

# Delivering for our Customers

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# Corporate Performance Report

**Quarter 3 2022/23**

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## **1. Introduction**

- 1.1 South Yorkshire Pensions Authority only exists to provide services to our customers whether they be scheme members or employers.
- 1.2 This Corporate Performance Report provides a summary view of overall performance in achieving the Authority's objectives, bringing together information on progress against the corporate strategy, a range of key performance measures, financial monitoring, and an ongoing assessment of the risks to the delivery of the Corporate Strategy. By providing this single view of how we are doing it will be easier for councillors and other stakeholders to hold us to account for our performance.
- 1.3 This report presents the information on overall performance during the third quarter of the 2022/23 financial year. More detailed information on the performance of the Authority's investments and the pension administration service during the quarter are contained in other reports which are available on the Authority's website.

## 2. Headlines

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



Despite market conditions a strong funding level is being maintained

Costs, including pay pressure being maintained within budget

New and additional posts approved to maintain resilience and sustainability and recruitment started

Regular review of risk register continues to provide assurance that mitigation actions are being effective.

Customer feedback positive ratings have fallen below 90%

Significant decrease in sickness levels

Delays to a small number of Corporate Strategy projects which are being rephased

Two new and significant (red ratings) risks added to the risk register. Mitigations identified.

### 3. Delivering the Corporate Plan & Supporting Strategies

3.1 This section provides information on the progress we are making on delivering the various strategies which form part of our corporate planning framework.

3.2 The update to the Corporate Strategy for the period 2022-2025 was approved in January 2022 and reflects the continuing journey to build a stronger, more resilient organisation focussed on delivering for our customers and reflects what we have learnt from having to adapt the way in which we operate to the Covid-19 pandemic. Our 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.

The Quarter 4 corporate performance report will contain a further update to the Corporate Strategy.

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

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

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

Key to responsible manager abbreviations:

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








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Sys	Service Manager – Pensions Systems
TA	Technical Adviser





Ref	Project / Action	Timescale		Responsible Manager	Quarter 3 Progress Updates	On Track:
		Start	Finish			
<b>Data</b>						
D01	<b>Complete Valuation 2022</b>	<b>Nov-21</b>	<b>Mar-23</b>	<b>Dir</b>		
	<i>Data Submission</i>	<i>Apr-22</i>	<i>May-22</i>	<i>TA</i>	<i>Completed in Quarter 1.</i>	✓
	<i>Employer engagement</i>	<i>Feb-22</i>	<i>Mar-23</i>	<i>S&amp;E</i>	<i>Draft results issued to employer and awaiting final data for updates to systems</i>	✓
	<i>Funding Strategy</i>	<i>Nov-21</i>	<i>Mar-23</i>	<i>Dir / ADP</i>	<i>Draft Funding Strategy Statement presented to the November Local Pension Board prior to formal consultation with all employers.</i>	✓
D02	<b>Guaranteed Minimum Pension – Completion of Rectification process</b>	Nov-21	Jun-23	ADP	<i>This work has slipped and the final rectification process needs to be undertaken after the annual pensions increase process in order to reduce the risk of key processes failing. Finish date changed to June 2023</i>	↔
D03	McCloud Remedy	<b>Mar-22</b>	<b>Apr-24</b>	ADP		
	<i>Member Communications</i>	<i>Apr-22</i>	<i>Mar-24</i>	<i>Cus</i>	<i>Newsletters &amp; Annual Benefit Statements contain updates.</i>	✓
	<i>Employer Communications</i>	<i>Oct-21</i>	<i>Mar-22</i>	<i>S&amp;E</i>	<i>All employer newsletters issued to date have an update for employers.</i>	✓
<b>Process Improvement</b>						
P01	<b>Implement contractual improvements to the Core UPM Pension Administration System</b>	<b>Feb-22</b>	<b>Mar-25</b>	ADP		
	<i>Review and updating of processes</i>	<i>Apr-22</i>	<i>Mar-24</i>	<i>Ben / Sys</i>	<i>As reported in the previous quarter the 'Death in Retirement' process has been rebuilt and rolled out with updated requirements for co-habiting partner pensions. This process has subsequently been reviewed and improvements made.</i>	✓





Ref	Project / Action	Timescale		Responsible Manager	Quarter 3 Progress Updates	On Track:
		Start	Finish			
P03	<i>Implement dynamic homepage and improve the log in / sign up process for mypension</i>	<i>Apr-22</i>	<i>Mar-23</i>	<i>ICT</i>	<i>Dynamic homepage utilised for Deferred Annual Benefit Statements.</i>	✓
	Customer Centre Management Information	Apr-22	Mar-23	Cus	Weekly reports produced from Horizon.	✓
	<i>Employer performance</i>	<i>Apr-22</i>	<i>Mar-24</i>	<i>S&amp;E</i>	<i>A request has been logged to improve the system for monitoring the responses to queries and to improve reporting. A dashboard to monitor performance is in development and Engagement Officers are working with employers to address identified issues.</i>	✓
P04	<b>Financial Process Improvements</b>	<b>Apr-22</b>	<b>Mar-24</b>	<i>ADR</i>		
	<i>Complete the review of the VAT Partial Exemption Special Method</i>	<i>Jun-22</i>	<i>Dec-22</i>	<i>Fin</i>	<i>Due to other work priorities and staff shortages requiring a focus on recruitment, this has been delayed until now; due to appoint a tax adviser in Q4 to undertake the review.</i>	↔
	<i>Review custodian arrangements and procure as necessary</i>	<i>Feb-22</i>	<i>Sep-22</i>	<i>ADR</i>	<i>A review has been undertaken, involving liaison with other partner funds in the Pool who use custodians. The findings will be discussed, and a plan drawn up for new arrangements - due to take place in the first quarter of 2023/24.</i>	✓
	<i>Review arrangements for Treasury Management advice and procure as necessary</i>	<i>Sep-22</i>	<i>Mar-23</i>	<i>ADR</i>	<i>The arrangements for Treasury Management advice have been reviewed and a new contract agreed with the current provider for 2023/24.</i>	✓
P05	<b>Certifications aimed at embedding process improvements across the organisation –</b>	<b>Apr-22</b>	<b>Mar-25</b>	<i>Dir</i>		



Ref	Project / Action	Timescale		Responsible Manager	Quarter 3 Progress Updates	On Track:
		Start	Finish			
	<i>Maintain Customer Services Excellence accreditation</i>	<i>Apr-22</i>	<i>Mar-24</i>	<i>Cus</i>	<i>3 year review taking place 23/03/23</i>	
<b>Investment</b>						
<b>I01</b>	<b>Strategic Issues</b>	<b>Apr-22</b>	<b>Mar-25</b>	<b>Dir</b>		
	<i>Conduct an Investment Strategy review following the 2022 Valuation and update the Investment Strategy Statement</i>	<i>Apr-22</i>	<i>Mar-23</i>	<i>ADIS</i>	<i>Final report will be taken to Authority meeting in March 2023.</i>	
	<i>Address systemic risks to the fund's investments resulting from climate change through progressing annual updates to the Net Zero action plan.</i>	<i>Mar-22</i>	<i>Mar-25</i>	<i>Dir</i>	<i>As reported last quarter, Net Zero has been factored into the Strategy Review brief and a steer as to future policy direction has been provided for inclusion in annual revision of policies. This will be included in the final report to introduce new investment strategy from April 2023</i>	
	<i>Implement new requirements related to TCFD Reporting</i>	<i>Apr-22</i>	<i>Ongoing</i>	<i>Dir / ADIS</i>	<i>Working group has been established with Border to Coast and other funds to produce a template of information for Border to Coast to provide to funds.</i>	
<b>I02</b>	<b>Tactical and Transactional Issues –</b>	<b>Apr-22</b>	<b>Ongoing</b>	<b>ADIS</b>		
	<i>Implement revisions to the Strategic Asset allocation</i>	<i>Apr-22</i>	<i>Ongoing</i>	<i>ADIS</i>	<i>Ongoing rebalancing being undertaken to address both cash requirements and the impact of individual portfolio performance.</i>	
	<i>Determine the approach to the Border to Coast property proposition and transition assets as necessary</i>	<i>Mar-22</i>	<i>Dec-24</i>	<i>Dir / ADIS</i>	<i>Global proposition is now in the pre-launch phase. However, further work and debate with Members is likely to be required for the UK proposition.</i>	

Ref	Project / Action	Timescale		Responsible Manager	Quarter 3 Progress Updates	On Track:
		Start	Finish			
	<i>Conclude Project Chip</i>	<i>Sep-21</i>	<i>July 23</i>	<i>Dir</i>	Progress continues with both the due diligence process and the work on legal structuring, with tax advisers now appointed and working on the details. Completion now targeted prior for June / July 2023 due to other parties' governance timelines	
	<i>Review legacy portfolios and determine the ultimate exit routes in each case</i>	<i>Apr-22</i>	<i>Dec-22</i>	<i>ADIS</i>	No progress so far due to other priorities and this is a lower priority piece of work.	
	<i>Continue to develop stewardship reporting in response to regulatory feedback</i>	<i>Apr-22</i>	<i>Ongoing</i>	<i>ADIS</i>	Separate Stewardship Code report submitted to the FCA following external review (and available on the website). FRC response expected in Feb or March 2023.	
<b>Organisation</b>						
<b>001</b>	<b>Governance –</b>	<b>Dec-21</b>	<b>Mar-25</b>	<b>ADR</b>		
	<i>Review and update information governance arrangements</i>	<i>Jun-22</i>	<i>Mar-23</i>	<i>HG</i>	<i>Work is under way on the detailed review of existing arrangements and commencing to plan changes and updates to policies and procedures where required. This is a substantial project that will cross over into 2023/24.</i>	
	<i>Complete roll out of workflows etc. within Modern.gov and implement paperless meetings</i>	<i>Apr-22</i>	<i>Jun 22</i>	<i>Gov</i>	<i>It was not possible to meet the original target timescale for this; however work is progressing well during 2022/23 and the new target timescale for fully paperless Authority, Committee and Board meetings to be implemented is June 2023.</i>	

Ref	Project / Action	Timescale		Responsible Manager	Quarter 3 Progress Updates	On Track:
		Start	Finish			
	<i>Implement new statutory officer arrangements and internalise committee and member support activity</i>	<i>Apr-22</i>	<i>Mar-23</i>	<i>Dir / ADR</i>	<i>As previously reported, the role of Monitoring Officer is now being undertaken by the Head of Governance with effect from 1 January 2023 as a result of changes at BMBC. Other activities are progressing in line with the plan.</i>	
	<i>Update procurement arrangements, processes, and systems including the implementation of the YORtender replacement</i>	<i>Apr-22</i>	<i>Jun-23</i>	<i>Gov</i>	<i>Work on this objective is progressing well. A new 'gateway approval' document to guide staff and maintain appropriate audit trail has been developed and is being reviewed by internal audit prior to being rolled out. On track for June 2023 target.</i>	
<b>O02</b>	<b>People –</b>	<b>Jan-22</b>	<b>Ongoing</b>	<b>SMT / HR</b>		
	<i>Procure and implement a new HR and Payroll System</i>	<i>Jan-22</i>	<i>Mar-23</i>	<i>Dir / HR</i>	<i>The target date for this objective has had to be revised to completion by March 2024 due to impact of other workload pressures and priorities on the lead officers for this project.</i>	
	<i>Address currently identified recruitment and retention risks</i>	<i>Jan-22</i>	<i>Dec-22</i>	<i>Dir/HR</i>	<i>The appointed consultants undertook the Pay and Benefits review in quarter 3 and reported to management in mid-December. More work to be completed on the detailed implications.</i>  <i>Recruitment started as a result of the Organisational Resilience and Sustainability approved by Staffing Committee in October.</i>	
<b>O03</b>	<b>ICT –</b>	<b>Jun-21</b>	<b>Mar-25</b>	<b>ICT</b>		




Ref	Project / Action	Timescale		Responsible Manager	Quarter 3 Progress Updates	On Track:
		Start	Finish			
	<i>Complete the roll out of Microsoft 365 tools and the migration to 365 infrastructure</i>	<i>Jun-21</i>	<i>Sep-22</i>	<i>ICT</i>	<i>As reported in last quarter, MS Teams telephony business case developed; deployment of additional Microsoft 365 apps for relevant users (including Visio, MS Project, and Planner).</i>	
	<i>Implement the updated corporate website</i>	<i>Nov-21</i>	<i>Ongoing</i>	<i>ICT</i>	<i>As reported in last quarter, website updated to include frequently searched items and promote the retire online process. Self-help videos added.</i>	
<b>O04</b>	<b>Project and Programme Management</b>	<b>Jun-22</b>	<b>Mar-23</b>	<b>Dir / ADP</b>		
	<i>Determine a stripped down and appropriately scaled programme and project management process</i>	<i>Jun-22</i>	<i>Mar-23</i>	<i>PM</i>	<i>Service Manager - Programmes and Performance has started working on 'Project Management - the SYPA Way' - a 'right-sized' methodology for SYPA with associated documentation.</i>	
	<i>Initiate a clearly defined process for prioritising and agreeing development and other system change requests</i>	<i>Jun-22</i>	<i>Mar-23</i>	<b>ADP</b>	<i>An electronic system for submitting requests has now been established and requests are reviewed and prioritised by a 'UPM Oversight Group'.</i>	

## 4. How are we performing?

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

### Corporate Measures

4.2 The level of sickness absence in the October to December quarter is as follows.

Measure	Quarter 3 2022/23	Quarter 2 2022/23	YTD 2022/23	Performance in Previous Year Q3: 2021/22	Movement from Previous Quarter
Short Term Sickness Absence – Days Lost per FTE	0.96	1.24	2.93	0.94	
Long Term Sickness Absence – Days Lost per FTE	0.98	2.05	3.73	0.47	
<b>Total Days Lost per FTE</b>	<b>1.94</b>	<b>3.29</b>	<b>6.66</b>	<b>1.41</b>	

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


4.4 For this quarter, there has been a significant decrease in short term and long term sickness absence from the previous quarter mainly due to the fewer Covid cases and a couple of people on long-term sickness absence returning to work.

4.5 Sickness absence is actively monitored under the Authority’s managing attendance policy, and data on the application of this policy is reported quarterly to SMT. Occupational health services are provided by Barnsley MBC and referrals for this service are made as appropriate for individuals, for example, providing assessment reports to advise managers in supporting return to work following long-term absence, and access to additional resources such as counselling for employees. The usage of these services is also monitored and reported quarterly to SMT.

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

## Investment Measures

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

Measure	Performance Quarter 3 2022/23	Quarterly Benchmark	Performance YTD 2022/23	2022/23 Benchmark	2022/23 Actuarial Target	RAG Indicator
Investment Return – Whole Fund	1.00%	1.20%	-5.20%	-7.00%	3.76%	

4.8 Performance against benchmark is positive in the year to date but due to weakness in most bond and equity markets this return is behind the actuarial target for this year.





4.9 The total Fund value at 31 December 2022 was £10.014bn

4.10 The Funding Level at 31 December 2022 is estimated at 153%. Although the valuation of the assets has fallen, due to rates being higher the discounted valuation of the liabilities has fallen more.

4.11 At the end of the quarter, 69.6% of the Fund's assets were being managed in pooled structures provided by Border to Coast.

## Pension Administration Measures

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

Measure	Quarter 3 2022/23	Quarter 2 2022/23	YTD 2022/23	Previous Year: 2021/22	Target 2022/23	Movement Year on Year
Proportion of priority cases processed on time	71%	82%	79%	85%	100%	
Proportion of non-priority cases processed on time	70%	65%	73%	73%	100%	
Proportion of all cases processed on time	70%	67%	68%	74%	100%	
Proportion of employer data submissions on time	c. 95%	c. 95%	99%	99%	100%	

4.14 The reduction of priority cases processed on time is largely due to retirement cases that have had long overall process times due to requesting information from members or employers. There has been a rise in non-priority case completion times. The aggregation backlog saw some improvements and the team worked on new aggregations as they were received. Work has subsequently commenced to develop a more concerted plan to address backlogs across the service so that these do not interfere with ongoing routine incoming work.

4.15 The proportion of employer data submissions has remained at the same level since last quarter. The new MDC team will give this area of work more scrutiny and focus and will be working closely with the Engagement Officers on a more targeted approach to resolving issues.

4.16 At the end of the quarter, membership of the Fund stood at 175,002.

4.17 Two new employers were admitted to the scheme, and no terminations were completed during the quarter.

4.18 There were 546 participating employers with active members at 31 December 2022.

## Financial Measures

### 2022/23 Q3 Forecast Outturn

4.19 The quarter 3 forecast expenditure and variance against the revised budget is as follows. Details of the significant variances are shown beneath the table.

South Yorkshire Pensions Authority Operational Budget	2021/22 Actuals	2022/23 Revised Budget	2022/23 Q3 Forecast	2022/23 Q3 Forecast Variance	2022/23 Q3 Forecast Variance
	£	£	£	£	%
Pensions Administration	2,500,610	2,717,850	2,659,460	(58,390)	(2.10%)
Investment Strategy	565,090	537,340	515,370	(21,970)	(4.10%)
Finance & Corporate Services	772,420	858,800	888,020	29,220	3.40%
ICT	635,850	738,710	717,180	(21,530)	(2.90%)
Management & Corporate	423,050	906,570	740,090	(166,480)	(18.40%)
Democratic Representation	124,020	137,090	145,450	8,360	6.10%
<b>Subtotal - Cost of Services</b>	<b>5,021,040</b>	<b>5,896,360</b>	<b>5,665,570</b>	<b>(230,790)</b>	<b>(3.90%)</b>
Capital Expenditure Charge to Revenue	1,546,930	0	64,720	64,720	100.00%
<b>Subtotal before transfers to reserves</b>	<b>6,567,970</b>	<b>5,896,360</b>	<b>5,730,290</b>	<b>(166,070)</b>	<b>(2.80%)</b>
Appropriations to / (from) Reserves	(1,122,370)	(66,360)	99,710	166,070	
<b>Total</b>	<b>5,445,600</b>	<b>5,830,000</b>	<b>5,830,000</b>	<b>0</b>	<b>0.00%</b>

4.20 The forecast outturn for the year before transfers to reserves is an under-spend of (£166k) compared to the forecast underspend of (£148k) at the end of the previous quarter.

### 2022/23 Corporate Contingency Budget

4.21 Within the totals shown in the table above for Management & Corporate, an under-spend of (£188k) is expected on the corporate contingency budget that was included here this year for the purpose of meeting the costs associated with the 2022/23 pay award, outcomes of the pay and benefits review, and also any costs arising in this year from the recommendations to be made by the Director regarding creating a resilient organisation for the future.



- 4.22 The pay award for 2022/23 was agreed by the National Joint Council (NJC) in November at an amount of £1,925 on all NJC pay points with effect from 1 April 2022. This was implemented and arrears paid in December 2022 and all costs arising from this are built into the employee costs for this year included in the forecast expenditure within each of the service areas shown in the table above.
- 4.23 The additional cost arising from this is approximately £219k, equivalent to 5.7% of the budget for employee pay and on-costs. However, as a result of taking longer than planned to recruit to a number of new posts that were included in the budget this year and impact of staff turnover; this additional pay award cost can be met from the existing pay budgets without the need to draw on the corporate contingency budget for this purpose.
- 4.24 In addition, the Director presented a set of recommendations regarding building organisational resilience for the medium term and ensuring appropriate succession planning and these were approved by the Staffing, Appointments and Appeals Committee in October 2022. This resulted in the approval of a number of new roles to be established and recruited over a three-year period, with some of these to be recruited during 2022/23 if possible. Costs of these new posts, where falling in 2022/23, have likewise now been incorporated into the forecast expenditure within each service area and this has not required any draw down from the corporate contingency budget.
- 4.25 The approved Corporate Strategy and HR Strategy for this year included an objective to commission an independent review of the Authority's pay and benefits structure. This review was completed in December 2022, resulting in findings that now need to be considered in further detail and further work carried out on planning actions to address the findings. At this stage, it is anticipated that there will be no further costs in the current financial year.
- 4.26 Instead, there will be a need to carry forward the unspent corporate contingency budget to provide resources required in 2023/24 to meet implementation costs of any changes and actions agreed from the further work to be carried out. Therefore, it is proposed to create a new earmarked revenue reserve specifically for this purpose – a Pay and Benefits Reserve – into which an amount of £200k will be transferred at the end of this year from the total budget under-spend. The funds in this reserve will then be available to be used in 2023/24.

#### *2022/23 Forecast and Explanation of Variances*

- 4.27 The significant variances against budget for each of the service areas are explained below.
- 4.28 Pensions Administration – Forecast Under-Spend (£58k):
- 4.29 The employee costs budget included a full year budget for some vacant posts due to be recruited, including a Communications Officer, an additional benefits team Senior Practitioner and 3 FTE Pensions Officers. These posts took longer than planned to recruit, resulting in vacant posts for several months and an under-spend of (£107k) arising from this.
- 4.30 Some of this under-spend is being used to cover costs of staff overtime being worked to cover absences and to make some progress on backlogs and will also be used for the costs in March 2023 of employing an Interim Assistant Director – Pensions. The total of overtime and interim cover costs is £37k.
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- 4.31 There has also been some turnover in staffing this year, resulting in a forecast under-spend of (£69k).
- 4.32 The forecast additional cost for this service area of applying the pay award for 2022/23 is £111k. This is more than offset by the under-spends above, resulting in a total forecast net under-spend on staffing costs of (£28k).
- 4.33 Costs relating to travel expenses, hotel accommodation etc. are forecast to be (£11k) under budget, reflecting the continued move towards greater use of virtual and remote, online approach for conferences, courses, meetings etc. These budget lines have been reduced in next year's budget.
- 4.34 The training budget is forecast to be under-spent by (£5k); there has been an improvement in use of the Pensions Admin training budget this year – with several places for individuals on external courses purchased as well as some training run in-house for us by the LGA on technical pensions issues.
- 4.35 There is a forecast over-spend of £25k on the budget for medical reports required in relation to ill health cases and appeals. This is in large part due to an increase in the rates we are charged for these reports – which were reviewed and uplifted this year after a number of years without an increase. It is also partly due to the volume of reports required this year – which is demand-driven and therefore difficult to predict.
- 4.36 The budget for benchmarking exercises in pensions admin has not been used in year, resulting in an under-spend of (£16k). Plans are in place to ensure the benchmarking is undertaken in 2023/24.
- 4.37 An under-spend of (£23k) is currently forecast on legal, consultancy and corporate subscriptions fees based on the expected activity and requirements for this year.
- 4.38 Investment Strategy – Forecast Under-Spend (£22k):
- 4.39 The forecast additional cost for this service area of the 2022/23 pay award, is £13k.
- 4.40 An under-spend of (£2k) is forecast on indirect employee costs relating to travel, training, etc.
- 4.41 The budget for actuarial fees is forecast to be (£12k) under budget for the year, due to the change in charging structure arising from the change in actuary which has meant that fees for dashboard access for funding level forecasting are not charged separately but are instead covered within the main costs for the contract, which are charged to the Pensions Administration budget.
- 4.42 An under-spend of (£21k) is currently forecast on legal, consultancy, corporate subscriptions and other professional fees based on the expected activity and requirements for this year.
- 4.43 Finance & Corporate Services – Forecast Over-Spend £29k:
- 4.44 There is a total net over-spend of £3k forecast on staffing costs which comprises the following items:
- a) The forecast additional cost for this service area of the 2022/23 pay award is £40k.
  - b) The Authority approved an addition of 1 FTE Senior Finance Officer to the establishment at their March 2022 meeting, after the budget for the year was set. The additional cost for this is £38k.
  - c) The employee costs budget includes two FTE business support officers. However, following one of these officers being promoted internally, it was decided not to fill the resulting vacancy currently as there was no longer a
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need for this resource at this level in the team. The second business support officer left in July 2022 and the first attempt at recruitment to this post was unsuccessful, so we have decided to keep this vacancy on hold for the time being. There is therefore an under-spend of (£45k) forecast relating to these two posts.

- d) There is also a net under-spend of (£30k) forecast on staffing costs in this service area relating to turnover and in particular, delays arising from the difficulty in recruiting to the Finance Team Leader post – which was planned for being in post from May 2022 but in practice took three attempts to recruit successfully and therefore only started in post from September 2022.

- 4.45 The recruitment budget is over-spent by £17k due to having required the services of a specialist agency for the Finance Team Leader recruitment in the early part of the year as previously reported (resulting in a successful appointment in September) and further use of this agency in the final quarter of the year for assistance with recruitment of two Transactions Officers.
- 4.46 The training and conferences budget is over-spent by £5k this year – mainly as a result of costs relating to professional training for the year being a little higher than expected due to supporting a larger number of the Finance team to undertake finance qualifications and other accredited training for members of the Governance team.
- 4.47 An over-spend of £2k is forecast on the budget for corporate subscriptions which is due to having joined additional CIPFA networks during the year to provide us with access to expert resources and support for a range of activity including Governance, Insurance, and Procurement, as well as discounted prices for training courses run by these networks.
- 4.48 ICT – Forecast Under-Spend (£22k):
- 4.49 The forecast additional cost for this service area of applying a pay award as detailed in paragraph 4.24, is £14k.
- 4.50 There is an under-spend of (£9k) on staffing costs forecast relating to the budget for an apprentice, which is now not going to be used in 2022/23.
- 4.51 The training budget is forecast to under-spend by (£5k) based on projecting from previous year actuals, but this will be kept under review with greater encouragement and support for training being provided.
- 4.52 At this stage in the year, a net under-spend of (£7k) is forecast on the budgets for various software systems, and wider IT infrastructure. This includes an under-spend for the pensions administration software system, UPM, where we had budgeted for some potential costs for new developments to the system that are now not likely to be delivered in this year.
- 4.53 There is additional income of (£15k) more than budgeted, this relates mainly to fees generated from development work carried out on in-house systems sold to other pension funds.
- 4.54 Management and Corporate – Forecast Under-Spend (£166k):
- 4.55 The corporate contingency budget, as outlined in paragraph 4.21 above, is under-spent by (£188k), and is proposed to be transferred into an earmarked reserve at the end of the year to be used as required in 2023/24 on costs arising from addressing findings of the pay and benefits review.
- 4.56 The forecast additional cost for this service area of the 2022/23 pay award is £7k.
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- 4.57 The budgets for the new posts of Service Manager – Programmes and Performance and Programmes and Performance Officer are forecast to be under-spent by (£31k) as a result of the time taken to recruit to these posts. The manager post was filled from August 2022 and the officer post from October 2022.
- 4.58 There is a net over-spend of £29k arising from numerous smaller variances on budget items for legal fees, consultancy, facilities management and other professional fees. One of the main elements in this relates to the costs of undertaking the review of the Constitution and the estimated proportion of fees that will arise for work done to the end of March; this will be funded from the corporate strategy reserve.
- 4.59 Accounting standards require us to allocate our lease rental costs for the office building on a straight-line basis over the life of the lease rather than simply charging the annual lease rent paid in year – which in these early years of the lease is at a reduced amount. The cost of this accounting adjustment was omitted when setting the budget so there is a forecast over-spend of £41k for this in year- however this will be met from earmarked reserves.
- 4.60 The corporate training budget is now being more actively used with various training programmes, LinkedIn Learning, and centrally organised courses going ahead. However, there is an under-spend forecast of (£24k) on this budget for this financial year.
- 4.61 Democratic Representation – Forecast Over-Spend £8k:
- 4.62 The budget for members’ allowances is forecast to be over-spent by £3k following the implementation of the increase to allowances in 2022/23 which was set at 4.04% in line with the headline pay award increase as a percentage for Local Government staff agreed by the NJC.
- 4.63 The training budget for member training is over-spent by £5k reflecting the costs of undertaking the national knowledge assessment and commissioning some specialist advice from Hymans Robertson to support the planning and work being undertaken on member learning and development, in addition to the costs of the LGPS Online Academy and costs of individual courses and events held in the year.
- 4.64 Capital Expenditure – Forecast Over-Spend £64k:
- 4.65 The over-spend against the budget for capital expenditure in 2022/23 is really just a timing difference in works being completed. As previously reported, the outturn position for the 2021/22 year included an under-spend on capital expenditure that was due to delays arising from global supply chain issues which meant that the final stage of the AV installation works at Oakwell House could not be completed until May 2022. The cost of this in 2022/23 is £34k, and there is a further £30k relating to some final outstanding pieces of work completed in the first half of this year by the main contractor for the office works. The majority of this spend relates to the installation of fire-safety rated glazing in the windows closest to the fire escape, which was a safety requirement.

#### Earmarked Reserves

- 4.66 The Authority until now has had three earmarked reserves, the Corporate Strategy reserve, the ICT reserve, and the Capital Projects reserve.
- 4.67 As explained in para 4.26 above, a new ‘Pay & Benefits’ revenue reserve is to be created this year to set aside funds from the unspent corporate contingency budget
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in order to be used in 2023/24 to resource the implementation of changes and actions to be agreed following further work on the findings from the pay and benefits review.

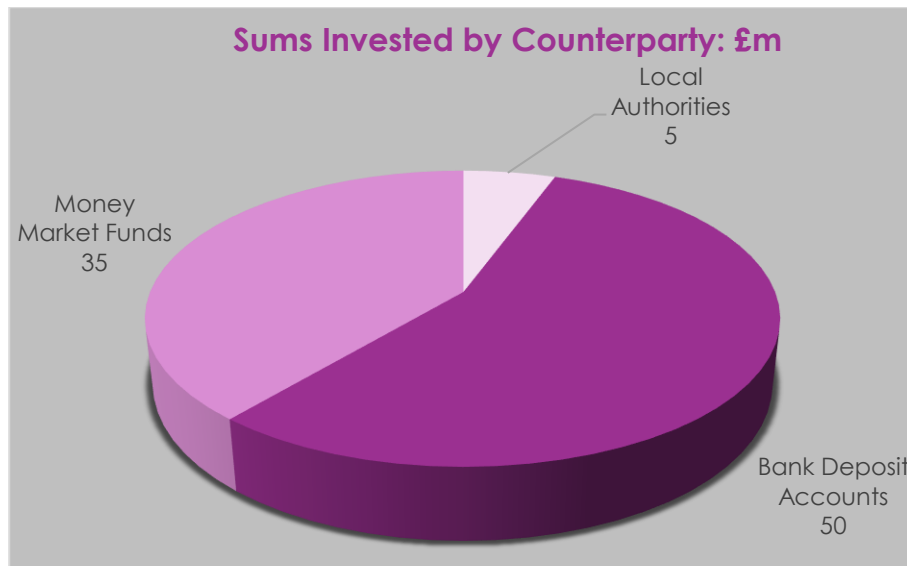
- 4.68 The table below shows the forecast transfers to and from all four of the earmarked reserves in 2022/23.
- 4.69 The planned transfers into and out of the Corporate Strategy reserve are to meet costs associated with areas such as the investment strategy review, which is undertaken every three years based on the triennial valuation, the lease rent accounting adjustment, providing for the costs of the retentions scheme this year, and setting aside funds from under-spends that will be allocated to costs of delivering corporate strategy plans in future.
- 4.70 The ICT reserve transfers relate to setting aside the income from software sales and funding the costs of developments on areas such as the pensions administration software system.
- 4.71 The transfer into the Capital Projects reserve is to set aside funds for the hardware replacement programme, and the transfer out of this reserve is to finance the capital expenditure incurred this year.
- 4.72 The result of the above is a net total transfer into reserves of £99,710.

Reserves	Balance at 01/04/2022 £	Transfers In £	Transfers Out £	Forecast Balance at 31/03/2023 £
Corporate Strategy Reserve	143,840	19,630	(85,360)	78,110
ICT Reserve	205,950	14,950	(20,000)	200,900
Pay & Benefits Reserve	0	200,000	0	200,000
<b>Subtotal: Revenue Reserves</b>	<b>349,790</b>	<b>234,580</b>	<b>(105,360)</b>	<b>479,010</b>
Capital Projects Reserve	139,110	35,210	(64,720)	109,600
<b>Total Reserves</b>	<b>488,900</b>	<b>269,790</b>	<b>(170,080)</b>	<b>588,610</b>
<b>Net Total Transfer</b>		<b>99,710</b>		

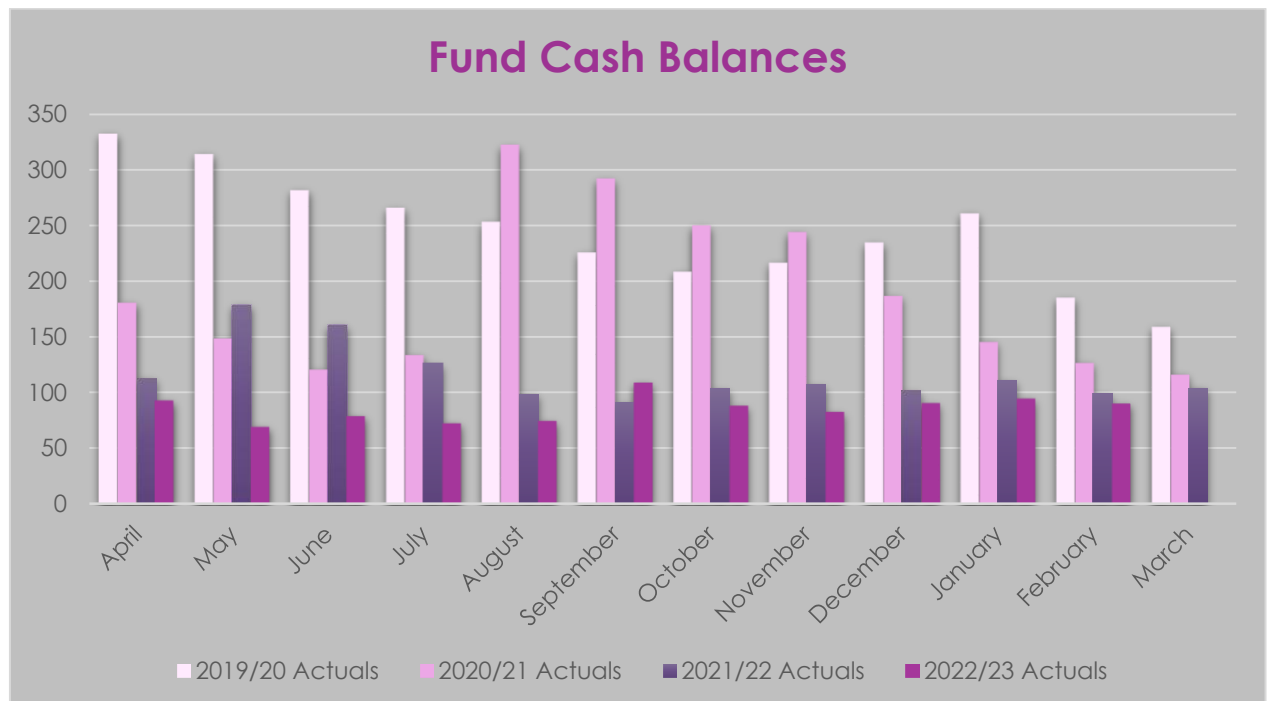
- 4.73 The forecast balance of the revenue reserves following the transfers proposed for the year, to be carried forward to the next financial year is £479k in total, equating to 8.2% of the Authority's total revenue budget, which falls within the limit of 10% that we set for ourselves in the Medium-Term Financial Strategy for 2023/24 onwards.

*Treasury Management*

4.74 The Fund’s cash balances at 31 December 2022 stood at £90.2 million. The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



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



4.76 Cash is only held pending Fund investment and the balance of cash at the end of the quarter represents 0.9% of the Fund, compared with 1.1% at 30 September 2022.

## 5. What is getting in the way – Risk Management

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

5.2 The Corporate Risk Register is attached at Appendix A. A full review was undertaken in February 2023. The following changes were made to risk scores from this review.

*Risk G1 – Failure of members of the Authority to maintain adequate levels of knowledge and understanding. Current risk score reduced from 12 to 9.*

5.3 All members of Authority are 100% compliant against mandatory training requirements. However, given the local elections may bring about changes in membership in the new municipal year further mandatory training will be required with new members to ensure the Authority maintains this overall baseline of knowledge and understanding.

*Risk G2 – Failure of members of the Local Pension Board to maintain adequate levels of knowledge and understanding. Current risk score reduced from 9 to 6.*

5.4 All members of LPB are 100% compliant against mandatory training requirements, and membership of the Board is inherently more stable than the Authority reducing the risk of the aggregate knowledge level falling back due to changes in membership. The significant progress made justifies a reduction to the target level score for this risk.

### **New Risks Added:**

*Risk P2 – Reduced levels of technical knowledge and senior management capacity during period of vacancy.*

5.5 This is a new risk and has a high risk score at 20 (red). An interim Senior Manager focussed on delivering key pieces of work has been appointed. In addition, a robust recruitment process will be set up and delivered as soon as practical including use of executive search.

*Risk O5 - Change to the CARE Revaluation date to bring it in line with the tax year.*

5.6 This is a new risk and has a high risk score at 20 (red). The Director is inputting to the LGA response to consultation on change of revaluation date highlighting the regulatory and reputational impacts of this risk materialising. Further mitigation includes the identification of additional resources and/or workarounds to ensure delivery of statutory obligations.

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## 6. Learning from things that happen

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

	Received in Q3 2022/23	Received in Q2 2022/23	Received YTD 2022/23	Received in Previous Year: Full Year 2021/22
Complaints	3	4	11	24
Appeals Stage 1	2	1	2	4
Appeals Stage 2	1	2	4	4

- 6.2 A detailed report of complaints and action taken is provided to the Local Pensions Board for scrutiny.
- 6.3 There has been a slight reduction in overall complaints from the previous quarter. None of the complaints raise systemic internal issues. However, there is an underlying theme about the timeliness of responses which will be followed up
- 6.4 The table below provides a summary of the three complaints received in the reporting period and an indication of whether the causes of complaint indicate a wider process issue which may need review/improvement.

Ref	Complainant	Nature of Complaint	Response issued within target response time?	Responsible party	Follow up actions required/taken?
C98	Active Member	Member was unhappy with the amount of time it took to process her ill health retirement. There was some initial confusion between the Customer Team and herself as she had originally started an early retirement request.	Yes	SYPA/ Employer	Miscommunication with Customer team added a minor delay to processing time however the Employer caused longer delays as they didn't notify us of the ill health retirement or send the termination notice in a timely manner which led to further delays with forms etc
C99	Retiring Member	Member wasn't aware the timeframe for Ben10 protection hadn't been extended	Yes	Employer	Member thought Employer was extending the 10 year period however we haven't received any notification of this
C100	Retiring Member	Member unhappy due to delays with processing retirement request	Yes	Employer	This was caused by long delays with obtaining the correct information from the Employer



- 6.5 Two Stage 1 Appeals were determined during the quarter.
- 6.6 There was one Stage 2 Appeal determined in this quarter. The Appeal was against the level of award of ill health benefits and was not upheld. There are no particular learnings from this case as all training for employers in relation to the ill health process emphasises the need for cases to be dealt with promptly and this will continue to be reinforced with employers through ongoing engagement activity.

#### *Breaches of Law and Regulation*

- 6.7 We are required to maintain a register of breaches, the detail of which is reported to the Local Pension Board at each meeting as part of their oversight role.
- 6.8 There was one breach recorded in the quarter. Details of a change of address were incorrectly entered into the system resulting in a retirement quote being sent to the wrong address. The details sent to the wrong address were retrieved and the information sent to the member at the correct address.
- 6.9 This incident is human error and while we have taken steps to reduce the likelihood of the wrong paperwork being put into an envelope, our reliance on the manual transfer of data (in this case from an e mail) into UPM where members do not use the online facilities does mean that it is extremely difficult to eliminate this particular risk, although emphasis is put on the need for staff to check their own work in these circumstances and this will be re-emphasised. This case was not reported to the relevant regulator having been reviewed in line with the relevant policies.

#### *Cyber Security Incidents*

- 6.10 In addition to the more routine breaches there were 4 cyber security incidents during the quarter all of which stemmed from phishing attacks. In two of the cases staff clicked on links which could have been harmful, however, in both cases the Authority's security software stopped damage occurring. In both these cases the staff involved were given individual advice about how to identify potential phishing attacks (and one of these staff members subsequently identified one of the other potential attacks). In all cases following the incident the ICT Team circulated details to all staff to highlight the type of e mails that could be a phishing attack and blocked the originating e mail address. All staff have now undertaken an online course to enable them to recognise and address phishing attacks.

#### *Satisfaction Surveys*

- 6.11 A customer centre survey found that 81% of the 243 respondents were satisfied with the service they received.
  - 6.12 A survey of members retiring during August to October 2022 showed that of the 91 respondents, 97% were satisfied with the service they received.
  - 6.13 The results of the satisfaction surveys have been the subject of a more detailed report to the Local Pension Board, including actions being taken, and this was discussed at the Board's February meeting.
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