

Delivering for our Customers

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Corporate Performance Report

Quarter 4 2022/23

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1. Introduction

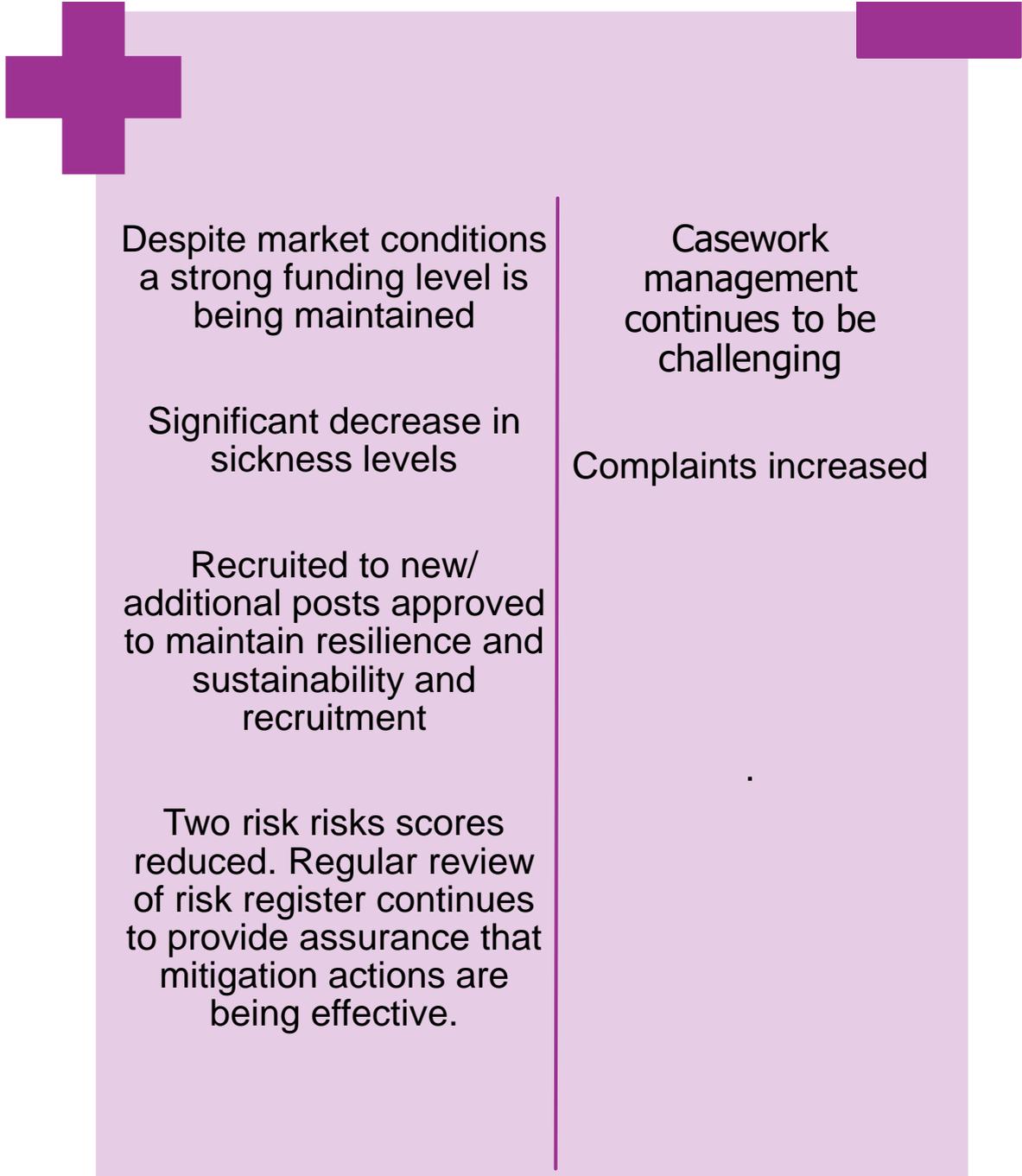
- 1.1 South Yorkshire Pensions Authority only exists to provide services to our customers whether they be scheme members or employers.
- 1.2 This Corporate Performance Report provides a summary view of overall performance in achieving the Authority's objectives, bringing together information on progress 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 fourth 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.

Recommendations

- 1.4 The financial measures set out within Section 4 of the report include details regarding a proposed virement required in relation to a technical correction to employee costs budget following a transfer of a team between departments.
- 1.5 The financial measures set out within Section 4 of the report also include details regarding the outturn for 2022/23 and proposed transfers from reserves.
- 1.6 The Authority's approval is required for the budget virement and for the reserves transfers and Members are recommended to:
 - a) **Approve the budget virement as set out in paragraphs 5.1 to 5.3 of the report.**
 - b) **Approve the transfers to and from earmarked reserves as set out in the table in paragraph 5.61; amounting to a net total transfer from reserves of £66,360.**

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

Significant decrease in sickness levels

Recruited to new/ additional posts approved to maintain resilience and sustainability and recruitment

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

Casework management continues to be challenging

Complaints increased

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 Corporate Strategy for the period 2022-2025 was updated and approved in February 2023 and reflects our continuing journey to build a stronger, more resilient organisation focussed on delivering for our customers. Our strategy over the next two years maintains our commitment to 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.
- 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
Sys	Service Manager – Pensions Systems
TA	Technical Adviser

Ref	Project / Action	Timescale		Responsible Manager	Quarter 2 Progress Updates	On Track:
		Start	Finish			
Data						
D01	Complete Valuation 2022	Nov-21	Mar-23	Dir	<i>Valuation completed and signed off at March Authority meeting and final report issued on 24th March.</i>	✓
	<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&E</i>	<i>Notification issued to employers in Newsletter and website updated.</i>	✓
	<i>Funding Strategy</i>	<i>Nov-21</i>	<i>Mar-23</i>	<i>Dir / ADP</i>		✓
D02	Guaranteed Minimum Pension – Completion of Rectification process	Nov-21	Jun-23	ADP	<i>Focused work being undertaken by Projects and Performance Officer and Technical Adviser to complete.</i>	✓
D03	McCloud Remedy	Mar-22	Apr-24	ADP	<i>Interim Assistant Director – Pensions leading on this priority.</i>	✓
	<i>Member Communications</i>	<i>Apr-22</i>	<i>Mar-24</i>	<i>Cus</i>	<i>Newsletters & Annual Benefit Statements contain updates.</i>	✓
	<i>Employer Communications</i>	<i>Oct-21</i>	<i>Mar-22</i>	<i>S&E</i>	<i>All employer newsletters issued to date have an update for employers.</i>	✓
Process Improvement						
P01	Implement contractual improvements to the Core UPM Pension Administration System	Feb-22	Mar-25	ADP		

Ref	Project / Action	Timescale		Responsible Manager	Quarter 2 Progress Updates	On Track:
		Start	Finish			
	<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 Q2 and Q3 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>	✓
	<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>Completed. As reported in Q3 dynamic homepage utilised for Deferred Annual Benefit Statements.</i>	✓
P03	Customer Centre Management Information	<i>Apr-22</i>	<i>Mar-23</i>	<i>Cus</i>	<i>Weekly reports produced from Horizon.</i>	✓
	<i>Pension Administration Regular Management Information</i>	<i>Apr-22</i>	<i>Mar-24</i>	<i>Ben/Sys/IT</i>	<i>New MDC Dashboard implemented and report now issued to Director at the end of every week.</i>	✓
	<i>Employer performance</i>	<i>Apr-22</i>	<i>Mar-24</i>	<i>S&E</i>	<i>A dashboard to monitor performance has been developed and Engagement Officers are working in a targeted way with employers to address identified non-compliance issues.</i>	✓
P04	Financial Process Improvements	Apr-22	Mar-24	ADR		
	<i>Complete the review of the VAT Partial Exemption Special Method</i>	<i>Jun-22</i>	<i>Jun-23</i>	<i>Fin</i>	<i>Due to other work priorities and staff shortages requiring a focus on recruitment, this has been delayed; we were due to appoint a tax adviser to undertake the review in Q4 but again, due to workload, this has slipped into Q1 23/24.</i>	↔

Ref	Project / Action	Timescale		Responsible Manager	Quarter 2 Progress Updates	On Track:
		Start	Finish			
	<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	Certifications aimed at embedding process improvements across the organisation –	Apr-22	Mar-25	Dir		
	<i>Maintain Customer Services Excellence accreditation</i>	<i>Apr-22</i>	<i>Mar-24</i>	<i>Cus</i>	<i>Successful retention of the Customer Service Excellence (CSE) Award after full assessment in March.</i>	
Investment						
I01	Strategic Issues	Apr-22	Mar-25	Dir	<i>Strategy Review completed and approved by the Authority at the March 2023 meeting.</i>	
	<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 taken to Authority meeting in March 2023.</i>	

Ref	Project / Action	Timescale		Responsible Manager	Quarter 2 Progress Updates	On Track:
		Start	Finish			
	<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>Government response to consultation still awaited. Likely the implementation date will have to slip by one financial year. Work continues with Border to Coast to improve what is already done and to extend coverage.</i>	
I02	Tactical and Transactional Issues –	Apr-22	Ongoing	ADIS		
	<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 Property launch due at end of Q1 2023/24. UK launch H2 2024/25. Further work will be required in relation to the UK proposition once Border to Coast have completed current procurement activity and updated the business case.</i>	
	<i>Conclude Project Chip</i>	<i>Sep-21</i>	<i>Oct-23</i>	<i>Dir</i>	<i>Further slippage to a completion date of Sept / Oct 2023 due to partner governance timetables. Briefing note provided to Authority Members during March on the detailed progress being made.</i>	
	<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>	<i>No progress so far due to other priorities and this is a lower priority piece of work.</i>	

Ref	Project / Action	Timescale		Responsible Manager	Quarter 2 Progress Updates	On Track:
		Start	Finish			
	<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.	✓
Organisation						
001	Governance –	Dec-21	Mar-25	ADR		
	<i>Review and update information governance arrangements</i>	<i>Jun-22</i>	<i>Mar-23</i>	<i>HG</i>	<i>Work continues with enhancements to appeals process and visibility. T&D of members 100% compliant and scheduling 2023/24 induction and away day. Effectiveness reviews completed with LPB and Audit Committees.</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>Modern.gov app being researched with IT to ensure member devices compatible for paperless transition in 2023/24. Continued improvements with Civica and 2 training sessions being scheduled to complete enhancements and officer decision requirements. Training to be scheduled with members for 08/06/23</i>	↔
	<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>Monitoring Officer role in place with Head of Governance. Treasurer role to come in house from 01/04/23 with the Assistant Director - Resources. Statutory Officer monthly meetings scheduled with Deputy Clerk. Mentoring session scheduled with Deputy Clerk and MO.</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>	↔

Ref	Project / Action	Timescale		Responsible Manager	Quarter 2 Progress Updates	On Track:
		Start	Finish			
	<i>Demonstrate compliance with the relevant TPR codes</i>	<i>Sep-22</i>	<i>Aug-23</i>	<i>Gov</i>	<i>Waiting update on publication date</i>	
O02	People –	Jan-22	Ongoing	SMT / HR		
	<i>Procure and implement a new HR and Payroll System</i>	<i>Jan-22</i>	<i>Mar-24</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 position is regularly reviewed and varying approaches taken depending on the circumstances relating to individual roles. Other developments such as the completion of the Pay and Benefits Review are designed to have a more significant impact for the majority of roles. Specialist roles are likely to continue to present a challenge and will need to be addressed on an individual basis.</i> <i>A number of posts now filled as a result of the Organisational Resilience and Sustainability approved by Staffing Committee in October.</i>	
O03	ICT –	Jun-21	Mar-25	ICT		

Ref	Project / Action	Timescale		Responsible Manager	Quarter 2 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>All user mailboxes migrated to Exchange Online. Planned transition from OneDrive on-premise to OneDrive Online. SharePoint Online - Investigation into the options for migration and configuration.</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>	
O04	Project and Programme Management	Jun-22	Mar-23	Dir / ADP		
	<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 drafted 'Project Management - the SYPA Way' - a 'right-sized' methodology for SYPA with associated documentation. Will be refined and tested in Q1 23/24.</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>	<i>ADP</i>	<i>Process designed and in place. However, its effective operation is somewhat restricted due to the level of vacancies within the Systems Team which means that only the very highest and most immediate priorities are able to be addressed.</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 January to March quarter is as follows.

Measure	Quarter 4 2022/23	Quarter 3 2022/23	Quarter 2 2022/23	YTD 2022/23	Performance in Previous Year Q4: 2021/22	Movement from Previous Quarter
Short Term Sickness Absence – Days Lost per FTE	0.84	0.96	1.24	2.93	0.9	
Long Term Sickness Absence – Days Lost per FTE	0.94	0.98	2.05	3.73	1.22	
Total Days Lost per FTE	1.78	1.94	3.29	6.66	2.12	

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 Building on last quarter’s report, Quarter 4 again shows a decrease in short term and long-term sickness absence from the previous quarter.

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 4 2022/23	Performance Quarter 3 2022/23	Quarterly Benchmark	Performance YTD 2022/23	2022/23 Benchmark	2022/23 Actuarial Target	RAG Indicator
Investment Return – Whole Fund	2.0%	3.0%	-3.3%	-4.1%	5.7%	2.0%	

4.8 We outperformed the benchmark return for the year but with markets weak over the year we didn't meet the actuarial assumptions.

4.9 The total Fund value at 31 March 2023 was **£10.014bn**

4.10 The Funding Level at 31 March 2023 is estimated at 143.4%.

4.11 At the end of the quarter, 70% of assets are managed by Border to Coast. This has been constant over the year.

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 4 2022/23	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	56%	71%	82%	79%	85%	100%	
Proportion of non-priority cases processed on time	69%	70%	65%	73%	73%	100%	
Proportion of all cases processed on time	67%	70%	67%	68%	74%	100%	
Proportion of employer data submissions on time	c 95%	c. 95%	c. 95%	99%	99%	100%	

4.14 Casework management continues to be challenging due to the overall end to end times and level of staff resource available. We are working on how we can improve this by capacity planning and understanding the 'should take' times for each piece of work.

4.15 At the end of the quarter, membership of the Fund stood at 176,293.

4.16 Five new employers were admitted to the scheme, and no terminations were completed during the quarter.

4.17 There were 562 participating employers with active members at 31 March 2023.

Financial Measures

2022/23 Budget Virements

- 5.1 The budget for 2022/23 was approved by the Authority at their February 2022 meeting, and two virements between budget heads were approved by the Authority at their September meeting.
- 5.2 In the final quarter of the year, approval is now requested for a further virement required in relation to a technical correction to move the budget relating to employee costs for the Programmes and Performance team from the Management & Corporate budget to the Finance & Corporate Services budget as the team have been transferred to this department and that is therefore where the expenditure is charged.
- 5.3 The effect of this is shown below.

Budget Virements 2022/23	2022/23 Budget at Q3	Virement	2022/23 Revised Budget
Pensions Administration	2,717,850		2,717,850
Investment Strategy	537,340		537,340
Finance & Corporate Services	858,800	82,640	941,440
ICT	738,710		738,710
Management & Corporate	906,570	(82,640)	823,930
Democratic Representation	137,090		137,090
Subtotal - Cost of Services	5,896,360	0	5,896,360
Capital Expenditure Charged to Revenue	0	0	0
Subtotal - Total Expenditure	5,896,360	0	5,896,360
Transfer to / (from) Reserves	(66,360)	0	(66,360)
Total Budget Requirement	5,830,000	0	5,830,000

2022/23 Q4 Provisional Outturn

- 5.4 The quarter 4 outturn expenditure and variance against the revised budget (including the virement above) 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 Q4 Outturn	2022/23 Q4 Outturn Variance	2022/23 Q4 Outturn Variance
	£	£	£	£	%
Pensions Administration	2,500,610	2,717,850	2,870,210	152,360	5.60%
Investment Strategy	565,090	537,340	526,760	(10,580)	(2.00%)
Finance & Corporate Services	772,420	941,440	942,210	770	0.10%
ICT	635,850	738,710	720,340	(18,370)	(2.50%)
Management & Corporate	423,050	823,930	693,470	(130,460)	(15.80%)
Democratic Representation	124,020	137,090	152,540	15,450	11.30%
Subtotal - Cost of Services	5,021,040	5,896,360	5,905,530	9,170	0.20%
Capital Expenditure Charge to Revenue	1,546,930	0	89,820	89,820	100.00%
Subtotal before transfers to reserves	6,567,970	5,896,360	5,995,350	98,990	1.70%
Appropriations to / (from) Reserves	(1,122,370)	(66,360)	(66,360)	0	0.00%
Total	5,445,600	5,830,000	5,928,990	98,990	1.70%

5.5 The provisional outturn for the year is an over-spend of £99k or 1.7%. This is after transfers from reserves and has arisen due to the additional one-off cost in year, approved previously by the Authority, in respect of expenditure on an employment matter.

2022/23 Corporate Contingency Budget

5.6 Within the totals shown in the table above for Management & Corporate, there is an under-spend of (£173k) 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 of the Director regarding creating a resilient organisation for the future.

5.7 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 were built into the employee costs for this year included in the expenditure for each of the service areas shown in the table above.

5.8 The additional cost arising from this was 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 was met from the existing pay budgets without the need to draw on the corporate contingency budget for this purpose.

- 5.9 The Director's recommendations regarding building organisational resilience 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, were likewise incorporated into the expenditure within each service area without the need to draw down from the corporate contingency budget.
- 5.10 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 were considered in further detail in the final quarter of the year and further work now due to be carried out in 2023/24. The cost of the consultancy work for the initial review has been met from the corporate contingency budget in the year, but this has been the only expenditure against this budget in 2022/23.
- 5.11 Instead, the unspent corporate contingency remaining will be needed to provide the resources required in 2023/24 to meet implementation costs of any changes and actions agreed from the further work to be carried out. Therefore, in March, the Authority approved the creation of a new earmarked revenue reserve specifically for this purpose – a Pay and Benefits Reserve – into which an amount of £200k was transferred at the end of the year. The funds in this reserve are intended to be used in 2023/24.

2022/23 Forecast and Explanation of Variances

- 5.12 The significant variances against budget for each of the service areas are explained below.
- 5.13 Pensions Administration – Over-Spend: £152k
- 5.14 There is a large over-spend arising from an additional one-off cost of £109k approved separately by the Authority relating to an employment matter.
- 5.15 There is a total net under-spend of (£22k) on staffing costs. This is made up of the following items:
- a) The forecast additional cost for this department of applying the pay award for 2022/23 was £111k.
 - b) There were additional costs of staff overtime being worked to cover vacancies and absences and to make some progress on backlogs. There were also additional costs in March 2023 of employing an Interim Assistant Director – Pensions. The total of overtime and interim cover costs was £41k.
 - c) A full year was budgeted for some 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.
 - d) Turnover in staffing during the year resulted in an under-spend of (£67k).
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- 5.16 The budget for recruitment was over-spent by £7k as a result of more activity in this area following on from growth in the establishment as well as turnover.
- 5.17 Costs relating to travel expenses, hotel accommodation etc. were (£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.
- 5.18 The training budget was under-spent by (£3k).
- 5.19 There was an under-spend of (£28k) in total comprising several smaller items on budgets for various premises-related costs, printing and postage, and corporate subscriptions.
- 5.20 The budget for Actuary Fees has been over-spent by £153k. There are a few factors that have contributed to this:
- a) The triennial valuation work was undertaken in 2022/23 and, partly relating to this being the first valuation carried out since a change of actuary, there was a significant amount of additional work required that had not been anticipated – for example, establishing opening asset positions for academy trusts.
 - b) A total of £47k of historical fees that had been expected to be recharged to employers were reviewed as they related to previous years, and a decision taken that these cannot now be recharged so this is now an additional cost this year.
 - c) As a result of absence at senior manager level from January to March, there was an increase in the services that were required from the actuary, resulting in additional fees for this.
 - d) The budget setting process for the forthcoming year 2023/24 involved a robust review of the contractual fees and service requirements in consultation with both the Director and the Actuary, resulting in a significant increase to this budget head, providing assurance that this is now more realistic and sufficient to meet required expenditure on actuarial services going forward.
- 5.21 Budgets for legal and consultancy fees were under-spent by (£14k) for the year.
- 5.22 The budget for medical reports required in relation to ill health cases and appeals was over-spent by £18k. 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.
- 5.23 The budget for benchmarking in pensions administration was not used in year, resulting in an under-spend of (£16k). Officers have now signed up to undertake the benchmarking exercise in 2023/24 and work will be commencing shortly on preparing the data required.
- 5.24 Expenditure on other professional services was lower than anticipated in the year mainly due to timing and phasing of work completed on GMP Rectification by the service provider changing from what was originally planned when the budget was set, resulting in an under-spend of (£44k).
- 5.25 There was an additional cost of £4k for the year relating to payments of compensation to customers following determinations of appeals.
- 5.26 A total cost of £8k was incurred in the year for charges payable to HMRC relating mainly to late payment interest in relation to the payment of tax for members with
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an annual allowance charge – paid under ‘Scheme Pay’ rules. The reason for the payments being late was due to delays in the pensions administration department obtaining all information required in order to calculate the tax charge and arrange for payment. In one case, the tax charge itself was £70k and related to a tax year requiring payment by February 2021 so the combination of the amount and the lengthy delay resulted in an interest charge of £6k.

5.27 Finally, a small number of miscellaneous variances on income streams resulted in a net under-spend of (£9k).

5.28 Investment Strategy – Under-Spend: (£11k)

5.29 The employee costs budget was over-spent by £10k as result of the pay award for 2022/23 and the increase in the Director’s costs, a third of which is charged to the Investment Strategy budget.

5.30 An under-spend of (£2k) is forecast on indirect employee costs relating to travel, training, etc.

5.31 There is an over-spend of £8k relating to expenditure on recruitment for a new investment manager; it was necessary to use a specialist executive search agency for this key role and advertise across a range of sources. This was successful with the newly appointed role holder due to commence in post from May 2023.

5.32 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.

5.33 Expenditure on professional and consultancy fees was (£25k) below budget for the year due to less work on reporting investment impact being required in this year than originally anticipated.

5.34 An over-spend of £10k in total arose across the budgets for performance measurement and investment advisory services, some of this was one-off costs due to turnover of advisers in the year, the rest is due to increasing costs that have been reflected in the budget for next year.

5.35 Finance & Corporate Services – Over-Spend: £1k

5.36 There was a total net under-spend of (£22k) on staffing costs which comprises the following items:

- a) The additional cost for this department of the 2022/23 pay award was £30k.
 - 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 was £38k.
 - c) The employee costs budget included two FTE business support officers. However, following one of these officers being promoted internally, it was decided not to fill the resulting vacancy as there was no longer a 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 a decision was taken to keep this vacancy on hold. There was therefore a total under-spend of (£45k) relating to these two posts.
 - d) There was also a net under-spend of (£45k) relating to turnover, time taken to recruit to the two posts in the Programmes and Performance team, and
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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.

- 5.37 There was an over-spend of £14k on the recruitment budget due to having required the services of a specialist agency for Finance Team Leader and Transactions Officer recruitments, and some one-off costs for job evaluations for three posts in the department.
- 5.38 The training and conferences budget was over-spent by £7k 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.
- 5.39 An over-spend of £2k arose 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.
- 5.40 ICT – Under-Spend: (£18k):
- 5.41 The staffing costs budget was over-spent by £15k due to the impact of the pay award and some turnover.
- 5.42 The training budget was under-spent by (£4k) in this year but is expected to be used more fully next year following growth in the team and greater encouragement and support for training being provided.
- 5.43 There is a total net under-spend of (£9k) on the budgets for various software systems, hardware, and wider IT infrastructure. This represents less than 2% of the total budget of £466k for these costs.
- 5.44 Additional income of (£20k) more than budget was received, this relates mainly to fees generated from development work carried out on in-house systems sold to other pension funds.
- 5.45 Management and Corporate – Under-Spend: (£130k)
- 5.46 The corporate contingency budget, as outlined in paragraph 5.6 above, was under-spent by (£173k), and was 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.
- 5.47 The corporate training budget was more actively used this year than it has been historically, with various training programmes, LinkedIn Learning, and centrally organised courses going ahead. The budget was not fully utilised however and was under-spent by (£18k) for this financial year.
- 5.48 An under-spend of (£35k) arose for the year in total across various premises-related costs, including facilities management, which were primarily non-recurrent under-spends.
- 5.49 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 not included in the budget when being set, resulting in an over-spend of £41k for this year which will be met from reserves.
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- 5.50 A total of £70k expenditure was incurred on legal fees – this was a planned over-spend for the Management & Corporate area, as the cost was budgeted to be met from a transfer from the Corporate Strategy reserve and related primarily to work required for the review of the Constitution.
- 5.51 The budgets for central costs relating to services of internal audit, external audit, and corporate service level agreement were under-spent by (£15k) in total.
- 5.52 Democratic Representation – Over-Spend: £15k
- 5.53 An over-spend of £5k related to the increase in the Director’s costs, a third of which is charged to this budget.
- 5.54 The budget for members’ allowances was over-spent by £2k 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.
- 5.55 The training budget for member training was over-spent by £4k 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.
- 5.56 The budget for the Local Pension Board was over-spent by £4k, primarily due to the Board’s share of these additional learning and development costs.
- 5.57 An under-spend of (£6k) in total occurred against the budgets for various running costs including catering, printing, member travel and subsistence costs. This was used to meet the additional £6k one-off cost in year for facilitation and support of the Impact Investment working group.
- 5.58 Capital Expenditure Charge – Over-Spend £90k:
- 5.59 Expenditure of £26k was incurred on purchase of laptops as part of the rolling hardware replacement programme, funded by transfers from the Capital Projects Reserve.
- 5.60 The remaining over-spend against the budget 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 was £34k, and there was 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 related to the installation of fire-safety rated glazing in the windows closest to the fire escape, which was a safety requirement.

Earmarked Reserves

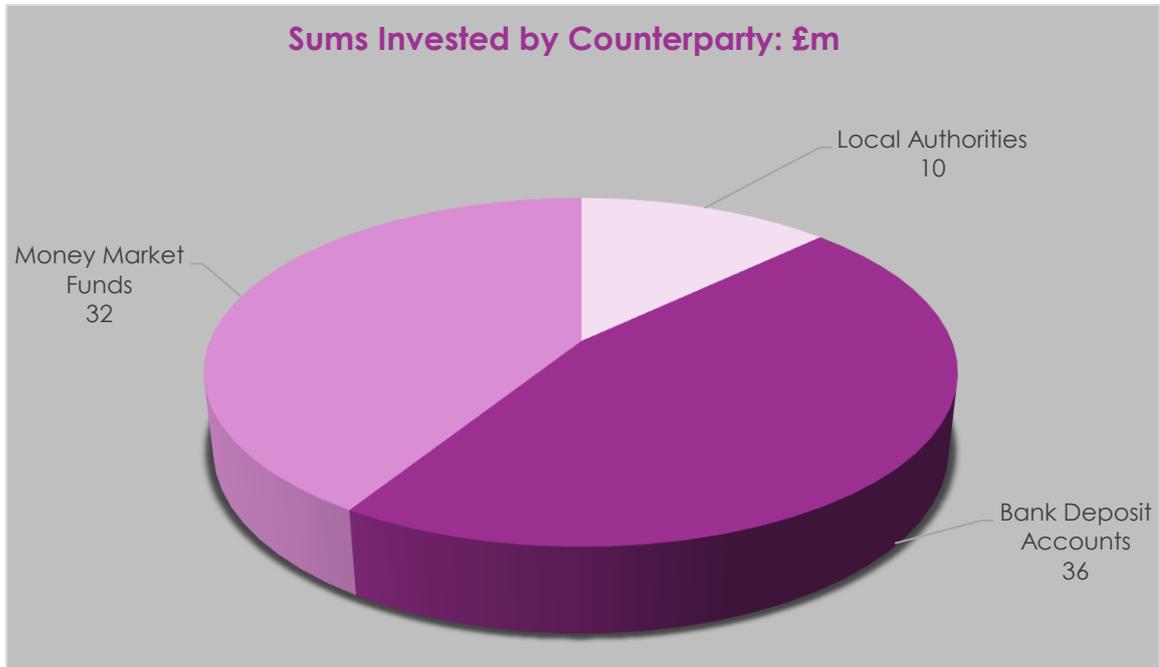
- 5.61 The table below shows the transfers to, from and between all four of the earmarked reserves at the end of 2022/23.
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Earmarked Reserves	Balance at 01/04/2022 £	Transfers In £	Transfers Out £	Transfers Between Reserves £	Balance at 31/03/2023 £
Corporate Strategy Reserve	143,840	0	(118,620)	85,000	110,220
Pay & Benefits Reserve	0	150,000	0	50,000	200,000
ICT Reserve	205,950	18,330	(26,250)	(120,000)	78,030
Subtotal: Revenue Reserves	349,790	168,330	(144,870)	15,000	388,250
Capital Projects Reserve	139,110	0	(89,820)	(15,000)	34,290
Total Reserves	488,900	168,330	(234,690)	0	422,540
Net Total Transfer Out		(66,360)			

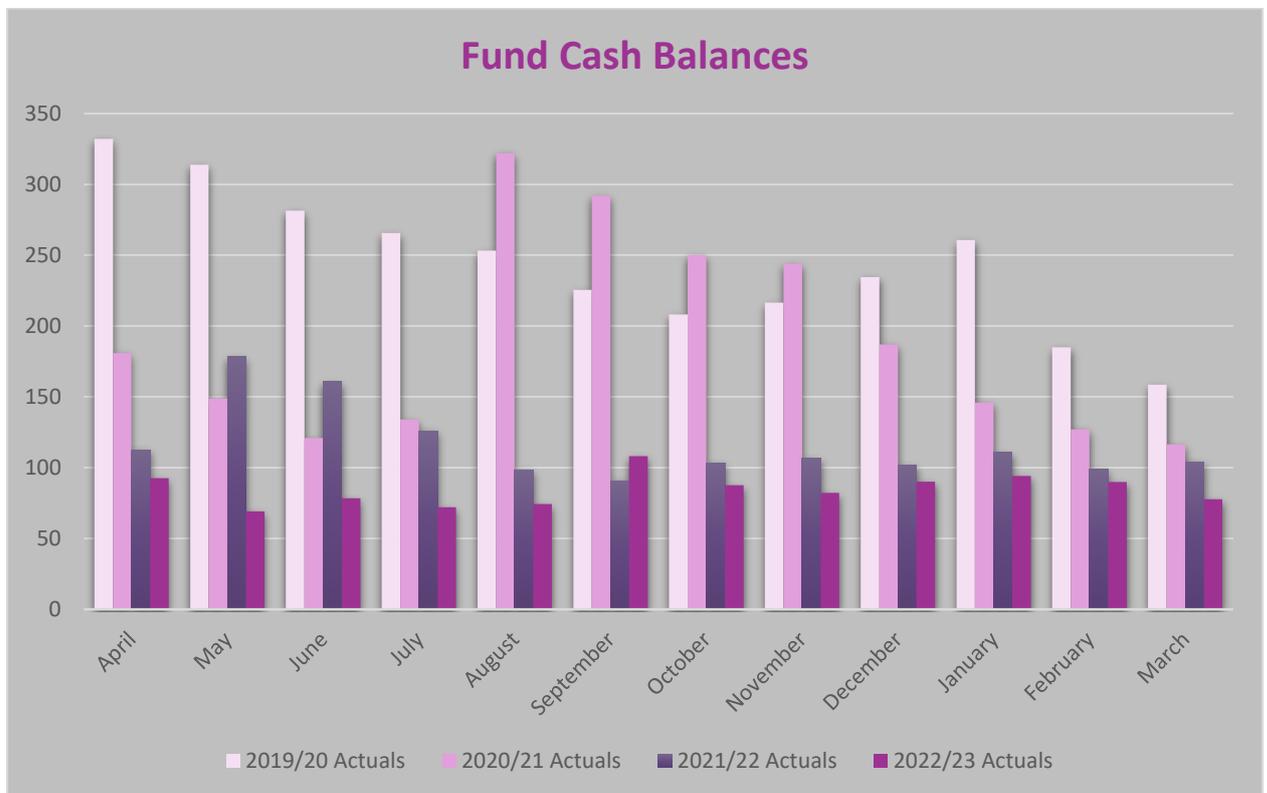
- 5.62 The transfers out of the Corporate Strategy reserve are to meet costs associated with areas such as the investment strategy review, which is undertaken every three years based on the triennial valuation, the lease rent accounting adjustment, and providing for the costs of the retentions scheme this year. Additional funds have been transferred from other reserves to be allocated to costs of delivering corporate strategy plans in future.
- 5.63 As explained in paragraph 5.11 above, the 'Pay & Benefits' revenue reserve has been created this year, using the unspent corporate contingency budget and a re-allocation from the other earmarked reserves, 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.
- 5.64 The transfer into the ICT reserve was to set aside the income from software sales and the transfer out was to fund the costs of developments on areas such as the pensions administration software system. In addition, funds have been transferred from this reserve into the other earmarked reserves to reflect the resourcing requirements that the reserve balances have been earmarked to meet in future years.
- 5.65 The transfer out of the Capital Projects reserve is to finance the capital expenditure incurred this year.
- 5.66 The result of the above is a net total transfer out from reserves of (£66,360).
- 5.67 The balance of the revenue reserves at the end of the year, following the transfers, is £388k in total, equating to 6.7% of the Authority's total revenue budget, which falls within the limit of 10% set in the Medium-Term Financial Strategy for 2023/24 onwards.

Treasury Management

5.68 The Fund’s cash balances at 31 March 2023 stood at £77.8 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.



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



5.70 Cash is only held pending Fund investment and the balance of cash at the end of the year represents 0.76% of the Fund, compared with 0.90% at 31 December 2022.

6. What is getting in the way – Risk Management

- 6.1 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.
 - 6.2 The Corporate Risk Register is attached at Appendix A. A full review was undertaken in May 2023. The following changes were made to risk scores from this review.
 - 6.3 Risk O5 – Change to the CARE Revaluation date to bring it in line with the tax year. Current risk score reduced from 20 to 16. The Government decided to make the new regulations. Software updates are expected imminently and will be tested as soon as they arrive. There remains a risk that this process will impact the timelines for the production of the annual benefits statements. The position continues to be monitored with regular updates to SMT. The probability of the risk score has been lowered to high.
 - 6.4 Risk P2 – Reduced levels of technical knowledge and senior management capacity during period of vacancy. This was a new risk identified in the Quarter 3 report with a initial risk score of 20. However, this has now been lowered to 12 due to the appointment of an experienced interim SMT are considering further actions which could strengthen the overall level of technical knowledge within the service and once completed, these will be brought to members for approval. The probability has been reduced to high and impact to medium.
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7. Learning from things that happen

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

	Received in Q4 2022/23	Received in Q3 2022/23	Received in Q2 2022/23	Received in Q1 2022/23	Received YTD 2022/23	Received in Previous Year: Full Year 2021/22
Complaints	10	3	4	7	11	24
Appeals Stage 1	2	2	1	1	2	4
Appeals Stage 2	2	1	2	2	4	4

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

7.3 While numbers of complaints remain relatively low compared to volumes of casework the trend is clearly upwards which is a concern when looked at in conjunction with other performance data. There are several common themes which emerge from these complaints. As previously identified both through complaints analysis and customer surveys we need to improve communication with scheme members around work in progress and some work has recently been completed to allow some standard communication as part of certain key processes. However, more is likely to be required in this area. In addition to this the backlogs identified in the performance report elsewhere on the agenda are now beginning to impact quality of service and make it more difficult to resolve cases in a timely way an issue that may be being magnified by the relatively small number of experienced Pensions Officers within the Benefits Team.

7.4 This quarter's report reveals a trend of increasing numbers of complaints and appeals which all to some degree reflect levels of customer service or timeliness of completion of work than we would like to deliver. These are symptoms of a more significant range of underlying issues and challenges facing the Pensions Service which will be the subject of concerted action over the coming months with an initial plan of action discussed elsewhere on the agenda for this meeting.

7.5 The table below provides a summary of the 10 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.

Reference	Complainant	Nature of complaint	Response issued within target response time?	Responsible party	Follow up actions required/taken?
C101	Member	Wanted a quote to 55 and we hadn't provided deferment details and aggregation quote from 1st record.	Yes	SYPA	Relates to the various issues with backlog aggregations
C102	Member	Issues with unravelling TUPE and paying benefits.	No	Member / Regulations	Decisions taken by Director which will resolve the decision
C103	Member	Issues with timings of payments, staff attitudes and how spouses CARE is worked out.	Yes	SYPA / Regulations	Customer Centre informed and asked to note in terms of working practices.
C104	Member	Member has been awaiting a quote since August 2022 and only just done due to scheme pays/AA issue and delays from us and employer supplying info.	Yes	Employer / SYPA	Note to staff stressing to staff the need to communicate delays better to members.
C105	Member	Delays with Prudential, inaccurate estimate and confusing info from SYPA staff.	Yes	SYPA / Prudential	Prudential delays remain an issue.
C109	Member	Complaint about time taken to process case (Capita delays)	Yes	Capita	Capita continue to be actively engaged with by SYPA staff to resolve outstanding queries.
C110	Member	Length of time waiting for a deferment. Employer issues at our end.	Yes	SYPA / Employer	Reflects the delays in processing monthly data and leaver data.
C111	Member	Issues with incorrect scanning of a query causing a	Yes	SYPA	

		delay in providing data to WYPF.			
C112	Member	Issues with aggregation (although we are waiting on member's decision) and wanting estimate but only 44 years old	Yes	Member / SYPA	Relates to the level of outstanding aggregations.
C113	Member	Employer provided wrong NI number which meant their person records didn't combine and created other data issues.	Yes	Employer	Records now combined
Total for three months	10				

- 7.6 Two Stage 1 Appeals were determined during the quarter, neither of which were upheld.
- 7.7 Two Stage 2 Appeals were determined in this quarter. One related to details of the rule of 85 protections which are particularly complex. SYPA cannot pay a benefit which is not due under the scheme rules. Compensation of £200 offered due to a delay in dealing with this appeal. The other related to a member who wished to opt out of the scheme but their application was out of time.
- 7.8 These cases are each individual and do not provide any systemic learning, although in the case of the "Rule of 85" case some changes have already been made to member presentations making clear the need for members to seek information on their individual circumstances.
- 7.9 A comprehensive review of the Appeals process has been commissioned and commenced in January 2023. This is intended to create a single process with transparency over the numbers of appeals in process and whether they are being dealt with in line with the required timescales. This work is being led by the Governance Team and is currently reviewing several outstanding cases. While the conclusions in relation to most of these cases will flow through in regular reports one issue has emerged which, while not yet definitively settled, should be reported at the earliest opportunity.
- 7.10 5 cases where the member transferred benefits to another scheme some years ago (and before the current "stronger nudge" regulations) have been identified where it appears the Authority may not have undertaken all the necessary checks to ensure that the receiving scheme was appropriately registered. While each case needs to be reviewed individually and an individual determination made in aggregate, it appears there was a control failure within the Authority. If the completed investigation bears this out the Authority will report itself to the Regulator in relation to these cases and implement actions in relation to the individual scheme members benefits that would

be required had the Pensions Ombudsman found against us. As indicated these cases did occur some years ago and procedures have been tightened since then.

Breaches of Law and Regulation

- 7.11 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.
- 7.12 One breach recorded in the quarter that related to GDPR. An employer's monthly data submission changed the address of every member to a random address in Hull. This resulted in two potential breaches although only one potentially resulted in disclosure of personal information.
- 7.13 This is clearly a unique case but it does highlight the need to ensure that the processing of large data files is carried out with appropriate care and attention, which is being continually emphasised to the staff involved. In addition, as reported elsewhere on the agenda, considerable effort is being made to support employers in providing accurate data.

Cyber Security Incidents

- 7.14 In addition to the more routine breaches there were 8 reported cyber security incidents during the quarter, all of which were phishing attacks. All attacks were reported and contained without clicked links or response to coercion. In all cases, the sender addresses and links (if included) were blocked and all staff notified of the email content to highlight future attempts.
- 7.15 It is noted that this period encountered a higher number of cyber security incident reports than normal, specifically in January in which 5 were reported. All 5 reports in January were isolated incidents with no connection in terms of sender, links, or content.
- 7.16 Cyber security defences and reporting procedures improved significantly in February with the introduction of a new solution to help staff detect phishing attacks. Staff now have new tools to highlight potential issues within individual messages, more power to control legitimate or SPAM messages, and simplified processes to reported dangerous messages.
- 7.17 All staff have now completed the additional cyber security awareness training around phishing attacks.

Satisfaction Surveys

- 7.18 A customer centre survey found that 89% of the 296 respondents were satisfied with the service they received.
 - 7.19 A survey of members retiring during the quarter showed that of the 74 respondents, 92% were satisfied with the service they received.
 - 7.20 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.
-