Series	155,695	1.4%
0.1%	6,753	Border to Coast Private Credit Series	45,989	0.4%
0.4%	43,376	Border to Coast Infrastructure Series	184,374	1.7%
62.7%	**6,173,319**		**7,458,970**	**70.0%**
Investments managed outside of Border to Coast Pensions Partnership:				
29.7%	2,927,385	South Yorkshire Pensions Authority	2,417,689	22.7%
5.9%	580,180	Abrdn - Direct Property - Commercial Portfolio	606,190	5.7%
1.7%	168,034	Bidwells - Direct Property - Agricultural Portfolio	173,555	1.6%
37.3%	**3,675,599**		**3,197,434**	**30.0%**
100.0%	**9,848,918**	**Total Net Investment Assets**	**10,656,404**	**100.0%**

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

%	£000	Security	£000	%
8.5%	837,108	Border to Coast Sterling	870,683	8.2%
10.4%	1,025,943	Border to Coast UK	1,140,799	10.7%
29.8%	2,935,183	Border to Coast Developed Overseas	3,099,642	29.1%
8.0%	787,058	Border to Coast Emerging Markets	721,195	6.8%
5.9%	580,180	Abrdn - Direct Property - Commercial Portfolio	606,190	5.7%
0.0%	0	Border to Coast MAC Fund	587,328	5.5%
	6,165,472		**7,025,837**	

Note 14d. Stock Lending

The Fund's investment strategy sets the parameters for its stock lending programme. The stock lending activity and associated income has been reducing over the last two years as assets have transitioned to Border to Coast. During the year, a further transition of listed alternative assets took place. At the year end, all of the assets that remain with the custodian bank for the Fund are not attractive for stock lending purposes and therefore there are no assets on loan or collateral held as at 31 March 2022.

The assets on loan at the previous year end of 31 March 2021 were recognised in the Fund's financial statements. No liabilities were associated with the loaned assets.
Counterparty risk was managed through holding collateral at the Fund's custodian bank as per the details shown below at 31 March 2021.

31 March 2021 £000		31 March 2022 £000
	Assets on Loan	
3,935	UK Corporate Bonds	0
26,461	Overseas Corporate Bonds	0
40,602	Overseas Government Bonds	0
70,998	**Total Value of Stock on Loan**	**0**
	Collateral Held	
11,199	UK Gilts	0
64,505	Overseas Bonds	0
75,704		**0**

Income generated from stock lending in the year was £0.080 million (2020/21: £0.129 million) as shown in note 12. This income has reduced over the last two years in line with the reduction in stock lending activity as explained above.

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.

2020/21 £000		2021/22 £000
684,047	**Opening balance**	**748,214**
	Additions:	
54,780	Purchases	23,707
449	New Construction	718
3,336	Subsequent Expenditure	3,510
0	Disposals	(83,893)
5,602	Net Increase / (Reduction) in Market Value	87,489
748,214	**Closing balance**	**779,745**

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 2022, there was one vacant property (31 March 2021: one) and six (31 March 2021: seven) 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 ceased forward currency transactions, through the custodian bank, following settlement in June 2021 of the contracts held at 31 March 2021. The underlying assets were transitioned to Border to Coast Pensions Partnership, this meant there was no longer a need for the Fund to hedge the currencies. Any future hedging for the Fund will be at the discretion of Border to Coast Pensions Partnership, or the external fund manager responsible.

The Fund previously used currency hedging to manage risk, its foreign currency exposure and volatility in the bond and property fund portfolio. The exposure at 31 March 2021 shown below is in US Dollar and Euro denominated assets and was 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.

	Asset Value £000	Liability Value £000
Open forward currency contracts at 31 March 2022	**0**	**0**
Net forward currency contracts at 31 March 2022		**0**
Open forward currency contracts at 31 March 2021	**186**	**(3,361)**
Net forward currency contracts at 31 March 2021		**(3,175)**

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 2022, taking consideration of audited accounts for the company at 31 December 2021, 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 2022.

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 2022.

	Assessed valuation range (+/-)	Value at 31 March 2022	Value on increase	Value on decrease
		£000	£000	£000
Equities (Long Term)	0%	1,182	1,182	1,182
Equities	15%	52	60	44
Pooled Investment Vehicles	12%	2,227,306	2,494,583	1,960,029
Pooled Property Funds	5%	81,120	85,176	77,064
Property	4%	779,745	810,935	748,555
Property Other	4%	15,810	16,442	15,178
		3,105,215	**3,408,378**	**2,802,052**

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 2022	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	235,553	7,196,880	2,324,288	9,756,721
Non-financial assets at fair value through profit and loss (Note 14e)	0	0	779,745	779,745
Net investment assets	**235,553**	**7,196,880**	**3,104,033**	**10,536,466**

The following assets were carried at cost:

Values at 31 March 2022	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	10,537,648
Plus Cash	118,756
Total Net Investments per Net Assets Statement	**10,656,404**

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:				**Total**
Values at 31 March 2021				**£000**
Investments in Border to Coast Pensions Partnership Pool				1,182
Investments held at cost	**0**	**0**	**0**	**1,182**

Reconciliation to Net Assets Statement	
Total Analysed Above	9,723,028
Plus Cash	125,890
Total Net Investments per Net Assets Statement	**9,848,918**

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 2021				31 March 2022		
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			
57,123			Equities	26,803		
602,488			Bonds	64,692		
8,296,976			Pooled Investments	9,648,130		
13,963			Property Other	15,810		
186			Forward Currency Contracts	0		
7,443			Other Investment Balances	2,468		
	125,890		Cash		118,756	
	26,511		Sundry Debtors and Prepayments		33,828	
8,978,179	**152,401**	**0**		**9,757,903**	**152,584**	**0**
			Financial Liabilities			
(3,361)			Forward Currency Contracts	0		
(4)		(13,356)	Sundry Creditors	0		(16,670)
8,974,814	**152,401**	**(13,356)**	**Total**	**9,757,903**	**152,584**	**(16,670)**
	9,113,859				**9,893,817**	

Note 17b. Net Gains And Losses On Financial Instruments

2020/21 £000		2021/22 £000
	Financial Assets	
1,682,151	Gain / (Loss) on Assets at Fair Value Through Profit and Loss	878,624
(1,535)	Gain / (Loss) on Assets at Amortised Cost	5,497
	Financial liabilities	
29,394	Gain / (Loss) on Liabilities at Fair Value Through Profit and Loss	6,197
1,710,010	**Net Gain / (Loss) on Financial Instruments**	**890,318**

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 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Values as at 31 March 2022	Potential Market Movements	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
Long Term Equities	1,182	0.00%	1,182	1,182
UK Equities	9,776	15.05%	11,247	8,305
Overseas Equities	15,845	12.96%	17,899	13,791
UK Bonds	63,538	15.34%	73,285	53,791
Overseas Bonds	1,153	7.12%	1,235	1,071
Pooled Investment Vehicles	9,531,861	11.77%	10,653,761	8,409,961
Indirect Property	116,269	4.74%	121,780	110,758
Total	**9,739,624**		**10,880,389**	**8,598,859**

Asset Type	Values as at 31 March 2021	Potential Market Movements	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
Long Term Equities	1,182	0.00%	1,182	1,182
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
UK Bonds	261,567	11.82%	292,491	230,643
Overseas Bonds	340,921	6.92%	364,513	317,329
Pooled Investment Vehicles	3,449,198	3.99%	3,586,868	3,311,528
Indirect Property	99,594	4.23%	103,807	95,381
Total	**8,956,587**		**9,829,253**	**8,083,921**

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 2022 and 31 March 2021 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 0.64% 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 2022 £000	Potential Interest Rate Movement (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
Cash - Sterling	103,978	0.64%	104,643	103,313

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

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 6.54%. A strengthening/weakening of the pound by 6.54% 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 2022	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Equities	15,845	1,036	16,881	14,809
Overseas Bonds	1,153	75	1,228	1,078
Overseas Pooled Funds	6,650,544	434,946	7,085,490	6,215,598
Overseas indirect property	14,342	938	15,280	13,404
Cash - Currency	14,778	966	15,744	13,812
Total Change In Assets Available To Pay Benefits	**6,696,662**	**437,961**	**7,134,623**	**6,258,701**

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 Equities	3,778,182	315,856	4,094,038	3,462,326
Overseas Bonds	340,921	28,501	369,422	312,420
Overseas Pooled Funds	1,709,590	142,922	1,852,512	1,566,668
Overseas indirect property	13,556	1,133	14,689	12,423
Forward currency contracts	(3,175)	(265)	(3,440)	(2,910)
Cash - 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**

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 2022 was a maximum of 10% of the Fund (10% at 31 March 2021). The actual cash held at 31 March 2022 represented 0.98% of the Fund value (1.2% at 31 March 2021).
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		**Balances at 31 March 2021**	**Balances at 31 March 2022**
Counterparty Type	**Rating**	**£000**	**£000**
Money Market Funds	AAA	5,000	30,000
Banks	Minimum of F1	42,020	68,978
Other Local Authorities	-	69,500	5,000
Total		**116,520**	**103,978**

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 2022 was £103.9 million (31 March 2021 £116.5 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 £63.5 million (£363.1 million at 31 March 2021) 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 will be reported 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.

Experience Over the Period Since March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

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 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.7% per annum
Price inflation (CPI) / CARE Benefit Revaluation	2.7% per annum	3.2% per annum
Rate of salary increases *	3.95% per annum	4.45% 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 last year and as per those used for funding purposes (shown in Note 19).

Results	31 March 2021	31 March 2022
Present value of promised retirement benefits	£13,421 million	£13,269 million

The actuary estimates that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £543 million.
There is no impact from any change in the demographic assumptions because they are identical to the previous period.

Note 21a. Current Assets

31 March 2021 £000		31 March 2022 £000
	Short Term Debtors	
5,344	Contributions Due - Employees	6,108
12,769	Contributions Due - Employers	14,844
18,113		**20,952**
633	Early Retirement Strain Contributions Receivable	2,379
7,726	Sundry Debtors	10,497
26,472	**Total**	**33,828**

Note 21b. Long Term Debtors

31 March 2021 £000		31 March 2022 £000
	Long Term Debtors	
39	Early Retirement Strain Contributions Receivable	0
39	**Total**	**0**

Note 22. Current Liabilities

31 March 2021 £000		31 March 2022 £000
(2,574)	Sundry Creditors	(5,939)
(2,201)	Payroll Expenses Payable	(2,390)
(5,736)	Advance Property Rents	(5,433)
(2,670)	Property Rental Deposits	(2,677)
(175)	Other Balances	(231)
(13,356)	**Total**	**(16,670)**

The Fund Net Assets Statement at 31 March 2022 includes a creditor of £1.536 million (£2.145 million at 31 March 2021) 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.

Restated Market Value 31 March 2021 £000		Market Value 31 March 2022 £000
10,066	Prudential[1]	Not Available
4,798	Scottish Widows	4,186
1,860	Utmost Life & Pensions	1,861
16,724	**Total**	**6,047**

Restated AVCs Paid to Providers 2020/21 £000		AVCs Paid to Providers 2021/22 £000
1,866	Prudential[1]	Not Available
187	Scottish Widows	366
5	Utmost Life & Pensions	6
2,058	**Total**	**372**

[1]At the date the 2020/21 statement of accounts was authorised for issue, it was reported that it had not been 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.
At the end of the 2021/22 financial year, the above information from Prudential for the 2020/21 year has been provided and is now disclosed above. However, the equivalent information for 2021/22 has again not been provided by Prudential to the required timescales. This situation has been reported to the Pensions Regulator.

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.

2020/21 £000		2021/22 £000
	Payments on behalf of:	
14	South Yorkshire Pensions Authority	14
2,511	Barnsley MBC	2,435
1,825	Doncaster MBC	1,796
1,295	Rotherham MBC	1,266
5,915	Sheffield CC	5,670
1,574	Other Scheduled Bodies	1,477
59	Admitted Bodies	60
13,193	**Total**	**12,718**

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 £5.983 million (2020/21 £5.808 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 £0.337 million (2020/21: £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, along with 10 other LGPS Funds, and holds shares amounting to £1.182 million at 31 March 2022 (£31 March 2021: £1,182 million).
Direct costs of £4.345 million (2020/21 £3.891 million) were paid to Border to Coast during the 2021/22 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 2021 £		31 March 2022 £
1,365,012	Pension Fund Investment at Book Cost	1,365,012
6,143,100	Debenture Loan	8,000,100
7,508,112	Total Investment at Book Cost	9,365,112
7,508,112	Pension Fund Investment Market Value (Included in the Net Assets Statement)	9,365,112

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

31 December 2020 Restated £		31 December 2021 £
40,721	Profit/(Loss) On Ordinary Activites Before Taxation	707,557
37,452	Profit/(Loss) After Taxation	223,954
4,818,881	Retained Profit/(Loss)	5,042,835
6,683,881	Net Assets	6,907,835
2,502,884	Rent paid to South Yorkshire Pensions Authority	2,242,549
0	Dividends paid to South Yorkshire Pensions Authority	0

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 £12 million with a maturity date of 21 July 2030, of which £8.000 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 2021		31 March 2022
£		£
10,497,338	Pension Fund Investment at Book Cost	10,497,338
6,455,001	Pension Fund Investment Market Value (Included in the Net Assets Statement)	6,445,000

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 2020		31 December 2021
£		£
6,930,600	Fixed Assets	7,000,600
290,226	Current Assets	515,834
(38,679)	Current Liabilities	(178,615)
7,182,147	Net Assets	7,337,819
(32,719)	Profit/(Loss) On Ordinary Activities	212,554

A full Statement of Accounts for F H Bowser Limited can be obtained from the Company at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, South Yorkshire, S71 1HG.

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. Contractual Commitments and Contingent Assets

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.

	31 March 2021		31 March 2022
Currency 000	**£ Equivalent £000**	**Currency 000**	**£ Equivalent £000**
£328,147	**328,147**	£303,881	**303,881**
€271,092	**230,931**	€325,277	**273,964**
US $919,316	**666,316**	US $977,289	**743,864**
	1,225,394		**1,321,709**

At 31 March 2022, 17 admitted body employers (31 March 2021: 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 2021/22 (2020/21: 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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