SOUTH YORKSHIRE
PENSIONS AUTHORITY

South Yorkshire Pensions Authority

Statement of Accounts 2022/23

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Narrative Report

Introduction

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

The report is structured as follows:

- About South Yorkshire Pensions Authority
- Our Mission
- Our Priorities
- Our Performance & Achievements
- Our Financial Position
- Our Future Spending Plans
- Risks and Challenges
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About South Yorkshire Pensions Authority

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

The South Yorkshire Pension Fund is one of the ten largest LGPS funds by both assets and membership, with an asset value of £10.2 billion and a total of 176,437 members at 31 March 2023.

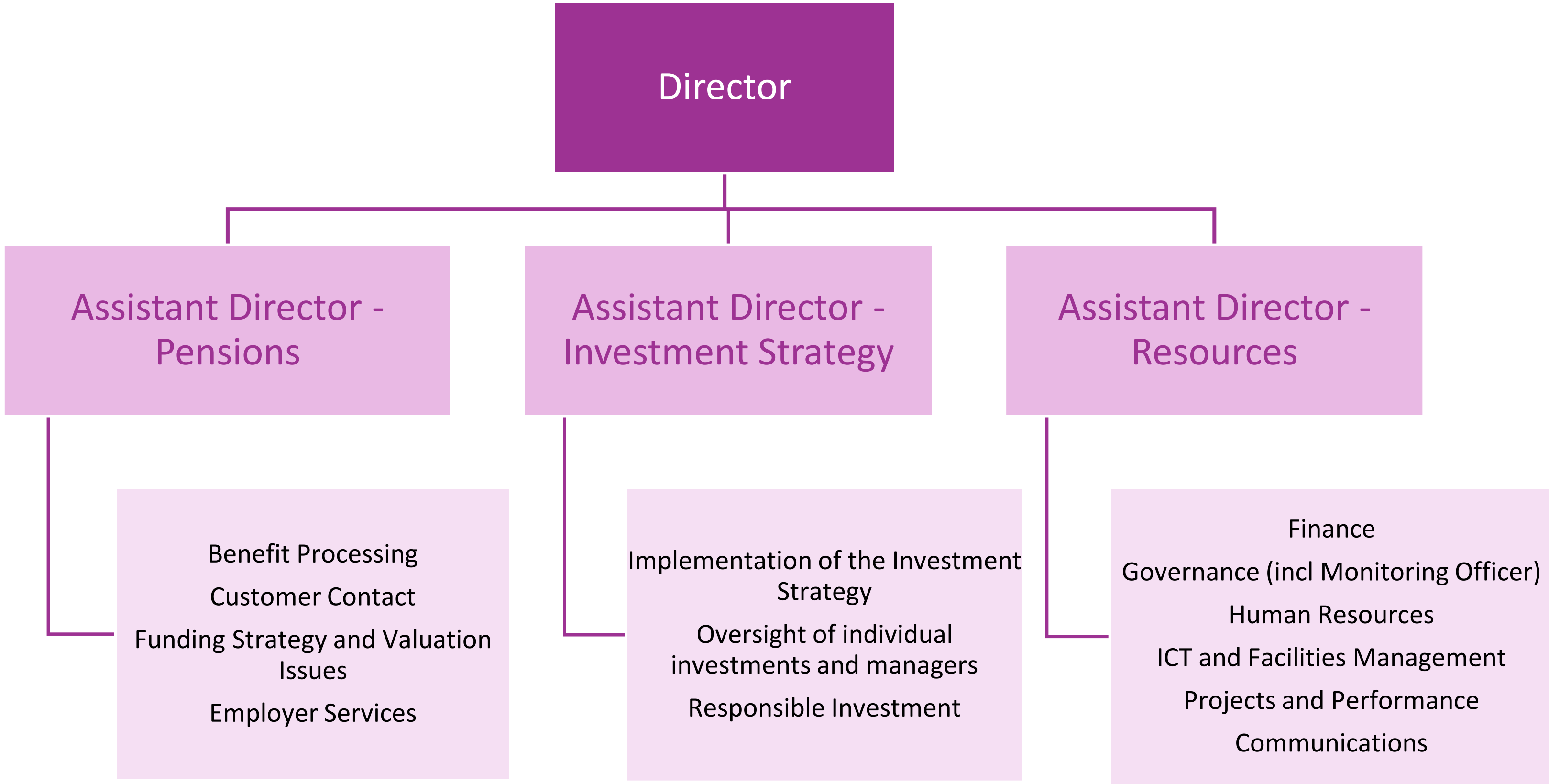
When the Authority was established in 1988, it was also made responsible for certain residual liabilities of the South Yorkshire Residuary Body. These were compensation payments which were not met by the Pension Fund. These liabilities are met by a levy on the four district councils of South Yorkshire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

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

The Authority has 12 members drawn from the four South Yorkshire districts outlined above, roughly in proportion to their population. The membership of the Authority at 31 March 2023 was as follows.

Barnsley MBC 2 Members	City of Doncaster Council 3 Members	Rotherham MBC 2 Members	Sheffield CC 5 Members	Non-Voting Co-opted Members 3 Members
Roy Bowser	Steve Cox	David Fisher	Ben Curran	Nicola Doolan-Hamer (Unison)
Mick Stowe	John Mounsey (Chair)	Marnie Havard	Simon Clement-Jones	Doug Patterson (Unite)
	David Nevett		Alexi Dimond	Garry Warwick (GMB)
			Andrew Sangar	
			Garry Weatherall (Vice Chair)	

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



The Authority also appoints a Clerk, Monitoring Officer and Treasurer, as required by law. The roles of Clerk and Treasurer were undertaken in 2022/23 by officers of Barnsley Metropolitan Borough Council under a Service Level Agreement. The role of Monitoring Officer was undertaken by an officer of Barnsley MBC until December 2022. From January 2023, the Authority's Head of Governance has undertaken this role.

In total, the Authority directly employs around 105 people (92 FTE) based at the Authority's office, Oakwell House in Barnsley.

Our Mission

The Authority’s mission is:

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

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

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

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

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

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

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

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

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

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

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

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

Our Priorities

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

The strategy update for 2023 to 2026 reflects our ongoing commitment to build a stronger, more resilient organisation focussed on delivering for our customers. To support this ambition, the establishment of a number of additional posts were approved by the Authority's Staffing, Appointments and Appeals Committee in October 2022. These are designed to strengthen our future organisational resilience and sustainability. We remain vigilant in achieving 'right sized' resourcing to support the realisation of our ambitions whilst improving productivity through more efficient and effective processes, systems and ways of working, conscious that those employers with whom we work face their own resourcing pressures.

Our agenda remains ambitious as we continue to move to the next level in meeting the needs of our customers and creating an organisation in which our people can realise their own career ambitions.

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

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

The actions in the strategy and progress made during the year are shown in the table below.

Ref	Project / Action	Timescale		Progress Updates at End of 2022/23
		Start	Finish	
Data				
D01	**Complete Valuation 2022**	**Nov-21**	**Mar-23**	**Completed**

Ref	Project / Action	Timescale Start	Timescale Finish	Progress Updates at End of 2022/23
D02	**Guaranteed Minimum Pension – Completion of Rectification process**	Nov-21	Jun-23	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. Target date changed from May-22 to Jun-23.
D03	**McCloud Remedy-**	**Mar-22**	**Apr-24**	This project needs to be replanned to reflect the revised timescales for the issuing of regulations.
	System Upgrades	*Apr-23*	*Oct-23*	This work has slipped due to delays in the issuing of regulations. Ongoing dialogue taking place with software supplier. Start and finish dates revised accordingly.
	Processing and Case Reviews	*Apr-23*	*Mar-24*	Ongoing.
	Member Communications	*Apr-22*	*Mar-24*	Ongoing. Some general communications have appeared in newsletters and on Annual Benefits Statements.
	Employer Communications	*Oct-21*	*Mar-24*	Ongoing. Employers kept informed via newsletter every quarter.
D04	**Complaints – Undertake root cause analysis of complaints which occur on multiple occasions**	**Jun-23**	**Dec-23**	Start date changed from Apr-22 to Jun-23 and finish date changed from Jul-22 to Dec-23.
D05	**Pensions Dashboard – Provision of data in line with regulatory requirements**	**Apr-23**	**Mar-25**	Demonstrations received from suppliers who provide data transfer. Decision to be made on which provider to contract with.
D06	**Deliver annual data improvement plan**	**Apr-22**	**Mar-25**	Work is ongoing.
Process Improvement				
P01	**Implement contractual improvements to the Core UPM Pension Administration System –**	**Feb-22**	**Mar-25**	
	Review of compliance with the new contract and effectiveness of delivery	*Dec-22*	*Jun-23*	Work is well progressed with a report to be provided to the June 2023 Authority meeting.
	Review and updating of processes	*Apr-22*	*Mar-24*	In progress, a working group led by the Service Manager - Pensions Systems has been established to identify and prioritise the various changes required.

Ref	Project / Action	Timescale Start	Timescale Finish	Progress Updates at End of 2022/23
	Retire Online for Deferred Members	*Jan-21*	*Apr-22*	**Completed**
	Automation of Joiners	*Sep-21*	*Apr-24*	Work slipped but is now in progress. Finish date revised to Apr-24.
	Automation of leavers / deferred members	*Jun-21*	*Jun-24*	Work slipped but is now in progress. Finish date revised from Jun-23 to Jun-24.
	Implement dynamic homepage and improve the log in / sign up process for mypension	*Apr-22*	*Mar-23*	**Completed**
	mypension App	*Apr-24*	*Mar-25*	Ongoing; dependent on pensions software system provider.
	Feasibility/Pilot of Chatbots	*Apr-24*	*Mar-25*	Ongoing; dependent on pensions software system provider.
	Online ID Verification for pension claims	*Apr-24*	*Mar-25*	Ongoing; dependent on pensions software system provider.
	Improve functionality of employer hub	*Apr-23*	*Mar-24*	Due to start in 2023/24
P02	**Monthly Data Collection-**	**Mar-22**	**Mar-25**	
	Validator App enhancements	*Mar-22*	*Mar-25*	Ongoing
	Automate the processing of direct debit instructions from data submissions	*Jan-24*	*Aug-24*	This has slipped due to a need to ensure the monthly data collection process is more robust prior to introducing automation. Start and finish dates revised accordingly.
P03	**Reporting – Implement improvements to the completeness and degree of automating of reporting across the organisation –**	**Apr-22**	**Mar-25**	
	Statutory Disclosures	*Apr-22*	*Mar-23*	**Completed**
	Pension Administration Regular Management Information	*Apr-22*	*Mar-24*	Limited progress during 2022/23, this is now a priority for 2023/24.
	UPM Finance Reports	*Apr-22*	*Mar-24*	In progress, awaiting delivery of second phase of consultancy work by the pensions software system provider.

Ref	Project / Action	Timescale Start	Timescale Finish	Progress Updates at End of 2022/23
	Customer Centre Management Information	*Apr-22*	*Mar-23*	In progress. Monthly reports with data are now being produced, with further work required to refine and enhance the management information and analysis of this.
	Employer Performance	*Apr-22*	*Mar-24*	Ongoing.
	Financial Reporting	*Apr-22*	*Mar-25*	Ongoing.
	HR Reporting	*Oct-22*	*Sep-23*	Ongoing.
P04	**Financial Process Improvements -**	**Apr-22**	**Mar-24**	
	Review debt recovery processes	*Apr-23*	*Mar-24*	Due to start in 2023/24
	Review of processes following implementation of new financial systems to capture benefits	*Apr-22*	*Mar-23*	Benefits are being realised but due to other priorities, an exercise to review and document will now take place in summer of 2023.
	Complete the review of the VAT Partial Exemption Special Method	*Mar-23*	*Dec-23*	Work has slipped. Start and finish dates revised from 2022 to 2023.
	Review custodian arrangements and procure as necessary	*Feb-22*	*Mar-24*	Work has continued to progress with completion of the research phase by March 2023. The next phase will slip into 2023/24, finish date revised accordingly.
	Review arrangements for Treasury Management advice and procure as necessary	*Sep-22*	*Mar-23*	**Completed**
	Reprocure commercial property insurance if required	*Jul-24*	*Mar-25*	Not yet due.
P05	**Certifications aimed at embedding process improvements across the organisation –**	**Apr-22**	**Mar-25**	
	Maintain Customer Services Excellence accreditation	*Apr-22*	*Mar-24*	Accreditation retained as at March 2023 following a full review.
	Achieve initial Investors in People accreditation	*Apr-23*	*Mar-25*	Not yet due.
	Achieve initial Pensions Administration Standards Association (PASA) accreditation	*Apr-22*	*Mar-25*	Not yet started.

Ref	Project / Action	Timescale Start	Timescale Finish	Progress Updates at End of 2022/23
Investment				
I01	**Strategic Issues –**	**Apr-22**	**Mar-25**	
	Conduct an Investment Strategy review following the 2022 Valuation and update the Investment Strategy Statement	*Apr-22*	*Mar-23*	**Completed**
	Address systemic risks to the fund's investments resulting from climate change through progressing annual updates to the Net Zero action plan.	*Mar-22*	*Mar-25*	Annual update completed as at March 2023
	Implement new requirements related to TCFD Reporting	*Apr-22*	*Ongoing*	Requirements reflected in the Investment Strategy Review and updated Net Zero Action Plan and also in Border to Coast's workplan.
I02	**Tactical and Transactional Issues –**	**Apr-22**	**Ongoing**	
	Implement revisions to the Strategic Asset allocation	*Apr-23*	*Ongoing*	Implementation will begin from Apr 2023 but some of the expected changes will have to be phased in. Start date changed from Apr 2022 to Apr 2023.
	Determine the approach to the Border to Coast property proposition and transition assets as necessary	*Mar-22*	*Dec-24*	Commitment made to the global product subject to final due diligence. Launch likely Q1 of 2023/24 Final commitment to UK product not yet required and will await an update to the Border to Coast Business Case. Launch likely in first half of 2024.
	Conclude Project Chip	*Sep-21*	*Sep-23*	Agreement now reached on legal structuring and a substantial commercial due diligence process has commenced. Due to the governance timelines for partner organisations, the finish date has changed from Sep-22 to Sep-23.
	Review legacy portfolios and determine the ultimate exit routes in each case	*Apr-22*	*Ongoing*	Listed legacy assets have been sold down from overseas portfolios where possible. Remaining alternative assets will run off and we are seeing the final liquidation of our older assets.
	Continue to develop stewardship reporting in response to regulatory feedback	*Apr-22*	*Ongoing*	Work is ongoing.
Organisation				
O01	**Governance –**	**Dec-21**	**Mar-25**	

Ref	Project / Action	Timescale Start	Timescale Finish	Progress Updates at End of 2022/23
	Review and update information governance arrangements	*Jun-22*	*Mar-24*	This is a significant project. Work is well under way on preparation and review of a suite of policy and procedures, with an aim to implement these and roll out training to staff during 2023/24. Finish date revised from Mar-23 to Mar-24.
	Complete roll out of workflows etc. within Modern.gov and implement paperless meetings	*Apr-22*	*Sep-23*	Work slipped from original target of June 2022 but is now well in progress with completion target of Sep-23.
	Implement new statutory officer arrangements and internalise committee and member support activity	*Apr-22*	*Mar-23*	**Completed.** Monitoring Officer role now undertaken by Head of Governance since Jan-23, with Section 73 Officer (Treasurer / Chief Finance Officer) role assumed by the Assistant Director - Resources from 1 April 2023. New Governance team established internally from April 2022.
	Update procurement arrangements, processes, and systems including the implementation of the YORtender replacement	*Dec-21*	*Jun-23*	YORTender replacement platform was implemented successfully. Procurement procedures currently being reviewed.
	Update process and procedure documentation across all aspects of Pension Administration to allow regulatory compliance to be demonstrated through the Portal	*Apr-22*	*Mar-25*	Work is ongoing.
	Demonstrate compliance with the relevant TPR codes	*Sep-22*	*Aug-23*	Currently awaiting publication of new TPR General Code of Practice.
	Commission full review of the Constitution through the use of legal advisers.	*Dec-22*	*Jun-23*	Review largely complete; fully revised Constitution to be presented to June 2023 Authority meeting.
O02	**People –**	**Jan-22**	**Ongoing**	
	Procure and implement a new HR and Payroll System	*Jan-22*	*Sep-23*	Work has slipped. Finish date revised from Mar-23 to Sept-23
	Consolidate the new finance team structure and capture benefits	*Apr-22*	*Ongoing*	An exercise to review progress and benefits realised is due to take place in Oct-Dec 2023.
	Develop a staff Health and Wellbeing Strategy	*Jan-23*	*Apr-24*	Health and Wellbeing arrangements are well embedded but the development of a strategy has not yet started.

Ref	Project / Action	Timescale Start	Timescale Finish	Progress Updates at End of 2022/23
	Develop an Apprenticeship framework to support existing and future apprentices	*Jan-22*	*Apr-23*	Framework in place but requires further development - to be taken forward in 2023/24.
	Create structured learning paths for different job roles using the different learning support technologies available	*Jan-22*	*Dec-23*	Some work done but not yet embedded. A new post of Business Support Officer with a focus on Learning and Development has been created and is due to be recruited in 2023/24 - once appointed, this role holder will support the work required in this area.
	Implement actions from the 2020 staff survey	*Ongoing*		Work on this has progressed well, with various staff engagement initiatives including the first Staff Away Day held in 2022. This objective will be superseded by the one below regarding the next staff survey to be undertaken.
	Undertake 2022 staff survey and identify appropriate responses to the results	*Jun-23*	*Dec-23*	The planned timing for this survey was changed from Dec 2022 to take place during the summer of 2023, with results to be available in time for the next Staff Away Day in September 2023.
	Enhance collaborative working across the organisation	*Jan-22*	*Ongoing*	Progressing well, with a number of collaborative groups now in place; including a Middle Managers group, a cross-functional pensions system oversight group, and an Equality & Diversity group.
O03	**ICT –**	**Jun-21**	**Mar-25**	
	Complete the roll out of Microsoft 365 tools and the migration to 365 infrastructure	*Jun-21*	*Dec-23*	The majority of this is complete, final stages will be completed by December 2023, finish date revised accordingly.
	Agree and implement a revised hardware replacement programme	*Apr-22*	*Jun-23*	Work has slipped on preparing the policy for this; finish date revised from Apr-23 to Jun-23.
	Implement the updated corporate website	*Nov-21*	*Jan-22*	**Completed**
	Review and update ICT policies, including specifically a review of password management arrangements	*Apr-22*	*Ongoing*	Work is ongoing.

Ref	Project / Action	Timescale Start	Timescale Finish	Progress Updates at End of 2022/23
	Strengthen Cyber Security	*Apr-22*	*Ongoing*	Cyber Essentials accreditation retained, cyber security training delivered to all employees. Work in this area is continually being developed and is high priority for the organisation.
O04	**Project and Programme Management –**	**Jun-22**	**Mar-23**	
	Determine a stripped down and appropriately scaled programme and project management process	*Jun-22*	*May-23*	New posts of Service Manager - Programmes and Performance, and Projects and Performance Officer established and recruited during 2022. Work is well progressed and due for completion in 2023.
	Initiate a clearly defined process for prioritising and agreeing development and other system change requests	*Jun-22*	*Mar-23*	**Completed**
O05	**Business Continuity –**	**Apr-22**	**Ongoing**	
	Produce revised corporate business continuity plan	*Apr-22*	*Dec-23*	Work has slipped on this. A new role of Operations Management Officer which will report to the Head of ICT has been established and due to be recruited in May 2023; this role holder will lead on this piece of work and we will commission external assistance as required due to a lack of resources internally to dedicate to this work.
	Reinstate annual testing of ICT Disaster Recovery arrangements.	*Sep-22*	*Ongoing*	Ongoing local testing has taken place.
O06	**Pay and Benefits Review**			
	Commission an indpendent review of the organisation's pay and benefits, and develop actions to address the findings.	*Oct-22*	*Mar-24*	The review work was commissioned, and findings reported in December 2022. Following SMT consideration in February 2023, an action was agreed to commission the same consultants to undertake some further work on revising our pay and grading structure and researching and recommending options for improvements to family leave policies.

Our Performance and Achievements

The performance of the organisation in delivering on our corporate objectives and plans is reported quarterly at full Authority meetings. These Corporate Performance Reports are available on the Authority's website at: Quarterly Corporate Performance Reports (sypensions.org.uk). Additionally, further information on the overall performance of the Authority for the year is provided in the Annual Report published on our website at: www.sypensions.org.uk .

Investments

This year our investments in private debt and infrastructure funds were the driver of growth for the Fund, with additional contributions from our developed market equity funds. However, negative returns from our fixed interest funds and direct property more than offset this. Over the year the Fund delivered a return of -3.2% against an expected return of -4.1% from the benchmark. This resulted in a Fund value of £10.202 billion at 31 March 2023.

Over the year we continued our long-term strategy to deliver a lower risk return by continuing to switch from listed equities to new investments within the alternative asset classes, in particular infrastructure and private debt funds.

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

Pension Administration

The administration function has faced another challenging year with further increases in the volume of incoming work compared to last year and delays in the issuing of key regulations by the Government delaying progress on some major pieces of work such as the McCloud remedy.

A review of casework processing over the last five years has shown that there has been a small reduction in the overall volume of incoming work over that period (although it has increased significantly compared to last year) but we have been processing less of this work on time. Although our target timescales are often half of those commonly used across the industry, and there has been no significant increase in complaints from scheme members about timeliness. Nevertheless, we need to understand the underlying causes of this apparent fall in productivity and whether our performance standards, which have been in place for many years, remain appropriate. In addition to this we are reviewing the level of resources we have in place to address the volume of incoming work and will make changes during 2023/24 if the evidence supports this.

Nonetheless, progress has continued to be made on several fronts with over 800 of our deferred members having been able to deal with their retirement online for the first time and a significant programme of activity aligned with initiatives such as Pensions Awareness week to increase scheme members' knowledge of the value of their pension to them.

Corporate Plan Delivery

The table above showing future priorities includes progress updates on delivery of the corporate objectives. In addition, some of the highlights of the 2022/23 year are as follows:

- The three yearly valuation of the Pension Fund by our new actuary Hymans Robertson was successfully completed on time and concluded that strong and consistent investment performance had delivered a surplus of assets over liabilities for the first time since at least the 1990's. This has allowed us to provide greater long-term stability to employer contributions.

- The Authority has approved revisions to the investment strategy which, while not affecting the likelihood of us being able to meet the costs of pensions when they become due, allows us to accelerate the rate of progress towards our investment portfolios becoming Net Zero.

- Despite the turbulence that we have seen in financial markets over the last year we have been able to maintain the strong funding position and our overall approach of looking to run the Fund in a way which is less exposed to volatility than the average.

- Approval granted for the creation of a Place Based Impact Investment portfolio focussed on investment in South Yorkshire.

- Improving the quality of our communication with scheme members using more modern approaches through social media and through more traditional means such as our regular newsletters.

- Delivering a range of improvements to our governance arrangements and particularly to ensuring that all the members of the Authority and the Local Pension Board undertake a minimum level of learning and development each year so that they have the knowledge required to make decisions about an increasingly complex scheme which exists in an ever more volatile economic environment.

- The agreement of a medium-term resourcing plan designed to ensure that the Authority has sufficient staff resources to maintain a sustainable organisation and to deliver the quality-of-service members rightly expect going into the future.

- The Authority was shortlisted for a number of awards and won the LAPF Investments Award 2022 for 'LGPS Fund of the Year Valued at Over £2.5bn' – a tremendous accolade and recognition for the hard work of all our staff.

- Continued retention of accreditation in the areas of Cyber Security and Customer Service Excellence following annual independent reviews.

Our Financial Position

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

The operational budget for 2022/23 was approved in February 2022 at a total of £5,830,000. The overall outturn for the year, was an over-spend of £98,990; the details of which are set out below.

South Yorkshire Pensions Authority Operational Budget	2021/22 Outturn £	2022/23 Budget £	2022/23 Outturn £	2022/23 Outturn Variance £	2022/23 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 Net Cost of Services	**5,021,040**	**5,896,360**	**5,905,530**	**9,170**	**0.20%**
Capital Expenditure Charged 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 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%**

The 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.

The main variances included in the results outlined above are explained below.

Pensions Administration - £152k Over-Spend

- There is a total net over-spend of £87k on staffing costs. This is made up of the following items:
    - The additional cost for this department of applying the pay award for 2022/23 was £111k.
    - 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.
    - Turnover in staffing during the year resulted in an under-spend that was partly offset by additional costs of staff overtime and casual and agency cover. The net total of which was an under-spend of (£26k).
    - An over-spend of £109k arose due to additional, non-recurrent costs, that were separately approved by the Authority, relating to an employment matter.
- 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.
- 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.
- The training budget was under-spent by (£3k).
- 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.
- The budget for Actuary Fees has been over-spent by £153k. There are a few factors that have contributed to this:
    - 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.
    - 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.
    - 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.

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

Investment Strategy – (£11k) Under-Spend

- The employee costs budget was over-spent by a net total of £8k 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, partly offset by savings relating to training and travel costs.
- 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.
- The budget for actuarial fees was under-spent by (£12k) 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.
- 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.
- 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.

Finance & Corporate Services - £1k Over-Spend

- There was a total net under-spend of (£22k) on staffing costs which comprises the following items:
    - The additional cost for this department of the 2022/23 pay award was £30k.
    - 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.
    - The employee costs budget included two FTE business support officers. Following turnover in these roles, the resourcing needs in the team were reviewed, and a decision was taken to keep the vacancies on hold. There was therefore a total under-spend of (£45k) relating to these two posts.

  - 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 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.
- The recruitment budget was over-spent by £14k 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.
- 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.
- 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.

ICT – (£18k) Under-Spend

- The staffing costs budget was over-spent by £15k due to the impact of the pay award and some turnover.
- 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.
- 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.
- 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.

Management & Corporate – (£130k) Under-Spend

- 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, resulting in an under-spend of (£173k). This is being used to create a new earmarked reserve to meet the costs arising from the remaining work on pay and benefits to be completed in 2023/24.
- 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.

- 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.
- 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.
- 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.
- 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.

Democratic Representation - £15k Over-Spend

- An over-spend of £5k related to the increase in the Director's costs, a third of which is charged to this budget.
- 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.
- The training budget for member training for both the Authority and the Local Pension Board was over-spent by £8k 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.
- 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.

Capital Expenditure Charge - £90k Over-Spend

- 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.
- 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.

Reconciliation of Budget Outturn to the Expenditure & Funding Analysis Note

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

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

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

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

Reconciliation of Services Totals in the Budget Outturn Report to Amounts Shown in the Expenditure and Funding Analysis (EFA) Note	2022/23 Budget Outturn	2022/23 Irrecoverable VAT Expense - Not Reported for Budget Purposes	Rounding Adjustments for Budget Reporting	2022/23 Net Expenditure Chargeable to the General Fund in the EFA Note
	£	£	£	£
Pensions Administration	2,870,210	198,541	6	3,068,757
Investment Strategy	526,760	362,409	0	889,169
Finance & Corporate Services	942,210	65,259	1	1,007,470
ICT	720,340	-	0	720,340
Management & Corporate	693,470	-	(4)	693,466
Democratic Representation	152,540	-	(1)	152,539
Net Cost of Services	**5,905,530**	**626,209**	**2**	**6,531,741**

Earmarked Reserves

The Authority has four earmarked revenue reserves, the Corporate Strategy reserve, the Pay and Benefits reserve (created this year), the ICT reserve, and the Capital Projects reserve.

For 2022/23, movements to and from these reserves have been agreed as shown in the following table.

We operate within a rule which limits the amount we can hold in the revenue reserves, i.e., Corporate Strategy and ICT reserves, to 10% of the Operational Budget (resulting in a limit of £583k for 31 March 2023), and the current level remains below this limit at £388k or 6.7%.

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 and 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 Earmarked Reserves	**488,900**	**168,330**	**(234,690)**	**0**	**422,540**

The earmarked reserves are held for the following purposes.

- Corporate Strategy Reserve – To fund non-recurrent costs arising from projects which are required to implement the Corporate Strategy.
- Pay and Benefits Reserve – This reserve has been created this year in order to set aside funds required to meet additional costs arising from work in progress on a review of pay and benefits across the organisation, that will not be completed until 2023/24.
- ICT Reserve – To fund expenditure on ICT equipment and to enable a programme of systems development for the Authority.
- Capital Projects Reserve – This reserve exists to meet the financing of capital projects and expenditure in relation to the Authority's property, plant and equipment assets and intangible assets.

Our Future Spending Plans

The operating budget for 2023/24 was approved in February 2023.

After three years of maintaining the budget at the same level in cash terms, the budget for 2022/23 included growth for the first time since 2018/19. During 2022/23, the Director completed a review and plan for a medium-term approach to building organisational resilience and sustainability. The resulting report included a range of proposals involving growth in the staffing establishment to be implemented over the course of 2022/23 to 2024/25 and with estimated cost implications of £500k in 2023/24. The proposals were approved by the Staffing, Appointments and Appeals Committee in October 2022 and these costs were incorporated into the budget for 2023/24.

The budget for the year ahead, as set out in the table below, reflects continued emphasis on equipping the organisation for meeting the challenges expected in the next three years as detailed in the Corporate Strategy.

South Yorkshire Pensions Authority Operating Budget	2022/23 Outturn £	2023/24 Budget £	2024/25 Estimate £	2025/26 Estimate £
Pensions Administration	2,870,210	3,077,530	3,250,850	3,315,880
Investment Strategy	526,760	635,770	653,640	651,180
Finance & Corporate Services	942,210	1,072,230	1,108,440	1,130,370
ICT	720,340	934,470	1,026,800	1,047,180
Management & Corporate	693,470	869,650	869,780	859,570
Democratic Representation	152,540	145,920	149,290	152,290
Unfunded Liabilities	315,336	353,000	365,360	378,150
Subtotal Revenue Expenditure:	**6,220,866**	**7,088,570**	**7,424,160**	**7,534,620**
Capital Expenditure	89,820	72,000	0	0
Contribution (from) / to Reserves	(66,360)	(150,000)	(80,000)	70,000
Levy on District Councils	(315,336)	(353,000)	(365,360)	(378,150)
Total Charge to Pension Fund	**5,928,990**	**6,657,570**	**6,978,800**	**7,226,470**

The overall budget requirement is for a total of £6,657,570 representing a total increase of £827,570 on the previous annual budget of £5,830,000. This total increase comprises:

- £472,270 – relating to the previously approved proposals for Organisational Resilience and Sustainability; and
- £355,300 – relating to the annual increase required for operational running costs.

In assessing this level of budget increase, £355,300 represents a 6% uplift compared to 2022/23.

The estimates for the remainder of the Medium Term set out above are based on projecting the 2023/24 budget forward, adjusting for planned savings and estimated inflationary increases as necessary.

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

- Pay Costs
    - Employee costs make up approximately two thirds of the overall budget. The budget estimates for employee costs have been prepared based on a detailed line-by-line analysis, taking account of career grade progression, individual incremental progression, and the estimates include additional staffing resources. Based on experience over the last two years in particular, the vacancy allowance has been increased from 1% to 2.5% of the salary and on-costs budget for 2023/24 to allow for time-lag in filling vacancies, and now reflecting the current challenging recruitment environment.
    - There is uncertainty over the likely level of any pay award for 2023/24. The pay award agreed for 2022/23 was higher than the assumption used for budget setting, but this additional cost was absorbed within the existing budgets due to under-spends arising from staff turnover and time taken to fill vacancies. For the purpose of setting employee cost budgets in 2023/24, an assumption of a 2% uplift was used. There is a risk that the actual pay award, once confirmed, will be higher than this. One mitigation in place is that there are additional funds available in the pay and benefits reserve. Additionally, in the event of higher employee costs than forecast, managers will seek to absorb the in-year impact through the management of vacancies and seeking to either defer one-off expenditure or avoid aspects of running cost expenditure. This is the usual process of budgetary control, and it seems unlikely that any cost increases would be on a scale beyond that which measures of this sort could address.
- Deterioration in budgetary control. Budgetary controls and processes are currently robust and well-embedded. We continue to refine and enhance this, and work is ongoing to maximise the benefits being achieved from the new main accounting system in particular. There is therefore no indication of any likelihood of deterioration. The controls in this regard are also subject to regular internal audit review.
- Loss of external income. This is mitigated through prudent budgeting, for example not including any assumptions around additional software sales which tend to be sporadic, and through securing longer term agreements with customers with staggered end dates so that not all agreements come to an end at the same time.

Risks and Challenges

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

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

The corporate risk register, which forms an integral part of the Corporate Strategy, is regularly reviewed throughout the year by the Authority's Senior Management Team, reported to the Authority on a quarterly basis, and the risk management framework and arrangements are overseen by the Audit Committee over the course of the year. Any changes made to each iteration of the risk register are fully detailed in the quarterly Corporate Performance reports to the Authority meetings during the year (available on our website at: Quarterly Corporate Performance Reports (sypensions.org.uk).

The key risks identified and the assessment of their relative probability and impact are shown in the figure below.

South Yorkshire Pensions Authority - Corporate Risk Register Matrix

Impact						
Impact	**Very High**	- Imbalance in cashflows resulting in inability to pay pensions without resorting to borrowing or "fire sale" liquidation of investments.			- Impact of climate change on investment assets and liabilities	
	High			- Weak or ineffective project management arrangements - Impact of poor data quality on operations - Data protection / GDPR risks - Failure to achieve regulatory compliance - Material changes to the value of investment assets / liabilities due to major market movements	- Failure to maintain effective cyber defences - Impact of change to the CARE revaluation date on ability to deliver Annual Benefit Statements and Pensions Savings Statements in time	
	Medium		- Breakdown of control environment - Failure of Local Pension Board members to maintain adequate levels of knowledge & understanding	- Affordability of contributions; negative impact on employer financial viability - Failure to manage key risks in Border to Coast strategic plan - Failure of Authority members to maintain adequate levels of knowledge & understanding	- Ability to recruit and retain a skilled & qualified workforce - Risk of reduced technical knowledge and senior management capacity during period of vacancy in role of AD - Pensions.	
	Low					
	Very Low					
		Very Low	**Low**	**Medium**	**High**	**Very High**
		Probability				

Current Issues

Inflation

The current inflationary environment presents a significant issue for the Authority in terms of both its management of the Pension Fund and the operations of the organisation. As regards the Pension Fund, a sustained higher level of inflation could materially increase the liability to pay pensions which would impact either on a requirement for increased investment returns or increased employer contributions.

The former may be difficult to achieve in current market conditions and the latter is potentially unaffordable. At the operational level, inflation impacts on the Authority's ability to live within its budget, although this is not regarded as a significant risk, given that in recent years the budget has tended to be under-spent, and was only over-spent this year due to the impact of an issue that was a one-off in the year and was separately approved.

More importantly, inflation puts pressure on pay and the ability of the Authority to compete in the labour market. A review of pay and benefits undertaken in 2022/23 has resulted in further detailed work being commissioned to review and revise the pay and grading structure and recommend a suitable range of improvements that can be made to the Authority's wider benefits package as part of seeking to address this issue within the overall constraints within which the Authority operates.

Pension Administration Challenges

Like most local government pension funds, the Authority faces a number of challenges in delivering the level of performance within the administration service that customers deserve. This area, along with addressing backlogs, will receive significantly greater focus from management and Authority members in the coming years in order to address the root causes of these challenges.

Regulatory Drift

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

Governance

Ongoing regulatory developments, even though they have yet to be formally enacted, significantly raise the bar in terms of governance for local government pension funds and the Authority will need to continue to devote time and resources to continuing to develop and improve practice in this area.

Explanation of our Financial Statements

The Accounts and Audit Regulations 2015 require the Authority to produce a Statement of Accounts for each financial year. These statements contain several different elements which are explained below, and further detail is also provided on each of the financial statements that follow.

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

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

Financial Statements

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

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

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

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

Notes to the Financial Statements

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

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

The Pension Fund Statement of Accounts

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

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

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

Notes to the Pension Fund Financial Statements

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

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

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

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Annual Governance Statement

2022/23

Scope of Responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

The Authority's Local Code of Governance complies with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government Framework 2016. A copy of the Authority's code is on our website here.

The Local Code and this statement are also supported by the Governance Compliance Statement which the Authority is required to produce under s 55(1) of the Local Government Pension Scheme Regulations 2013, which is also available in the same area on our website.

This statement explains how the Authority has complied with the Code and meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015 relating to the preparation and approval of an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled, and the activities through which it accounts to and engages with employing bodies, pensioners, contributors, and other stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk: it can only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is designed to identify risks to the achievement of the Authority's policies, aims and objectives. The system attempts to evaluate the likelihood of those risks being realised and the impact should they be realised and how to manage them efficiently, effectively and economically.

The governance framework has been in place during the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts.

Outline of the Governance Framework

The Authority's framework of governance continues to evolve in line with best practice and is based upon the 7 Core Principles set out in the 2016 CIPFA/SOLACE guidance, *Delivering Good Governance in Local Government: Framework*. More details about the Authority's arrangements for ensuring compliance with each of the 7 Core Principles are set out in the Authority's Local Code of Corporate Governance which is available here.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Arrangements in Place
Codes of conduct covering the behaviour of both members and officers, form part of the Constitution, with appropriate mechanisms for ensuring that action can be taken where transgressions are reported. For officers these are reinforced through a framework of values and behaviours, including specific management behaviours, which are reflected upon at individual level as part of the appraisal system. As required under local government law, elected members are required to complete declarations of interest which are publicly available and to declare any conflicts which might arise in discussion of specific matters at meetings of the Authority and its committees. Similar arrangements apply to members of the Local Pension Board, under requirements governed by the Local Government Pension Scheme regulations and the Public Service Pensions Act 2013. Registers of potential conflicts, including personal relationships, for staff and a register of gifts and hospitality for both staff and officers. A comprehensive policy framework in relation to issues such as fraud and corruption and a Whistleblowing Policy should any individual wish to make a confidential disclosure. Complaints policies in relation to quality of service, and statutory appeals processes in relation to decisions made under the Pensions Regulations. Procurement arrangements in place to comply with legislative requirements, good practice, achieve value for money and demonstrate accountability. The Authority operates with an extremely strong value base in relation to ethical standards and values reflecting the seriousness of its responsibility as steward of the pension savings of a very large number of individual scheme members. The values and behaviours framework is central to both the Corporate Strategy and the appraisal process and the wider policy and constitutional framework covering issues such as recruitment and selection and procurement. The Authority also seeks to bring its commitment to these values into the role it plays within any partnership in which it participates, particularly the Border to Coast Pensions Partnership which is central to the delivery of its corporate objectives. The Authority ensures that it is aware, through the employment of specialist officers and advisers, of the statutory requirements which are placed upon it and takes steps to ensure that it complies with them in an open and transparent way. This includes the maintenance of an up-to-date Constitution which is regularly reviewed and includes definitions of both the Corporate Planning Framework and Pensions Policy Framework, together with terms of reference for committees and an appropriate scheme of delegation to officers. The Authority maintains up to date job descriptions / role profiles for all posts within the organisation and ensures that it has appropriately qualified statutory officers in post who are able to operate in a way which complies with the relevant professional codes.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Arrangements in Place
Formal records are kept of decisions taken by both officers and members together with the advice considered in making such decisions. Arrangements for democratic support have been internalised from 1 April 2022 with a newly expanded Governance team in place providing an enhanced focus in this area. The Authority has a formal policy on the reporting of breaches of the relevant pension regulations and any breaches which occur are reviewed by the Local Pension Board at each of its meetings. The Authority also has clear and effective policies in relation to fraud and corruption and participates in the National Fraud Initiative.
Areas for Improvement ➢ During the year, the Authority has identified some weaknesses in the application of procedures for management of appeals, resulting in delays for dealing with these in some cases. Work has been completed on addressing the delayed cases by March 2023 and this has been supported by centralising the oversight and co-ordination for this which is now undertaken by the Head of Governance and her team. There is a need to continue the progress in 2023/24 by completing a full process mapping exercise and updating of procedures to provide clearly defined roles and responsibilities.

Principle B: Ensuring openness and comprehensive stakeholder engagement
Arrangements in Place
The Authority seeks to be as open as possible with stakeholders, conscious that it is the steward of the savings of around 170,000 individuals, working for close to 600 different employers. To this end it complies with its obligations under the Freedom of Information Act and makes a considerable volume of information automatically and freely available through its website. The Freedom of Information Act Publication Scheme, which specifies the information published by the Authority and how to access this, is used as one means of signposting information electronically. This includes a range of information on investment holdings, performance, the policy frameworks, and responsible investment issues such as how shares have been voted. In addition, meeting agendas and papers for the Authority, the various committees and the Local Pension Board are published online a week before each meeting and all meetings are open to the public, and also webcast. Key decisions made by officers are formally recorded and details published on the website. To promote clarity in the information provided to support decision making, reports for decision making bodies follow a standard format which ensures that, for example, implications for the financial position of the Authority of a decision are clearly explained. In addition, all reports for decision are required to outline relevant risk considerations, so that these can be understood by decision makers. All reports must be reviewed and cleared by the statutory officers prior to submission to elected members for decision. The Authority has in place clear protocols regarding its participation as a Partner Fund in the Border to Coast Pensions Partnership. Clearly defined roles are set out for each participant in the Partnership in its Governance Charter and the relevant legal agreements. Regular reports are provided to the Authority

Principle B: Ensuring openness and comprehensive stakeholder engagement
Arrangements in Place
by officers on the activity and performance of the Partnership, including a comprehensive annual review which considers the achievement of both the Authority's and the Partnership's objectives. To ensure the views of stakeholders are considered in a systematic way by decision makers when relevant, the Authority has adopted a Communications and Consultation Strategy which provides a standard framework for engaging with stakeholders. During 2022/23, a professionally qualified Communications Officer has been appointed, increasing the professional resource available to focus on our corporate communications with all our stakeholders. Resources are specifically allocated to support engagement with employers to support the maintenance of a productive and supportive relationship between them and the Authority. All engagement with employers takes place within the context of the Communications and Consultation Strategy which requires the results of any consultation process to be reported back alongside the actions proposed following the consultation. Emphasis is placed on increasing the volume and improving the quality of interaction with employers and an employer forum session and surveys have been undertaken during the year. The Authority's website includes an area for employers and an employer newsletter is sent to all employers quarterly with updates on relevant information, training and events. There is a current focus on monitoring the performance of employers in relation to data submission; including quality, timeliness and resolving queries; and reporting on this to the Local Pension Board. The processes for engaging with and understanding the views of scheme members are also set out in the Communications and Consultation Strategy. Interaction with scheme members includes offering appointments to meet with staff either through online / virtual sessions or in-person appointments at our office in Barnsley. The Authority's complaints and appeals processes are available to scheme members in relation either to quality of service, or specific decisions made under the LGPS regulations. Information from the complaints and appeals processes forms part of the Authority's performance management framework and influences the development of policy, practice, and processes, including specific projects reflected in the Corporate Strategy. As part of its assurance and scrutiny role, the Local Pension Board receives a quarterly report outlining the nature of all appeals and complaints and the subsequent actions and learning as well as quarterly information on the results of various rolling customer satisfaction surveys which examine specific aspects of the service to scheme members, which also include information on learning and actions from this feedback.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits
Arrangements in Place
The Authority sets out a clear vision supported by specific objectives for achieving that vision within its Corporate Strategy which is at the heart of its corporate planning framework. Delivery against these objectives and key quality of service standards is reported quarterly to members of the Authority within a comprehensive report, allowing action to be taken to address any variations if required. All activity is undertaken within a risk management framework which covers all aspects of the Authority's work. The Authority's Responsible Investment Policy sets out how it reflects the balance between economic, social, environmental and governance issues within its investment decision making process and the areas where it seeks to move partners within the Border to Coast Pensions Partnership to a shared position. Responsible investment is central to the Authority's approach to the management of the funds for which it is responsible, and it is an active participant in a range of initiatives which seek to support the achievement of its objectives in this area. Work has continued during the year to develop new approaches to reporting the impact of various investments and the results of this will be reflected in future annual reports. The Authority's decision making on key issues of this sort is transparent with appropriate decisions either taken in public meetings or published and supporting information placed in the public domain whenever possible. (Exceptions to this are limited and would include, for example, commercially sensitive market information that cannot be made public). The Authority actively engages with groups seeking to influence its policies in different ways and uses its Communication and Consultation Strategy to seek views on issues where appropriate and to consider differing views when making decisions. Beyond the investment sphere, the Authority maintains an Equality and Diversity Scheme to guide its approach to the delivery of fair access to its services for any individual with a protected characteristic.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes
Arrangements in Place
The Authority's officers ensure that when making decisions, elected members have access to as much objective information as possible, as well as to the views of appropriately skilled and experienced independent advisers where specialist areas such as investment strategy are under consideration. Where members require additional information, officers agree specific timescales for its provision. The corporate planning process and the medium-term financial strategy are how the Authority agrees the relative priority and resource requirements of specific interventions. The Authority has a well-defined and robust corporate planning framework with the review cycle linked at a high level to the major cyclical events impacting its operations (principally the triennial actuarial valuation of the Pension Fund). This framework is supported by well-established consultation arrangements ensuring that stakeholder views can influence plans where appropriate and a risk management framework that ensures that both risks to service delivery and risks impacting the assets and liabilities of the Pension Fund can be addressed holistically.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes
Arrangements in Place
A robust framework for monitoring the delivery of all the various plans and strategies is in place with a comprehensive report including both financial and performance information presented to the Authority on a quarterly basis with more detailed reports covering pension administration presented quarterly to the Local Pension Board and on investment performance to the Authority. These reports highlight deviations from plans and identify and assess the risks relevant to the achievement of objectives as well as including information around feedback received and how it has been acted on. The Authority's medium-term financial strategy and corporate strategy draw on inputs from both stakeholder feedback mechanisms, the views of elected members and the Senior Management Team's assessment of developments in the wider external environment to direct resources to address priority areas. The medium-term financial strategy examines both the Authority's operating budget and the financial position of the Pension Fund ensuring that all areas of cost and income are fully considered. Strong budgetary control is evident, and managers are conscious of the need to demonstrate financial probity. In addition, given the centrality of being a responsible investor to the way in which the Authority invests the Pension Fund, regular publicly available reports are provided to the Authority detailing responsible investment activity undertaken and the outcomes achieved through this activity. These include summaries of the Fund's votes at company annual meetings. As part of this approach the Authority subscribes to the principles set out in the FRC's Stewardship Code which requires investors to report to stakeholders in a clear way on how they have managed the funds for which they are responsible.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
Arrangements in Place
The Authority has strong constitutional arrangements in place including an effective scheme of delegation, financial regulations and contract standing orders that define which individuals can take which decisions. These arrangements are subject to regular review. Clear role profiles are in place for all posts within the organisation, which are linked to a consistent organisational design framework. The Director's role profile is agreed with elected members. This and the Constitution clearly set out the dividing lines between member and officer responsibilities. Means of maintaining regular dialogue between the Director and the Chair are agreed with each Chair on their taking office. Further to decisions approved in previous years, the role of Monitoring Officer has been internalised (having been previously provided by an officer of Barnsley MBC) with the Authority's Head of Governance undertaking this role from 1 January 2023. Support for this individual officer is in place with a programme of mentoring from Barnsley MBC's Monitoring Officer, who is also the Authority's Deputy Clerk. Additionally, the Head of Governance is undertaking an accredited Diploma in Corporate Governance course delivered by CIPFA between March and September 2023. The role of Treasurer or Chief Finance Officer (under s.73 of the 1985 Local Government Act), currently undertaken by an officer of Barnsley MBC, will be internalised from 1 April 2023, and will be undertaken by the Authority's Assistant Director – Resources who is CIPFA qualified and has performed the Deputy Treasurer role since 2019. This role holder has undertaken the CIPFA Chief Finance Officer Leadership Academy during 2022/23.

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

The Authority's statutory role holders – the Director as Head of Paid Service, the Head of Governance as Monitoring Officer and the Assistant Director – Resources as Chief Finance Officer, along with the Deputy Clerk will meet on a quarterly basis going forward.

Independent Advisers with suitable skills and experience are employed to support both the Local Pension Board and the Authority. Steps have also been taken during 2022/23 to increase training for members of the Audit Committee to enable them to provide more effective challenge. These have included briefing sessions on relevant topics before each meeting, an effectiveness review and training from CIPFA's Governance Adviser. In March 2023, the Committee agreed an updated Terms of Reference to be applied in the coming year which will increase the frequency of meetings to four per year, change the name to Audit and Governance Committee and to recruit for an independent member with relevant audit and risk knowledge and skills.

A Learning and Development Strategy is in place for elected members supported by the allocation of specific time within the overall programme of meetings. This strategy is set within the context of the CIPFA Knowledge and Skills Framework and has regard to the requirements of the Pensions Regulator. During 2022/23, the Governance team have applied a strong focus on this area, providing a range of support to members to ensure required training is completed. This has resulted in 100% completion by Authority and LPB members of the mandatory training requirements. Members have again participated in the National Knowledge Assessment (run by Hymans Robertson) in February 2023, the results from which will inform the 2023/24 Member Learning and Development Strategy, which will be targeted and bespoke.

For staff of the Authority, an appraisal system is used to manage individual performance, plan learning and development, and support the succession planning process which is in place in key risk areas. In October 2022, following a comprehensive review, the Authority approved an Organisational Resilience and Sustainability plan which includes the establishment of a range of additional resources and changes to reporting lines across the organisation, to be implemented over the course of the period to March 2025, designed to strengthen capacity, enhance capability and increase sustainability.

Ongoing learning and development plans for the Authority's workforce are devised annually to support the goals set out in individual appraisals and are kept under review throughout the year. In addition to competency-based progression through the pension administration career grade, this can include professional qualification training, external training courses, and internally provided technical updates and system specific training.

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

Health, Safety and Wellbeing arrangements are prominent and embedded across the organisation. An external Health & Safety adviser is retained, and the range of additional health and wellbeing support continues to grow each year, including workplace health checks and a range of webinars and other activities which target a variety of key physical, emotional, and mental health and wellbeing topics.

Areas for Improvement

- There is a need to continue the work in progress to improve the consistency and quality of staff appraisals and to support this centrally with provision of a range of learning and development opportunities.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
➢ The appraisal process for the Director has also been identified for improvement in order to strengthen effectiveness of this process for accountability and a need to incorporate 360 degree feedback.

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

Arrangements in Place

Managing Risk

A risk management policy framework is in place reviewed annually by the Audit Committee. This framework sets out clearly the responsibilities for managing the risks facing the organisation, how they should be assessed and reported. The risk register is reviewed monthly by the Senior Management Team with reporting on a quarterly basis to meetings of the Authority as part of the overall performance management framework, together with review and challenge by the Local Pension Board.

The Governance team provide specific resource and focus to this area. During 2022/23, work has been carried out to identify and procure an integrated risk management and performance software system which will be implemented during 2023/24. This will enhance the Authority's arrangements by enabling more efficient recording and reporting of risk and performance and with input from various levels of management throughout the organisation. The implementation will also be supported by additional training for the relevant staff and managers.

Managing Performance

Arrangements for the reporting and monitoring of performance are in place, including clearly defined timetables for the reporting of information across the full range of activity, integrated with financial monitoring. Wherever possible, data is placed in the public domain and statutory reporting timescales are adhered to.

The Authority undertakes benchmarking of its cost base and performance across both the main streams of operational activity, pensions administration and investment.

The Authority welcomes external challenge and is due to commission a second Good Governance review to be undertaken during 2023/24 in line with the proposals set out in the Good Governance Project sponsored by the Scheme Advisory Board.

A small team consisting of a Service Manager – Programmes and Performance, and a Projects and Performance Officer has been established under the Head of Governance during 2022/23 to bring an expert and dedicated resource to develop and enhance the performance management framework as well as applying project management methodology and control to the delivery of specific projects for meeting the Authority's corporate objectives.

Principle F: Managing risks and performance through robust internal control and strong public financial management
Arrangements in Place
High quality data is central to the effectiveness of the organisation in its core function as a pension administrator. The Authority has a strong policy framework in place to ensure both the security and integrity of the large quantities of data which it holds. The Authority's Head of Governance is now the Senior Information Risk Owner (SIRO), providing a dedicated resource, supported by the Team Leader – Governance, to work on the continuing development of the information governance framework. The Head of Internal Audit acts as the Authority's Data Protection Officer and his work is supported by an annual programme of review activity to ensure compliance with the policy framework. The Authority has received the Cyber Essentials + accreditation from government in relation to its arrangements for information security. An annual assessment of the quality of data held for pension administration purposes is undertaken and a data improvement plan is produced to ensure that any issues identified are addressed. Progress with delivering the data improvement plan is overseen by the Local Pension Board. *Robust Internal Control* The Authority has an Audit Committee in place whose terms of reference are consistent with the relevant professional standards. The Committee has produced its own Annual report, available within the Governance section of the Authority's website, which sets out the work it has undertaken during the year. This committee will be re-named the Audit and Governance Committee from 2023/24, reflecting the importance of the committee's focus on all aspects of governance as well as audit matters. The Committee is responsible for overseeing the work of Internal Audit, provided by Barnsley MBC's Internal Audit Service, and in particular ensuring that the Internal Audit plan addresses key control risks facing the Authority. The Head of Internal Audit is required under the relevant professional standards to produce an annual opinion on the adequacy of the control environment. For 2022/23 this opinion is that "based on the systems reviewed and reported on by Internal Audit during the year to date, together with management's response to issues raised, I am able to give a reasonable (positive) assurance opinion regarding the effectiveness of the control, risk and governance environment." Progress made in implementing actions agreed following audit reviews is reported to every meeting of the Committee and this helps to ensure that the control environment continues to be strengthened through the audit process. The importance of internal control is well-embedded across the organisation and officers ensure a strong and effective working relationship is maintained with both Internal and External Audit, including regular liaison meetings and ensuring independent access is available to the Audit Committee Chair and members. *Strong Public Financial Management*

Principle F: Managing risks and performance through robust internal control and strong public financial management
Arrangements in Place
The Authority is steward of a very large pension fund and therefore strong financial management is crucial to its effective operation. A strong framework of budgetary control is in place and monitoring against the operational budget, along with monitoring of investment performance, is reported quarterly to the Authority. Key projects are required to operate within defined budgets which receive approval through the appropriate decision-making processes. The Authority's Medium Term Financial Strategy defines various fiscal rules which constrain the growth in expenditure, mirroring to some extent, the constraints which apply to conventional local authorities through the council tax capping regime.
Areas for Improvement ➢ Business continuity arrangements are in place, and well documented in relation to ICT in particular, but there is a need to review and update the full range of documentation and procedures in this area. ➢ There is a need to make better use of management information in reporting on and managing performance to centralise the work required to produce this, enhancing the robustness of the process and freeing up the time of service managers so that they can focus on interpreting the results and taking appropriate action in response. ➢ There is an increasing number of backlogs in pension administration processes, and it is now clear that previous assessment of these and actions in place to address them have not been effective. Therefore, a new and improved approach to understanding root causes is required in order to inform the development of a comprehensive and evidence-based plan of action to tackle the existing backlogs and ensure prevention of these in future. ➢ The Local Code of Corporate Governance was last fully updated in 2019 and is now due for review.

Principle G: Implementing good practices in transparency and audit to deliver effective accountability
Arrangements in Place
The Authority seeks to be open and transparent in all its activities, seeking to minimise the amount of information that must remain confidential. A substantial amount of information about the Authority's services and activities is published on its website: www.sypensions.org.uk including, for example, details of investment holdings and voting records. The agendas and public reports for all meetings of the Authority, its committees and the Local Pension Board are published and the public parts of meetings of the Authority, its committees and the Local Pension Board are webcast. The Authority's annual report also contains a significant amount of information on its activities in a more user-friendly format. The Freedom of Information Publication Scheme provides clear signposting to the information which is publicly available and where it can be found.

Principle G: Implementing good practices in transparency and audit to deliver effective accountability
Arrangements in Place
The Authority regards telling its story as a key activity, to report and demonstrate its performance, achievement of value for money and effective stewardship of scheme members' savings. For key documents such as the Annual Report and Accounts, the Authority follows the relevant professional codes in terms of the provision of information and seeks to go beyond them where possible, particularly in terms of presenting the information in a way which allows the reader to set information in the context of the Authority's work and easily understand it. The Authority has continued to publish its audited accounts and annual report in advance of the statutory publication deadlines every year, ensuring that information for stakeholders is provided on a timely basis to promote effective accountability. The Authority uses the governance framework set out in the Local Code of Corporate Governance to ensure that the information provided in reporting is accurate and consistent and that the same standards are met by key partnerships such as the Border to Coast Pensions Partnership. The Internal Audit function operates under a charter which conforms to the relevant public sector internal audit standards ensuring that the Authority complies with the relevant professional standards. The Audit Committee reviews progress on implementation of actions agreed following audit reviews carried out by both internal and external audit and potentially other review agencies when the Scheme Advisory Board's Good Governance reforms are introduced. The Authority embedded the recommendations made in Hymans Robertson's 2021 review of its governance, pre-empting the Good Governance standards. This included taking action to bring the statutory roles of Treasurer and Monitoring Officer in-house as detailed above in relation to Principle E. A further independent review of governance is due to be undertaken in 2023/24. All these arrangements also apply to the way in which the Authority engages with various partners and a comprehensive process of gathering assurance from those managing money on behalf of the Authority is undertaken each year. The Authority seeks to ensure that the activity undertaken on its behalf by the Border to Coast Pensions Partnership reflects the agreed Governance Charter which applies similar standards to the Authority's arrangements in the Partnership's unique context.

Governance Action Plan 2021/22 – Progress Update

The table below sets out the actions identified for improvement and development in last year's Annual Governance Statement and the progress made against these during 2022/23.

Action Plan 2021/22	Responsible Officer	Target Date	Progress Update 2022/23
Full review of the Constitution to be commissioned using legal advisers	Head of Governance	Mar 2023	**Completed** This review was commissioned by the target date and is substantially complete as of March 2023, with the fully revised Constitution due to be presented for approval to the June 2023 Authority meeting.
Changes to appraisal documentation and appraisal year, additional training for managers and move to an online system	Assistant Director – Resources & HR Business Partner	Jun 2023	**Partially Completed, Partially Carried Forward** Changes to documentation, appraisal year and additional training were all implemented, with the appraisal year now running from January to December. There is a need to continue embedding arrangements in this area and to transfer from using SharePoint to using a new HR System for the online process in the coming year.
Review of business continuity arrangements in light of the move to the Authority's own premises and to fully document arrangements beyond those specifically related to ICT which are already documented	Assistant Director – Resources	Mar 2023	**Carried Forward** This action has not been completed during the year as planned due to impact of resourcing shortfalls, including unplanned absences, and pressure from other priorities. It will be carried forward to be completed in 2023/24, using external resource to support the work as required.
Organisation Resilience & Sustainability - Prepare medium term proposals addressing succession planning and resilience for implementation over the Corporate Strategy period	Director	Dec 2022	**Completed** The proposals were approved in October 2022 and are being implemented according to the timelines set out in the plan. A tracker is in place to monitor progress on implementation of each proposal.
Project Management - Implement arrangements to support individual project managers with scoping, planning, delivering and reporting on corporate strategy projects	Service Manager – Programmes & Performance	Mar 2023	**Ongoing** Good progress made during 2022/23, with recruitment to two new roles focused on projects and performance in 2022, providing practical and expert support to a number of specific projects throughout the period since then. A project management methodology framework and document set are in development to be fully rolled out in 2023/24 with further guidance and support for staff as required.

Action Plan 2021/22	Responsible Officer	Target Date	Progress Update 2022/23
Performance Management and Reporting – Introduce arrangements for the centralised production of performance information allowing managers to focus on interpretation and follow up action	Service Manager – Programmes & Performance	Mar 2023	**Carried Forward** Some limited progress made during the year, although much remains to be taken forward in 2023/24. The implementation of an integrated risk and performance management software system in the coming year will be a key action to support this.
Internal Governance - Update and refresh the arrangements around key processes such as procurement, information governance, decision recording and scheme of delegation	Head of Governance	Mar 2023	**Ongoing** Very good progress made during 2022/23 with the establishment of a full Governance team who have undertaken detailed work on all these areas, in liaison with Internal Audit and with guidance from CIPFA. This work has included developing the application of the Modern.Gov system for decision recording and reporting workflows. The work will continue in 2023/24 to finish off and roll out new guidance and documentation across the areas of procurement and information governance in particular.
Reinvigorate staff engagement. Implement action plan developed following staff feedback	Senior Management Team	Mar 2023	**Completed** Staff engagement has been reinvigorated during 2022/23 with a highly successful staff Away Day held in July 2022, development and implementation of an internal communication strategy, and the first 'SMT Question Time' twice-yearly event held in March 2023. The focus on staff engagement will of course continue going forward, with, among other things, the biennial Employee Survey due to be carried out in the summer of 2023 and another Away Day scheduled for September 2023.

Review of Governance 2022/23 – Areas for Improvement & Action Plan

The table below sets out the actions planned to be undertaken during the forthcoming year to address the areas for improvement identified from this year's review of governance effectiveness, along with any actions carried forward from last year as outlined in the progress update above.

Principle and Area for Improvement	Actions Required	Responsible Officer	Date for Completion
A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Dealing with Appeals	Complete process mapping and implement fully updated procedures for appeals processing with clearly defined roles and responsibilities. Provide guidance, training and support for relevant staff to support the above.	Head of Governance	July 2023
E: Developing capacity, including the capability of leadership and individuals Staff Appraisals and Development	Transfer online processes for annual appraisals to a new HR System and continue to embed the consistency and quality requirements by providing training for both line managers and employees. Recruit to new Business Support Officer role in the HR team to support Learning and Development strategy and provision across the organisation.	Assistant Director – Resources and HR Business Partner	Mar 2024
E: Developing capacity, including the capability of leadership and individuals Director Appraisal	Undertake a review of the Director Appraisal process and consider and commission appropriate external support arrangements that will seek to enhance the independence of the process and introduce the gathering of 360 degree feedback to inform the appraisal. Aim to implement new arrangements for the 2023/24 appraisal.	Assistant Director – Resources and Head of Governance	Oct 2023
F: Managing risks and performance Business Continuity	Complete a full review and refresh of business continuity procedures and documentation, with support from external experts as required.	Head of ICT	Jan 2024
F: Managing risks and performance Performance Management & Reporting	Introduce arrangements for the centralised production of performance information allowing managers to focus on interpretation and follow-up action. Implement new risk and performance management software system.	Head of Governance and Service Manager – Programmes & Performance	Oct 2023

Principle and Area for Improvement	Actions Required	Responsible Officer	Date for Completion
F: Managing risks and performance Pensions Administration Backlogs	Complete thorough analysis of backlogs and the root causes of these. Complete comprehensive capacity planning exercises in Benefits Team and Customer Services. Based on the above, develop and implement a detailed action plan to tackle the existing backlogs and to put arrangements in place designed to prevent such backlogs building up going forward. This will require a significant amount of work over several months.	Interim Assistant Director - Pensions	Ongoing throughout the year. Progress to be reviewed on a regular basis
F: Managing risks and performance through robust internal control Local Code of Corporate Governance	Complete a review and update of the Local Code of Corporate Governance.	Head of Governance	Jan 2024

Conclusion

To the best of our knowledge, the governance arrangements as defined above have operated effectively during the 2022/23 year. We propose over the coming year to take steps to address the areas identified for improvement to further enhance our governance arrangements. Progress in implementing these improvement actions will be monitored by officers and Internal Audit and through regular reports to the Authority and its committees.

We are satisfied that these steps will address the issues identified in our review of effectiveness and will assess their implementation and operation as part of our next annual review.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH YORKSHIRE PENSIONS AUTHORITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of South Yorkshire Pensions Authority ('the Authority'):

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Movement in Reserves Statement;
- the Balance Sheet;
- the Cash Flow Statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Treasurer's responsibilities

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the Authority and its control environment, and reviewed the Authority’s documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the Authority operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Accounts and Audit Regulations 2015 and the Local Government Act 2003; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Authority’s ability to operate or to avoid a material penalty. These included relevant employment legislation and the Value Added Tax Act 1994.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and internal audit concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Matters on which we are required to report by exception

Use of resources

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have nothing to report in respect of this matter.

Respective responsibilities relating to the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in January 2023, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023 by the time of the issue of our audit report. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

Reports in the public interest or to the regulator

The Code of Audit Practice also requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of South Yorkshire Pensions Authority with the pension fund accounts included in the financial statements of South Yorkshire Pensions Authority.

The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the Authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Nicola Wright (Key Audit Partner)
For and on behalf of Deloitte LLP
Newcastle upon Tyne, United Kingdom
21 September 2023

Independent auditor's report to the members of South Yorkshire Pensions Authority on the pension fund financial statements of South Yorkshire Pension Fund

Report on the audit of the financial statements

Opinion

In our opinion the pension fund financial statements of South Yorkshire Pensions Authority (the 'pension fund'):

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2023 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We have audited the financial statements which comprise:

- the Fund Account;
- the Net Assets Statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of South Yorkshire Pensions Authority and the pension fund it administers in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the pension fund is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

The other information comprises the information included in the South Yorkshire Pensions Authority's statement of accounts, other than the financial statements and our auditor's report thereon. The Treasurer responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Treasurer's responsibilities

As explained more fully in the Treasurer's responsibilities statement, the Treasurer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the pension fund will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the pension fund, and reviewed the pension fund's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the pension fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Public Services Pensions Act 2013 and Local Government Pension Scheme Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the pension fund's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as actuarial, IT and real estate specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets due to the significant size of investment transactions and balances. In response we have: obtained an understanding of the relevant controls over investment holdings and transactions; agreed investment holdings to independent confirmations; and agreed investment and cash reconciliations to independent sales and purchase reports and bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Pensions Regulator.

Use of our report

This report is made solely to the members of South Yorkshire Pensions Authority ('the Authority'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Nicola Wright (Key Audit Partner)
For and on behalf of Deloitte LLP
Newcastle upon Tyne, United Kingdom
21/09/2023

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Assistant Director – Resources, who is the Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts.

The Chief Finance Officer's Responsibilities

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

In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

Chief Finance Officer's Certificate
I certify that the accounts give a true and fair view of the financial position of South Yorkshire Pensions Authority at 31 March 2023 and its income and expenditure for the year then ended.

Gillian Taberner, FCPFA **Date: 21 September 2023**

Assistant Director – Resources, Chief Finance Officer

Approval of the Statement of Accounts

These accounts were approved, in accordance with Regulation 9 of the Accounts and Audit Regulations 2015, by the Audit Committee of South Yorkshire Pensions Authority.

Councillor Marnie Havard **Date: 21 September 2023**

Chair, Audit and Governance Committee

Comprehensive Income And Expenditure Statement

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

2021/22					2022/23		
Gross Expenditure £	Gross Income £	Net Expenditure £		Notes	Gross Expenditure £	Gross Income £	Net Expenditure £
3,200,787	(87,425)	3,113,362	Pensions Administration		3,490,308	(66,123)	3,424,185
750,324	0	750,324	Investment Strategy		930,983	0	930,983
976,325	0	976,325	Finance & Corporate Services		1,146,694	(3)	1,146,691
846,266	(108,980)	737,286	ICT		917,239	(82,986)	834,253
508,415	0	508,415	Management & Corporate Costs		838,133	(2,876)	835,257
132,264	0	132,264	Democratic Representation		160,752	0	160,752
6,414,381	(196,405)	6,217,976	**Cost of Services**		7,484,109	(151,988)	7,332,121

2021/22 Gross Expenditure £	2021/22 Gross Income £	2021/22 Net Expenditure £		Notes	2022/23 Gross Expenditure £	2022/23 Gross Income £	2022/23 Net Expenditure £
0	(5,982,548)	(5,982,548)	Other Operating Income	[9]	0	(6,555,200)	(6,555,200)
			Financing and Investment Income and Expenditure:				
295,000	0	295,000	Net Interest on the Net Defined Benefit Liability	[24]	287,000	0	287,000
0	(337,477)	(337,477)	Taxation Income	[9]	0	(315,336)	(315,336)
6,709,381	(6,516,430)	**192,951**	**Deficit on Provision of Services**	[9]	7,771,109	(7,022,524)	**748,585**
		(3,943,524)	Remeasurements of the Net Defined Benefit Liability	[24]			(10,610,222)
		(3,943,524)	**Other Comprehensive Income and Expenditure**				(10,610,222)
		(3,750,573)	**Total Comprehensive Income and Expenditure**				**(9,861,637)**

Movement In Reserves Statement

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

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

Movement In Reserves During 2022/23:	**General Fund Balance**	**ICT Reserve**	**Pay & Benefits Reserve**	**Corporate Strategy Reserve**	**Capital Projects Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Balance At 1 April 2022	**0**	**(205,950)**	**0**	**(143,838)**	**(139,116)**	**(488,904)**	**8,973,774**	**8,484,870**
Deficit On The Provision Of Services	748,585	0	0	0	0	**748,585**	0	748,585
Other Comprehensive Income & Expenditure	0	0	0	0	0	**0**	(10,610,222)	(10,610,222)
Total Comprehensive Income & Expenditure	**748,585**	**0**	**0**	**0**	**0**	**748,585**	**(10,610,222)**	**(9,861,637)**
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	(682,221)	0	0	0	0	**(682,221)**	682,221	0
Net Decrease/(Increase) Before Transfers To Earmarked Reserves	**66,364**	**0**	**0**	**0**	**0**	**66,364**	**(9,928,001)**	**(9,861,637)**
Transfers (To)/From Earmarked Reserves (Note 8)	(66,364)	127,920	(200,000)	33,618	104,826	**0**	0	0
(Increase)/Decrease in 2022/23	**0**	**127,920**	**(200,000)**	**33,618**	**104,826**	**66,364**	**(9,928,001)**	**(9,861,637)**
Balance At 31 March 2023 Carried Forward	**0**	**(78,030)**	**(200,000)**	**(110,220)**	**(34,290)**	**(422,540)**	**(954,227)**	**(1,376,767)**

Movement In Reserves During 2021/22:	General Fund Balance	ICT Reserve	Corporate Strategy Reserve	Capital Projects Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£
Balance At 1 April 2021	**0**	**(118,300)**	**(238,500)**	**(1,254,467)**	**(1,611,267)**	**13,846,710**	**12,235,443**
Deficit On The Provision Of Services	192,951	0	0	0	**192,951**	0	192,951
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	(3,943,524)	(3,943,524)
Total Comprehensive Income & Expenditure	**192,951**	**0**	**0**	**0**	**192,951**	**(3,943,524)**	**(3,750,573)**
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	929,412	0	0	0	**929,412**	(929,412)	0
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	**1,122,363**	**0**	**0**	**0**	**1,122,363**	**(4,872,936)**	**(3,750,573)**
Transfers (To)/From Earmarked Reserves (Note 8)	(1,122,363)	(87,650)	94,662	1,115,351	**0**	0	0
(Increase)/Decrease in 2021/22	**0**	**(87,650)**	**94,662**	**1,115,351**	**1,122,363**	**(4,872,936)**	**(3,750,573)**
Balance At 31 March 2022 Carried Forward	**0**	**(205,950)**	**(143,838)**	**(139,116)**	**(488,904)**	**8,973,774**	**8,484,870**

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves available to the Authority to provide services. The Authority must maintain a prudent level of these reserves for unexpected events. The second category of reserves is unusable reserves, i.e. those that the Authority is not able to use to provide services. This includes reserves that hold timing differences shown in the Movement in Reserves Statement line: 'Adjustments between accounting and funding basis under regulations'.

31 March 2022 £		Note	31 March 2023 £
1,405,306	Property, Plant & Equipment	[10]	1,374,367
181,622	Intangible Assets	[11]	144,682
1,586,928	**Long Term Assets**		**1,519,049**
1,951,013	Short Term Debtors	[13]	2,203,201
720	Cash and Cash Equivalents	[14]	0
1,951,733	**Current Assets**		**2,203,201**
(1,467,532)	Short Term Creditors	[15]	(1,777,925)
(1,467,532)	**Current Liabilities**		**(1,777,925)**
0	Long Term Creditors	[15]	(62,366)
(48,744)	Long Term Provision	[19]	0
(10,507,255)	Pensions Liability	[24]	(505,192)
(10,555,999)	**Long Term Liabilities**		**(567,558)**
(8,484,870)	**(Net Liabilities) or Net Assets**		**1,376,767**
(488,904)	Usable Reserves	[8]	(422,540)
8,973,774	Unusable Reserves	[16]	(954,227)
8,484,870	**Total Reserves**		**(1,376,767)**

Cash Flow Statement

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

31 March 2022		Note	31 March 2023
£			**£**
(192,951)	Net Surplus on the Provision of Services		(748,585)
1,465,438	Adjustment to Net Surplus or Deficit on the Provision of Services For Non-Cash Movements	[17]	1,123,594
1,272,487	**Net Cash Flows from Operating Activities**		**375,009**
(1,272,212)	Net Cash Flows from Investing Activities	[18]	(375,729)
275	**Net Increase or (Decrease) in Cash & Cash Equivalents**		(720)
445	Cash and Cash Equivalents at the Beginning of the Reporting Period	[14]	720
720	**Cash and Cash Equivalents at the End of the Reporting Period**	**[14]**	**0**

Note 1. Expenditure And Funding Analysis

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

2021/22				2022/23		
Net Expenditure chargeable to General Fund	Adjustments between the funding and accounting basis	Net Expenditure in the CIES		Net Expenditure chargeable to General Fund	Adjustments between the funding and accounting basis	Net Expenditure in the CIES
£	£	£		£	£	£
2,798,773	314,589	3,113,362	Pensions Administration	3,068,757	355,428	3,424,185
708,986	41,338	750,324	Investment Strategy	889,169	41,814	930,983
867,310	109,015	976,325	Finance & Corporate Services	1,007,470	139,221	1,146,691
635,849	101,437	737,286	ICT	720,340	113,913	834,253
423,045	85,370	508,415	Management & Corporate Costs	693,466	141,791	835,257
124,023	8,241	132,264	Democratic Representation	152,539	8,213	160,752
5,557,986	**659,990**	**6,217,976**	**Net Cost of Services**	**6,531,741**	**800,380**	**7,332,121**

2021/22				2022/23		
Net Expenditure chargeable to General Fund	**Adjustments between the funding and accounting basis**	**Net Expenditure in the CIES**		**Net Expenditure chargeable to General Fund**	**Adjustments between the funding and accounting basis**	**Net Expenditure in the CIES**
£	**£**	**£**		**£**	**£**	**£**
(4,435,623)	(1,589,402)	(6,025,025)	Other Income and Expenditure	(6,465,377)	(118,159)	(6,583,536)
1,122,363	**(929,412)**	**192,951**	**Deficit on Provision of Services**	**66,364**	**682,221**	**748,585**
(1,611,267)			Opening General Fund and Earmarked Reserves Balance	(488,904)		
1,122,363			Plus Deficit for the Year	66,364		
(488,904)			Closing General Fund and Earmarked Reserves Balance	(422,540)		

Note 2a. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the Local Government Act 2003 (the 2003 Act) primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where income and expenditure has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is included in the Balance Sheet, subject to the relevant amount exceeding a de-minimis threshold of £1,000. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

iii. Cash and Cash Equivalents

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

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

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

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

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

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

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

v. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Post-Employment Benefits

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

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

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

- Service Cost Comprising:

  - Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

  - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years · debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs; and

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

- Remeasurements Comprising:

  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

  - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and Expenditure;

  - Effect of Asset Ceiling – where the defined benefit liability is negative (i.e., an asset), a limit is applied to the amount that may be recognised as an asset on the balance sheet, this limit is termed the asset ceiling; the adjustment required to reduce the total asset to the amount of the asset ceiling is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and

  - Contributions paid to the Fund by the employer – cash paid as employer contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

<u>Discretionary Benefits</u>

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

vi. Events After the Reporting Period

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

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

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

vii. Financial Instruments

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

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

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

The Authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

viii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefit or service potential will flow from the intangible asset to the Authority. Intangible assets are measured initially at cost.

The depreciable amount of an intangible asset is amortised over its useful life on a straight line basis. The assets are funded directly from revenue and charged to the Fund. The capital element is then adjusted in the Capital Adjustment Account.

ix. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price; and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

Impairment

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives.
Depreciation is calculated on the following basis:

- Vehicles, plant, furniture and equipment – on a straight line basis, as advised by a suitably qualified officer.

Items of property, plant and equipment are excluded from depreciation before they are available for use. Therefore Assets Under Construction are not depreciated. Once the asset is available for use (even if not in actual use yet) it is transferred to the relevant asset category within Property, Plant and Equipment and is subject to depreciation from the date of being available for use.

Disposals

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

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

x. Leases

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

Operating Leases - The Authority as Lessee

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

xi. Overheads and Support Services

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

xii. Provisions and Contingent Liabilities

Provisions

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

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

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

Contingent Liabilities

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

xiii. Reserves

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

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

xiv. VAT

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

Note 2b. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

• Post Employment Benefits - Net Defined Benefit Pensions Liability / (Asset)

As set out in Note 24, the net balance of the Authority's funded defined benefit obligations has changed from a deficit to a surplus position at the reporting date. Where this is the case, there is a limit on the amount that can be recognised as an asset on the Balance Sheet and the Code requires that this shall be determined in accordance with *IAS 19 Employee Benefits* and *IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The Authority has carefully reviewed the relevant details in IAS 19 and IFRIC 14 and concluded that it is appropriate to recognise a surplus on the Authority's net defined benefit obligations at the level of the asset ceiling, which is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Authority also consulted with advisers from CIPFA, with the actuary and with the external auditor regarding this judgement.
The measurement of the asset ceiling recognised in the accounts (an amount of £1,306,000 as detailed in Note 24), is based on an actuarial calculation of the difference between the net present value of future service costs and the net present value of future employer contributions.

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Authority is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2023 but not yet adopted by the Code. The 2023/24 Code will introduce amendments in respect of:

>Definition of Accounting Estimates (Amendments to IAS 8)
>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
>Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments above are not expected to have any significant impact on the Authority's accounts.

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

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

The item estimated in the Authority's Balance Sheet at 31 March 2023 where there is significant estimation uncertainty that could result in a material adjustment within the next financial year is the net Pensions Liability. The estimation is complex and the key factors are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the obligations of changes in individual assumptions can be measured. For example: > A 0.1% decrease in the discount rate assumption would result in an increase to the obligations of approximately 2% or £531,000 > A one year increase in the life expectancy assumption would result in an increase to the obligations of approximately 4% or £1,063,000 > A 0.1% increase in the salary inflation rate assumption would result in an increase to the obligations of approximately 0% or £91,000 > A 0.1% increase in the pension increase rate assumption would result in an increase to the obligations of approximately 2% or £447,000. However, the assumptions interact in complex ways. During 2022/23, the Authority’s actuaries advised that the net pensions liability had decreased by £17,295,000 due to updating of the financial assumptions (see further detail below), had decreased by £285,000 due to changes in demographic assumptions, and had increased by £2,724,000 due to estimates being corrected as a result of other experience.

Impact of Inflation for Pensions Obligations

The high levels of inflation in the external environment resulted in the Pensions Increase order as at April 2023 being 10.10%, which is significantly higher than the pensions increase order assumption built into the obligations at the start of the period. The pensions order increase has increased obligations for the Authority through pensions in payment, deferred pensions and CARE retirement pots.

A result of the inflationary environment has been increasing interest rates, which has led to the corporate bond yield (upon which the discount rate is derived) rising over the period. The discount rate has a significant impact on the obligations of the Authority, a rising discount rate leads to decreasing obligations. The impact on the obligations from the discount rate has been the critical factor in reducing the overall net pensions liability on the Authority's balance sheet signficantly from £10.5 million at 31 March 2022 to £0.5 million at 31 March 2023. See note 24 for further details.

Note 5. Events After The Reporting Period

The Statement of Accounts was authorised for issue on 21 September 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

	Adjustments between funding and accounting basis 2022/23			
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	**Adjustment for Capital Purposes**	**Net Change for Pensions Adjustments**	**Other Statutory Adjustments**	**Total Adjustments**
	£	**£**	**£**	**£**
Pensions Administration	0	348,739	6,689	**355,428**
Investment Strategy	0	41,074	740	**41,814**
Finance & Corporate Services	0	135,445	3,776	**139,221**
ICT	57,458	51,110	5,345	**113,913**
Management & Corporate Costs	100,244	51,914	(10,367)	**141,791**
Democratic Representation	0	8,213	0	**8,213**
Net Cost of Services	**157,702**	**636,495**	**6,183**	**800,380**
Other Income and Expenditure from the Expenditure & Funding Analysis	(89,823)	(28,336)	0	(118,159)
Difference Between General Fund Deficit and the CIES Deficit on the Provision of Services	**67,879**	**608,159**	**6,183**	**682,221**

Adjustments for Capital Purposes

This column adjusts for the following:
•Net Cost of Services: Depreciation and amortisation charges; and
•Other Income and Expenditure from the EFA: Charge to the General Fund to finance the capital expenditure incurred in the year.

Net Change for Pensions Adjustments

This column presents the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension-related expenditure and income:
•Net Cost of Services: this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and any past service costs.
•Other Income and Expenditure from the EFA: Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Statutory Adjustments

This column presents other statutory adjustments between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute:
•Net Cost of Services: this represents the removal, as required by statute, of the expenditure charged to the Comprehensive Income and Expenditure Statement resulting from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

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

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

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

General Fund Balance

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

2021/22 £ General Fund		2022/23 £ General Fund
	Adjustments to Revenue Resources	
(70,609)	Reversal of Entries Included in the Surplus or Deficit on Provision of Services in Relation to Capital Expenditure (Transferred to Capital Adjustment Account)	(157,702)
(575,504)	Pensions Costs (Transferred to the Pensions Reserve)	(608,159)
28,600	Holiday Pay (Transferred from/(to) the Accumulated Absences Adjustment Account)	(6,183)
(617,513)	**Total Adjustments to Revenue Resources**	**(772,044)**
	Adjustments Between Revenue and Capital Resources	
1,546,925	Capital Expenditure Financed from Revenue Balances (Transferred to the Capital Adjustment Account)	89,823
1,546,925	**Total Adjustments Between Revenue and Capital Resources**	**89,823**
929,412	**Total Adjustments**	**(682,221)**

8. Transfers (To) / From Earmarked Reserves

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

	Balance at 1 Apr 2021	Transfers In	Transfers Out	Balance at 31 Mar 2022	Transfers Between Reserves	Transfers Out	Transfers In	Balance at 31 Mar 2023
	£	£	£	£	£	£	£	£
Corporate Strategy Reserve	(238,500)	(90,038)	184,700	(143,838)	(85,000)	118,618	0	**(110,220)**
Pay & Benefits Reserve	0	0	0	0	(50,000)	0	(150,000)	**(200,000)**
ICT Development Reserve	(118,300)	(87,650)	0	(205,950)	120,000	26,250	(18,330)	**(78,030)**
Capital Projects Reserve	(1,254,467)	(105,119)	1,220,470	(139,116)	15,000	89,826	0	**(34,290)**
Total:	**(1,611,267)**	**(282,807)**	**1,405,170**	**(488,904)**	**0**	**234,694**	**(168,330)**	**(422,540)**

Corporate Strategy Reserve

This reserve exists to fund non-recurrent costs associated with various projects required for the implementation of the Corporate Strategy of the Authority. Amounts from this reserve have been used during the year in line with plans as follows:

> £13,620 has been used to fund the 2022/23 cost in relation to retention incentive scheme payments as set out in Note 19;
> £30,000 has been used to fund the 2022/23 cost of the triennial investment strategy review;
> £41,000 has been used to fund the lease rent accounting adjustment for the year; and
> £33,998 has been used to fund part of the costs relating to a review of the Constitution.

A total of £85,000 has been transferred into this reserve from other earmarked reserves to be allocated for meeting future costs of delivering corporate strategy plans.

Pay & Benefits Reserve

This reserve has been created this year in order to set aside funds required to meet additional costs arising from work in progress on a review of pay and benefits across the organisation, that will not be completed until 2023/24.

The Authority's budget for 2022/23 incuded a corporate contingency budget to meet these costs, which was unspent as a result of the review not being completed in year; this under-spend of £150,000 was therefore used to create the reserve, and an additional £50,000 was transferred into the reserve from other earmarked reserves.

ICT Development Reserve

This reserve is used to fund expenditure on ICT equipment and to enable a programme of systems development for the Authority.

The following transfers have taken place during the year.

> £18,330 has been transferred into this reserve from income generated from the sales of in-house developed software to other organisations; and
> £26,250 has been used to fund 2022/23 spending on enhancements to the Pensions Administration software system.

A total of £120,000 has been transferred from this reserve to other earmarked reserves to reflect the resourcing requirements that the reserve balances have been earmarked to meet in future years.

Capital Projects Reserve

This reserve exists to meet the financing of capital projects and expenditure in relation to the Authority's property, plant and equipment assets and intangible assets. During the year, amounts from this reserve have been used as follows.

> £89,826 has been used to finance the capital expenditure costs of additions to the Oakwell House and Laptop equipment assets.

A total of £15,000 has been transferred from this reserve to other earmarked reserves to reflect the resourcing requirements that the reserve balances have been earmarked to meet in future years.

Note 9. Expenditure And Income Analysed By Nature

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

2021/22	Expenditure	2022/23
£		**£**
3,712,619	Employee Benefits Expenses	4,457,739
70,609	Depreciation and Amortisation	157,701
2,094,205	Other Service Expenses	2,242,460
536,948	Irrecoverable VAT Expense	626,209
295,000	Net Interest on the Net Defined Benefit Liability	287,000
6,709,381	**Total Expenditure**	**7,771,109**

2021/22	Income	2022/23
£		**£**
	Fees, Charges & Other Service Income:	
(108,980)	Charges for provision of IT services and IT sales	(82,986)
(38,825)	Charges for administration in relation to employer recharges for actuarial services	(22,850)
(37,019)	Charges for administration in relation to payroll	(36,986)
(4,581)	Charges to scheme members in relation to information provision on receipt of pension sharing orders upon divorce	(3,786)
(7,000)	Other Income	(5,380)
(196,405)	***Subtotal Fees, Charges and Other Service Income***	**(151,988)**

2021/22	Income	2022/23
£		£
	Other Operating Income:	
(5,982,548)	Charge to the South Yorkshire Pension Fund	(6,555,200)
	Taxation Income	
(337,477)	Levy for Residual Liabilities	(315,336)
(6,320,025)	***Subtotal Other Income***	**(6,870,536)**
(6,516,430)	**Total Income**	**(7,022,524)**
192,951	**Deficit on the Provision of Services**	**748,585**

Fees, Charges and Other Service Income - Recognition

Income from the provision of IT services and sales of internally developed IT systems to other public sector bodies is recognised in the period in which the services are provided. The £82,986 income in 2022/23 includes £64,648 (2021/22: £65,334) charged to the Office of the Police and Crime Commissioner for South Yorkshire for IT service provision; this is charged in four equal quarterly instalments on the basis of a set fee agreed for each financial year and the income is recognised in the year in which the services are provided. The remaining £18,338 IT income is in relation to sales of internally developed software products (EPIC and DART) to other LGPS pension funds and maintenance of this software. The income for the sale of software licences is recognised at the date of sale, and the income for software maintenance services is recognised over the period for which the fee is charged.

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

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

Other Operating Income

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

Taxation Income

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

Note 10. Property, Plant and Equipment

Movements in 2022/23:	Vehicles, Plant, Furniture & Equipment - Oakwell House	Vehicles, Plant, Furniture & Equipment - Laptops	Total Property, Plant and Equipment
	£	£	£
Cost			
At 1 April 2022	1,391,536	73,144	**1,464,680**
Additions	64,123	25,700	**89,823**
At 31 March 2023	**1,455,659**	**98,844**	**1,554,503**
Accumulated depreciation			
At 1 April 2022	(24,062)	(35,312)	**(59,374)**
Depreciation charge	(100,244)	(20,518)	**(120,762)**
At 31 March 2023	**(124,306)**	**(55,830)**	**(180,136)**
Net Book Value At 31 March 2023	**1,331,353**	**43,014**	**1,374,367**
Net Book Value At 31 March 2022	**1,367,474**	**37,832**	**1,405,306**

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

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

The Laptops asset represents the value of laptop computers purchased. There have been additions to this asset during the year due to the growth in the workforce.

Depreciation

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

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

Note 11. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

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

The amortisation charge of £36,940 in 2022/23 (£28,261 in 2021/22) was charged to the ICT service line within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

2021/22 Pensions Administration System £		2022/23 Pensions Administration System £
	Balance at Start of Year:	
541,840	Gross Carrying Amount	184,700
(516,657)	Accumulated Amortisation	(3,078)
25,183	**Net Carrying Amount at Start of Year**	**181,622**
184,700	Additions - Purchase	0
(28,261)	Amortisation for the Period	(36,940)
	Disposals - Fully Amortised Asset:	
(541,840)	Gross Carrying Amount Disposed	0
541,840	Accumulated Amortisation Disposed	0
181,622	**Net Carrying Amount at End of Year**	**144,682**
	Comprising:	
184,700	Gross Carrying Amount	184,700
(3,078)	Accumulated Amortisation	(40,018)

Note 12. Financial Instruments

31 March 2022		31 March 2023
£		£
	Financial Assets at Amortised Cost	
1,741,053	Short Term Debtors	1,969,216
720	Cash and Cash Equivalents	0
1,741,773	**Total Financial Assets at Amortised Cost**	**1,969,216**
	Financial Liabilities at Amortised Cost	
(832,460)	Short Term Creditors	(667,231)
0	Long Term Creditors	(62,366)
(832,460)	**Total Financial Liabilities at Amortised Cost**	**(729,597)**
909,313	**Total Financial Instruments**	**1,239,619**

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

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

Nature and Extent of Risks Arising From Financial Instruments
The Authority's activities expose it to the following financial risks:
• Credit risk – the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.
• Liquidity risk – the risk that an entity (the Fund) will have difficulties in paying its financial liabilities.

As the Authority's primary purpose is as the administrator of the South Yorkshire Pension Fund, the management of risk in relation to financial instruments is mainly relevant to the Fund itself and is covered in detail in Note 17 to the South Yorkshire Pension Fund Accounts that follow.
All of the Authority's income and expenditure is charged directly to the Fund (or financed from the Levy in respect of residual liabilities), therefore market risks and liquidity risks are managed by the Fund.
All of the Authority's financial assets are short term debtors, and have been assessed for likelihood of default. All are anticipated to be received within 3 months.
The Authority's financial liabilities include both short and long term creditors. The short term creditors are anticipated to be paid within 3 months.

Note 13. Short Term Debtors

31 March 2022 £		31 March 2023 £
204,651	Trade Receivables	138,307
209,960	Prepayments	233,985
1,536,402	Owed from Pension Fund	1,830,909
1,951,013	**Total**	**2,203,201**

Note 14. Cash and Cash Equivalents

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

31 March 2022 £		31 March 2023 £
720	Bank Current Accounts	0
720	**Total**	**0**

Note 15. Creditors

31 March 2022		31 March 2023
£		£
	Short Term Creditors	
(410,382)	Trade Payables	(476,065)
(77,830)	Payable to HMRC - Employment Taxes	(72,571)
(557,242)	Payable to HMRC - VAT	(1,038,123)
(303,424)	Capital Creditors	(17,518)
(118,654)	Other Payables	(173,648)
(1,467,532)		(1,777,925)
	Long Term Creditors	
0	Retention Payments Due on Retirement	(62,366)
(1,467,532)	**Total**	**(1,840,291)**

Note 16. Unusable Reserves

31 March 2022 £		Note 16	31 March 2023 £
(1,586,928)	Capital Adjustment Account	[a]	(1,519,049)
10,507,255	Pensions Reserve	[b]	505,192
53,447	Accumulated Absences Adjustment Account	[c]	59,630
8,973,774	**Total Unusable Reserves**		**(954,227)**

a) Capital Adjustment Account

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

2021/22 £		2022/23 £
(110,612)	Balance at 1 April	(1,586,928)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
28,261	Amortisation of Intangible Assets	36,940
42,348	Depreciation of Vehicles, Plant, Furniture & Equipment	120,762
	Capital financing applied in the year:	
(1,546,925)	Capital Expenditure Charged Against the General Fund Balance	(89,823)
(1,586,928)	**Balance at 31 March**	**(1,519,049)**

b) Pensions Reserve

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

2021/22		2022/23
£		£
13,875,275	Balance at 1 April	10,507,255
(3,943,524)	Remeasurement Of The Net Defined Benefit Liability	(8,202,444)
1,309,000	Reversal Of Items Relating To Retirement Benefits Debited or Credited to the Surplus On the Provision Of Services in the CIES	1,386,000
(733,496)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable In The Year	(777,841)
0	Effect of Asset Ceiling	(2,407,778)
10,507,255	**Balance at 31 March**	**505,192**

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

31 March 2022		31 March 2023
£	**Pensions Reserve**	£
8,081,727	Authority	(1,306,000)
2,425,528	Residual Liabilities	1,811,192
10,507,255	**Total**	**505,192**

c) Accumulated Absences Adjustment Account

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

2021/22			2022/23
£			£
82,047	Balance at 1 April		53,447
(82,047)	Settlement or cancellation of accrual made at the end of the preceding year	(53,447)	
53,447	Amounts accrued at the end of the current year	59,630	
(28,600)	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**6,183**
53,447	**Balance at 31 March**		**59,630**

Note 17. Cash Flow Statement - Operating Activities

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

2021/22		2022/23
£		£
28,261	Amortisation	36,940
42,348	Depreciation	120,762
575,504	Movement in Pension Liability	608,159
24,744	Increase in Long Term Provision / Creditor	13,622
56,686	Increase in Short Term Creditors	596,299
737,895	Decrease / (Increase) in Debtors	(252,188)
1,465,438	**Total Adjustment for Non Cash Movements**	**1,123,594**

Note 18. Cash Flow Statement - Investing Activities

2021/22		2022/23
£		£
(1,272,212)	Purchase of Property Plant & Equipment	(375,729)
(1,272,212)	**Total Investing Activities**	**(375,729)**

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

Note 19. Officers' Remuneration

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

		Further Details	Salary, fees and allowances £	Compensation for Loss of Office £	Employer Pension Contributions £	Pension Contributions Due On Retirement* £	Total £
Director (Head of Paid Service)	2022/23		123,415		19,870		**143,284**
	2021/22		110,958		17,864		**128,822**
Assistant Director - Investment Strategy	2022/23		90,692		14,601	13,622	**118,915**
	2021/22		88,767		14,291	12,372	**115,430**
Assistant Director - Pensions	2022/23	[a]	111,547	68,000	17,473	0	**197,020**
	2021/22		88,767	0	14,291	12,372	**115,430**
Assistant Director - Resources (Deputy Treasurer)	2022/23		85,143		13,708		**98,851**
	2021/22		80,945		13,032		**93,977**
Head of Governance (Monitoring Officer January to March 2023)	2022/23	[b]	60,071		9,671		**69,742**
Treasurer	2022/23	[c]	5,250		856		**6,106**
	2021/22		4,966		809		**5,775**
Monitoring Officer (February 2022- December 2022)	2022/23	[b]	3,281		535		**3,816**
	2021/22		582		95		**677**

[a] The Assistant Director - Pensions left their post in February 2023, with an agreed termination date of 31 May 2023 allowing for a 3-month notice period. The salary costs payable during the 3-month notice period were recognised in full in 2022/23 when the decision was made and are included in the salary figure shown above, along with an amount paid in lieu of unused annual leave accrued by the employee.

[b] From January 2023, the Monitoring Officer role is undertaken by the Authority's Head of Governance, who commenced in post with the Authority in May 2022. The remuneration shown in the table above is that paid from May 2022 to March 2023.

The role of Monitoring Officer was previously undertaken by an officer of Barnsley MBC under a service level agreement until 31 December 2022. The role holder was in post from February 2022 and charged approximately 5% of salary in 2022/23 (for the period April - December 2022). The annualised salary for 2022/23 was £84,145.

[c] The Treasurer role is provided by an officer of Barnsley MBC under a service level agreement. The Treasurer charged approximately 5% of salary in 2022/23 (2021/22: 5%), the annualised salary for 2022/23 was £104,996 (2021/22: £99,321).

*** Pensions Contributions Due On Retirement**

Costs have been accrued for the payment of additional employer pension contributions for the Assistant Director - Investment Strategy and the Assistant Director - Pensions as shown in the table above.
This is in respect of a Staff Retention Incentives Scheme introduced in 2020/21 to support succession planning.
Under the terms of the scheme, retention payments awarded for service in each of the first three years of the scheme would only be confirmed as payable at the end of the three years if the officer remained in post until that time. As such these costs were previously accounted for as a provision. As at 31 March 2023, the payments for the Assistant Director - Pensions for 2020/21 and 2021/22 service, and for the Assistant Director - Investment Strategy for 2020/21, 2021/22 and 2022/23 service, were confirmed as payable upon retirement and therefore the total cost accrued is now recognised as a long term creditor on the Authority's balance sheet. The total balance of this long term creditor is £62,366 as at 31 March 2023 (£48,744 recognised as long term provision at 31 March 2022).

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

Remuneration Band	2021/22 Number of employees	2022/23 Number of employees
£55,000-£59,999	1	1
£70,000-£74,999	0	1

Exit Packages

The numbers of exit packages with total cost per band are shown below. There were two such packages agreed in 2022/23 (2021/22: None).

Exit Package Cost Band	2021/22 Number of Redundancies or Other Departures	2022/23 Number of Other Departures Agreed
£0 - £70,000	0	2

The total cost for the exit packages shown in the table above was £82,193 and this is the total that has been charged to the Comprehensive Income and Expenditure Statement in the current year.

Note 20. Members' Allowances

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

2021/22 £		2022/23 £
60,069	Member Allowances	64,373
319	Employer National Insurance on Member Allowances	394
829	Expenses	1,264
61,217	**Total**	**66,030**

Note 21. External Audit Costs

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

2021/22 £		2022/23 £
31,833	Fees payable to Deloitte LLP with regard to external audit services carried out for the year	31,833
14,136	Fees payable to Deloitte LLP with regard to additional costs for external audit services carried out	0
45,969	**Total**	**31,833**

The scale audit fee set by Public Sector Audit Appointments Ltd (PSAA) is £31,833 for 2022/23. However in the last few years, it has become evident that the audit work requirements for the external auditor cannot be fully met within this fee level, and therefore Deloitte have previously discussed and agreed additional fee for the audit with the Authority in respect of the 2021/22 audit and have set out their intention to do so again in respect of the 2022/23 audit. The process for obtaining approval from the PSAA for additional fee means that there is a time lag before the additional fee is confirmed and charged to the Authority, therefore no figure for additional costs of external audit in 2022/23 can be disclosed.

Note 22. Related Parties

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

South Yorkshire Pension Fund

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

During the year, the Authority paid a total of £462,505 (2021/22: £396,019) to the Fund in respect of employer pension contributions and received a total of £6,555,200 (2021/22: £5,982,548) from the Fund as the amount recharged for Authority expenditure for the year.
At 31 March 2023, there is a debtor balance of £1,830,909 (31 March 2022: £1,536,402) in the Authority's balance sheet for the sum due from the Fund.

In addition to the above, the Authority paid a total of £315,336 (2021/22: £337,477) to the Fund as contributions for the unfunded benefits residual liabilities of the former South Yorkshire County Council and Residuary Body. The Authority's expenditure in this regard was financed by charging a levy for this amount to the four South Yorkshire districts (Barnsley MBC, Doncaster MBC, Rotherham MBC and Sheffield CC) in proportion to their populations.

Barnsley Metropolitan Borough Council

The statutory roles of Clerk and Treasurer for the Authority were undertaken by officers of Barnsley MBC; the statutory role of Monitoring Officer was undertaken by an officer of Barnsley MBC until 31 December 2022. (From 1 January 2023 the Authority's Head of Governance has been designated as the Monitoring Officer).
Amounts paid to Barnsley MBC during the year included:
>£45,568 (2021/22: £39,660) in respect of business rates charged on the Authority's office accommodation.
>£147,841 (2021/22: £178,352) in respect of fees for the Service Level Agreement through which the Council provides a range of support services to the Authority including Governance, HR, Audit and other corporate services.
>In 2021/22, an amount of £104,243 was paid to Barnsley MBC in respect of rent and service charge expenses for accomodation leased from the Council until February 2022.

Members

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

Officers

Certain officers might also be in a position to influence significantly the policies of the Authority.

Director

Barnsley College is an employer within the Pension Fund. The Director (Head of Paid Service) was appointed as a Governor of Barnsley College in September 2022. The Director has made the appropriate declarations in respect of this appointment and arrangements have been put in place to ensure the Director is not involved with specific decisions or discussions concerning the College's participation in the Fund.

Barnsley College paid contributions to the Fund totalling £1,928,970 in 2022/23, split as follows:
> Employee Contributions £516,187
> Employer Contributions £1,412,783
The Authority paid a total of £300 to Barnsley College relating to Apprenticeship qualification courses during 2022/23; the Director did not take part in any decision or discussion relating to the transactions or the use of Barnsley College as a service provider.

No other material related party transactions have been identified following consultation with relevant officers.

Note 23. Leases

Operating Leases - Authority as Lessee

During 2021/22, the Authority exercised the lease break option available in the lease with Barnsley MBC for office accommodation at Level 8, Gateway Plaza, Barnsley S70 2RD and terminated the lease with effect from 30 November 2021; although, as a result of delays on the new office project, occupation continued and rent charges were paid until 4 February 2022.
A new lease was entered into with Mapeley Gamma Acquisitions Ltd (c/o FI Real Estate Management) for office accommodation at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley S71 1HG. The lease commenced with effect from 28 May 2021 for a period of 30 years with a lease break clause at 15 years, and a rent review due at 28 May 2031.

The lease rentals included an incentive in the first five years of the lease period, with rent set at £40,356 per annum to 27 May 2026. The rent will increase to £90,800 per annum thereafter subject to a rent review at 28 May 2031.
Additionally, the first six months of the lease period - to 27 November 2021 - were free of rent whilst the property was being refurbished by the Authority. The rent commencement date was 28 November 2021.
In line with the accounting policy as required by the Code, the lease rentals are charged to the CIES on straight-line basis over the life of the lease.

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

31 March 2022 £		31 March 2023 £
40,235	Not later than one year	40,373
203,989	Later than one year and not later than five years	254,455
831,380	Later than five years	740,541
1,075,604	**Total**	**1,035,369**

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

2021/22 £		2022/23 £
74,438	Lease Charge for Level 8, Gateway Plaza	0
68,958	Lease Charge for Oakwell House	81,720
143,396	**Total**	**81,720**

Note 24. Defined Benefit Pension Liability

Participation in Pension Schemes

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

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

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

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

Transactions relating to post-employment benefits

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

2021/22		2022/23
£	**Comprehensive Income & Expenditure Statement**	**£**
	Cost of Services	
	Service Cost Comprising:	
1,014,000	Current Service Cost	1,099,000
	Financing and Investment Income and Expenditure	
295,000	Net Interest Expense	287,000
1,309,000	**Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**1,386,000**
	Other Post-Employment Benefits Charged To The Comprehensive Income And Expenditure Statement	
	Remeasurement of the Net Defined Benefit Liability Comprising:	
(2,146,000)	Return on Plan Assets (excluding the amount included in the net interest expense)	1,838,000
0	Actuarial Gains Arising on Changes Based on Demographic Assumptions	(285,000)
(1,994,000)	Actuarial Gains Arising on Changes in Financial Assumptions[1]	(17,295,000)
196,476	Actuarial Losses Arising on Changes Based on Other Experience	2,724,000
0	Effect of Asset Ceiling[2]	2,407,778
(3,943,524)	**Total Post-Employment Benefits Charged to Other Comprehensive Income And Expenditure**	**(10,610,222)**
	Movement in Reserves Statement	
1,309,000	Reversal of Net Charges Made to the Surplus On Provision Of Services for Post-Employment Benefits in Accordance with the Code	**1,386,000**
(733,496)	Actual Amount Charged Against the General Fund Balance for Pensions in the Year: Employer's Contributions Payable to the Scheme	**(777,841)**
575,504	**Total Post-Employment Benefits Adjustment Recognised in Movement in Reserves Statement**	**608,159**

[1] The actuarial remeasurements of the net defined benefit liability include a significant gain of £17,295,000 arising from changes in financial assumptions as shown above.

These financial assumptions comprise the following:

a. Discount Rate – This assumption has increased by 2.05% due to a rise in the corporate bond yield (from which the discount rate is derived) as a result of the high inflationary environment. The discount rate is used to discount future obligations to present value and therefore this increase in the discount rate has served to reduce the Authority's pension obligations significantly, accounting for approximately £14,650,000 of the total above.

b. Pension Increase Rate – This assumption has reduced by 0.25% due to a fall in market derived CPI inflation over the period, which has served to reduce the Authority's obligations, accounting for approximately £1,730,000 of the total above.

c. Salary Increase Rate - This assumption has reduced by 0.65% over the period, which has served to reduce the Authority's obligations, accounting for approximately £915,000 of the total above. The salary increase assumption used by the actuary is set relative to the CPI assumption.

[2] The Authority's net defined benefit liability recognised on the balance sheet includes the Authority's pensions liability as an employer in the Fund plus the Unfunded residual liabilities of the former South Yorkshire Residuary Body. These balances can be broken down as follows:

31 March 2022	Net Defined Benefit Liability Recognised on the Balance Sheet	31 March 2023
8,081,727	South Yorkshire Pensions Authority - Funded Obligations	(1,306,000)
2,425,529	Unfunded Obligations of the Former South Yorkshire Residuary Body	1,811,192
10,507,256		**505,192**

As a result of the significant gains arising from the change in financial assumptions, the net balance of the Authority's funded defined benefit obligations has changed from a deficit to a surplus position at the reporting date. The IAS 19 Accounting Standard imposes a limit on the maximum amount of surplus which can be recognised on the balance sheet. This is termed the 'asset ceiling' in the accounts.

Following review of the accounting requirements and consultation with the actuary, the limit of the surplus has been determined as £1,306,000 for the Authority, based on an actuarial calculation of the difference between the net present value of future service costs and the net present value of future employer contributions.

The original accounting surplus figure was (£3,713,778). Therefore, to reduce this to the asset ceiling limit of (£1,306,000), an adjustment of £2,407,778 for the effect of the asset ceiling has been charged to Other Comprehensive Income in the Comprehensive Income and Expenditure Statement as part of the remeasurements of the net defined benefit liability.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

31 March 2022		31 March 2023
£		£
(38,976,257)	Present Value of Funded Liabilities	(26,563,412)
(2,655,529)	Present Value of Unfunded Liabilities	(1,811,193)
31,124,531	Fair Value of Plan Assets	30,277,191
0	Effect of Asset Ceiling	(2,407,778)
(10,507,255)	**Net Liability Arising from Defined Benefit Obligation**	**(505,192)**
	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	
28,453,920	**Opening Fair Value of Plan Assets At 1 April**	**31,124,531**
596,000	Interest Income	840,000
	Remeasurement Gains/(Losses):	
2,146,000	Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	(1,838,000)
0	Other Experience	152,000
381,611	Contributions from Employer	447,660
351,885	Contributions from Employer in Respect of Unfunded Benefits	330,180
174,000	Contributions from Employees Into the Scheme	204,000
(627,000)	Benefits Paid	(653,000)
(351,885)	Unfunded Benefits Paid	(330,180)
31,124,531	**Closing Fair Value of Plan Assets At 31 March**	**30,277,191**

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

31 March 2022		31 March 2023
£		**£**
(42,329,194)	**Opening Balance At 1 April**	**(41,631,786)**
(1,014,000)	Current Service Cost	(1,099,000)
(891,000)	Interest Cost	(1,127,000)
(174,000)	Contributions from Scheme Participants	(204,000)
	Remeasurement (Gains) And Losses:	
0	Actuarial Gains Arising on Changes in Demographic Assumptions	285,000
1,994,000	Actuarial (Gains)/Losses Arising on Changes in Financial Assumptions	17,295,000
(196,477)	Actuarial (Gains) / Losses Arising on Changes Based on Other Experience	(2,876,000)
0	Past Service Cost (Including Curtailments)	0
0	Effect of Settlements	0
627,000	Benefits Paid	653,000
351,885	Unfunded Benefits Paid	330,181
(41,631,786)	**Closing Balance At 31 March**	**(28,374,605)**
	Comprising:	
(38,976,257)	Present Value Of Funded Liabilities	(26,563,412)
(2,655,529)	Present Value Of Unfunded Liabilities	(1,811,193)
(41,631,786)		**(28,374,605)**

Local Government Pension Scheme Assets

The fair value of the plan assets held at 31 March 2023 comprised the following classes of assets. Please note the values are shown as £000 amounts, rounded to the nearest £100.

Asset Category	Quoted Prices in Active Markets	Quoted Prices Not in Active Markets	Total as at 31 March 2023	Percentage of Total Assets
	£000	£000	£000	
Equity Securities				
Other	2.0	0.3	2.3	0%
Debt Securities				
Corporate Bonds (Non Investment Grade)	0.0	0.6	0.6	0%
UK Government	0.0	112.6	112.6	0%
Other	91.6	1,671.7	1,763.3	6%
Private Equity				
All	53.0	3,164.0	3,217.0	11%
Real Estate				
UK Property	41.1	2,484.7	2,525.8	8%
Overseas Property	0.0	38.0	38.0	0%
Investment Funds and Unit Trusts				
Equities	0.0	13,677.2	13,677.2	45%
Bonds	0.0	5,059.5	5,059.5	17%
Infrastructure	320.7	2,717.2	3,037.9	10%
Other	0.0	555.3	555.3	2%
Cash and Cash Equivalents				
All	288.5	0.0	288.5	1%
Total Assets	**796.9**	**29,481.1**	**30,278.0**	**100%**

The fair value of the plan assets held at 31 March 2022 comprised the following classes of assets:

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

Basis for Estimating Assets and Liabilities

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

The defined benefit liability has been estimated by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary are as follows:

31 March 2022	Financial Assumptions	31 March 2023
% p.a		% p.a
3.20	Pension Increase Rate (CPI)	2.95
4.20	Salary Increase Rate	3.55
2.70	Discount Rate	4.75

31 March 2022	Mortality Assumptions	31 March 2023
Years	*Longevity at 65 for current pensioners*	Years
22.6	Men	20.5
25.4	Women	23.7
	Longevity at 65 for future pensioners [1]	
24.1	Men	21.5
27.3	Women	25.2

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

Sensitivity Analysis

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

Change in Assumptions at 31 March 2023	Impact on the defined benefit obligation in the scheme	
	Approximate % Increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% Decrease in Real Discount Rate	2%	531
1 Year Increase in Member Life Expectancy	4%	1,063
0.1% Increase in the Salary Increase Rate	0%	91
0.1% Increase in the Pension Increase Rate (CPI)	2%	447

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. These figures are based on IAS 19 assumptions, however using the actuarial assumptions during the latest valuation, the funding level for the Authority has been calculated at around 125%. The South Yorkshire Pension Fund has an agreed strategy with the actuary to maintain a funding level of at least 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025.

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

The Authority expects to pay employer's contributions for the period to 31 March 2024 of approximately £439,000 in relation to the Authority itself and of £315,000 in relation to the unfunded residual liabilities of the former South Yorkshire County Council and Residuary Body.

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

Note 25. Contingent Liabilities

At 31 March 2023, the Authority had one material contingent liability as follows.

The Authority, along with the other 10 partner funds of Border to Coast, has entered into a guarantee to fund the liabilities of Border to Coast should they become unable to meet them. At 31 March 2023 the value was calculated at £13,091 based on a 1/11 share of the total net defined pension liability (31 March 2022: £248,727) purely on an accounting basis but the real value is uncertain and will, if it materialises, be calculated on a valuation basis which is different. The event is unlikely to ever occur, therefore no provision has been accounted for but instead this is disclosed as a contingent liability in line with the Code definition and as set out in Note 2 Accounting Policies.

SOUTH YORKSHIRE PENSIONS AUTHORITY

South Yorkshire Pension Fund

Financial Statements

& Notes 2022/23

South Yorkshire Pension Fund - Fund Account

2021/22 £000		Notes	2022/23 £000
	Dealings with Members, Employers and Others Directly Involved in the Fund		
(192,000)	Contributions	[7]	(210,836)
(18,584)	Transfers In from Other Pension Funds	[8]	(25,107)
(210,584)			**(235,943)**
320,872	Benefits	[9]	346,267
17,136	Payments To and On Account of Leavers	[10]	20,125
338,008			**366,392**
127,424	**Net Withdrawals from Dealings With Members**		**130,449**
105,678	Management Expenses	[11]	68,428
233,102	**Net Withdrawals Including Fund Management Expenses**		**198,877**
	Returns On Investments		
(66,794)	Investment Income	[12]	(57,455)
(977,797)	Profit And Losses on Disposal of Investments and Changes in the Value of Investments	[14b]	330,160
(1,044,591)	**Net Return on Investments**		**272,705**
(811,489)	**Net Decrease/ (Increase) in the Net Assets Available for Benefits During the Year**		**471,582**
(9,862,073)	**Opening Net Assets of the Scheme**		(10,673,562)
(10,673,562)	**Closing Net Assets of the Scheme**		**(10,201,980)**

South Yorkshire Pension Fund - Net Assets Statement

31 March 2022			31 March 2023
£000		Notes	£000
	Long Term Investments		
1,182	Equities		1,182
	Investment Assets		
25,621	Equities		786
64,692	Bonds		38,082
9,648,130	Pooled Investment Vehicles		9,342,809
795,555	Direct Property	[14a]	702,029
118,756	Cash		97,025
2,468	Other Investment Assets		2,250
10,656,404	**Total Net Investments**	[14a]	**10,184,163**
33,828	Current Assets	[20]	33,482
10,690,232			**10,217,645**
(16,670)	Current Liabilities	[21]	(15,665)
10,673,562	**Net Assets of the Fund Available to Fund Benefits at the End of the Reporting Period**		**10,201,980**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 19.

Notes To The South Yorkshire Pension Fund For The Year Ended 31 March 2023

Note 1. Description Of Fund

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

a) General

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

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

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

The Border to Coast Pensions Partnership (Border to Coast) was created in response to Government policy on the pooling of investments. South Yorkshire Pension Fund, along with 10 other partner funds, are equal shareholders in the company. Most of the Fund's equity investments have been managed by Border to Coast since July 2018 and transition of the Fund's assets from internal management to Border to Coast is a continuing process that is expected to take a number of years to complete fully. At 31 March 2023, approximately 70% (31 Mar 2022: 70%) of the Fund's assets were being managed in pooled structures provided by Border to Coast.
Asset allocation remains the responsibility of the Authority.

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

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

b) Membership

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

Organisations participating in the South Yorkshire Pension Fund include:
• Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
• Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

South Yorkshire Pension Fund	**31 March 2022**	**31 March 2023**
Number of Employers with Active Members	548	548
Number of Employees (Active Contributors)	51,429	52,763
Number of Pensioners	59,755	61,662
Number of Deferred Pensioners *	59,924	62,012
Total Number of Members in the Pension Scheme	**171,108**	**176,437**

* The total shown for deferred pensioners includes 11,351 unprocessed leavers at 31 March 2023 (9,775 at 31 March 2022). Once processed, these leavers could be a combination of deferred pensioners, frozen refunds, and aggregations. Until processed, this outcome is not known.

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employer contributions are set based on triennial actuarial funding valuations. The latest triennial valuation was undertaken as at 31 March 2022 and this determined the employer contribution rates that will be payable from April 2023 to March 2026.
The employer contribution rates paid in 2022/23 ranged from 12.5% to 30.8% and were determined based on the previous triennial valuation as at 31 March 2019.

d) Benefits

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

e) Investment Performance

The financial year to March 2023 was challenging for financial markets with significant volatility over the period. Equities delivered the weakest returns since the Global Financial Crisis in 2008 and at the same time, government bonds suffered steep losses. However, a sharp decline in sterling against major currencies helped to cushion the decline in the Fund’s overall valuation.

The war in Ukraine led to sharp rises in energy and food prices and created a challenging environment for consumers, particularly in Europe and the UK. Tight labour markets globally resulted in strong wage growth and the disruption in supply chains all exacerbated inflationary pressures. Central banks became hawkish and tightened monetary policy by increasing interest rates aggressively to try to combat the impact of sharp rises in inflation.

At the start of the financial year the expectation was that inflationary pressures would be transitory, but inflation surged, and the US Federal Reserve had raised rates from 0.5% at the start of the financial year to 5% as at March 2023, the European Central bank had moved from zero to 3% and the Bank of England had raised rates from 0.75% to 4.25%. These rising rates contributed to issues for a small number of banks and led to extreme volatility in the banking sector during March. Silicon Valley Bank and Signature Bank in the US failed, and this was closely followed by escalating problems at Credit Suisse. They all failed for different reasons, but the scale and pace of interest rate rises was a contributing factor. In each case the regulators stepped in to protect savers and takeovers of the customer base by other banks resulted.

UK commercial property underwent a broad repricing given the weaker macroeconomic environment. Capital value declines have been the principal driver in the weaker performance as yields moved out, particularly in lower-yielding areas of the market, such as industrials. Transaction volumes decreased during the year as capital value declines weighed on performance and investors continued to narrow their focus on prime and best-in-class assets.

Over the year we continued our long-term strategy to deliver a lower risk return by continuing to switch from listed equities to new investments within the alternative asset classes, in particular infrastructure and private debt funds. Also, towards the end of the financial year we added to our index-linked bond position. This had been the weakest asset class falling by almost 40% over the year. We had benefited in terms of performance by being underweight our benchmark weight during the year but now feel that the valuations have improved after the rise in yields during 2022.

This year our investments in private debt and infrastructure funds were the driver of growth for the Fund, with additional contributions from our developed market equity funds. However, negative returns from our fixed interest funds and direct property more than offset this. Over the year the Fund delivered a return of -3.2% against an expected return of -4.1% from the benchmark (9.6% in 2021/22 against an expected return of 7.7%) and it had a market value (net investment assets only) of £10,184m at 31 March 2023 (£10,656m at 31 March 2022).

Note 2. Basis Of Preparation

The Statement of Accounts summarises the Fund's transactions for 2022/23 and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code for the relevant financial year. There are no such accounting changes to be disclosed in this respect for 2022/23.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the notes to the accounts, or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 19.

The accounts have been prepared on a going concern basis.

Note 3. Summary of Significant Accounting Policies

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

Fund Account - Revenue Recognition

a) Contribution Income

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

• Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.

• Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they related.

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

b) Transfers To / From Other Schemes

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

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

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

c) Investment Income

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

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

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

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

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

Fund account - Expense Items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

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

Net Assets Statement

g) Financial Assets

The shares held as an unquoted equity investment in Border to Coast Pensions Partnership Ltd, are valued at cost - i.e. transaction price - as an appropriate estimate of fair value. It has been determined that cost remains an appropriate proxy for fair value at 31 March 2023. There is no market in the shares held and cost is a reasonable estimate of fair value. See Note 4 for further details.

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

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 15). For the purposes of disclosing levels of the fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and Leasehold Properties

Properties are valued quarterly by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards, see Note 15 for more details.

i) Foreign Currency Transactions

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

j) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits.

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

k) Loans and Receivables

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

l) Financial Liabilities

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

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

m) Actuarial Present Value of Promised Retirement Benefits

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

n) Additional Voluntary Contributions

The South Yorkshire Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 22.

o) Contingent Liabilities

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

Contingent liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

Note 4. Critical Judgements In Applying Accounting Policies

Pension Fund Liability

The net pension fund liability is re-calculated every three years by the appointed actuary, Hymans Robertson LLP from November 2021 (Mercer Limited to November 2021), with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Notes 18 and 19. Actuarial revaluations are used to set future contribution rates and underpin the Fund’s most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Investment in Border to Coast

This investment has been valued at cost, i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shares held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured so as not to make a profit. As at 31 March 2023, taking consideration of audited accounts for the company at 31 December 2022, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that cost remains an appropriate proxy for fair value at 31 March 2023.

Directly Held Property

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

Private Equity

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The actuarial present value of promised retirement benefits at 31 March 2023 is £9,280 million. The sensitivities regarding the principal assumptions used to measure the obligations are as follows: • a 0.1% p.a. reduction in the discount rate would increase the promised retirement benefits by approximately 2% or £169 million • a 0.1% p.a. increase in salary growth would increase the promised retirement benefits by approximately £19 million • a 0.1% p.a. increase in the pension increase rate (CPI) would increase the promised retirement benefits by approximately 2% or £152 million • a 1 year increase in member life expectancy would increase the promised retirement benefits by approximately 4% or £371 million
Private market investments (Note 15)	Private market instruments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation guidelines (2012). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private market investments are valued at £4,219 million at 31 March 2023 (£4,128 million at 31 March 2022) in the financial statements. Based on the assessed level of volatility using the same methodology as outlined in the sensitivity analysis shown in Note 17, if prices fell by 11.6% this would reduce the value of these assets by £489 million.

Investments in private market funds are valued based on the Fund’s share of the net assets in the private equity fund using the latest financial statements published by the respective fund managers. These are as at 31 December 2022, then rolled forward for known cash flows in order to derive the valuation at 31 March 2023. This is the method used on the basis that any changes in market value from 31 December to 31 March are unlikely to be material. The reasonableness of this assumption is reviewed each year.

Item	Uncertainties	Effect if actual results differ from assumptions
Freehold, leasehold property and pooled property funds (Note 15)	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could all affect the fair value of property-based investments. The total value of property investments in the Net Assets Statement is £862 million including both directly held property and property held in pooled investment vehicles. The directly held commercial property portfolio is valued at 31 March 2023, whereas the agricultural property portfolio is valued as at 31 December 2022. At 31 March 2023 there is a range of potential outcomes. Note 17 shows the effect, based on an assessed volatility range, of a fall of 8% in these property values. For illustrative purposes, a fall of 10% would result in a reduction to the values in the Net Assets Statement of £86.2 million. However, it should be noted that this is illustrative only and is not necessarily indicative of the actual effects that would be experienced.

Note 6. Events After The Reporting Period

The Statement of Accounts was authorised for issue on 21 September 2023 . Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Non-Adjusting Event

The financial statements and notes have not been adjusted for the following event taking place after 31 March 2023 as it provides information that is relevant to an understanding of the Fund's financial position but does not relate to conditions at that date.

<u>Agricultural Property Holdings</u>

The Fund is considering a significant restructuring of its agricultural property holdings (valued at £183m in the Net Assets Statement as at 31 March 2023). The restructuring is likely to involve the creation of a new investment vehicle. A significant process of commercial due diligence is under way and based on current timelines, it is estimated that this will be concluded after October 2023. An estimate of the financial effect of this restructuring cannot be made at the date of authorising the statement of accounts for issue.

Note 7. Contributions Receivable

By Category

2021/22 £000		2022/23 £000
66,198	**Employees' Contributions**	**72,604**
	Employers' Contributions*	
111,550	Normal Contributions	124,461
8,246	Deficit Recovery Contributions	8,001
6,006	Augmentation Contributions	5,770
125,802	**Total Employers' Contributions**	**138,232**
192,000	**Total Contributions Receivable**	**210,836**

By Employer Type

2021/22 £000		2022/23 £000
556	Administering Authority	651
	Scheduled Bodies:	
23,002	Barnsley Metropolitan Borough Council	24,675
10,427	City of Doncaster Council	13,986
12,276	Rotherham Metropolitan Borough Council	14,976
31,104	Sheffield City Council	36,619
101,164	Other Scheduled Bodies	110,495
13,471	Admitted Bodies	9,434
192,000		**210,836**

*** Employer Contributions: Prepayments**

In April 2020, City of Doncaster Council, Rotherham Metropolitan Borough Council and one Other Scheduled Body (South Yorkshire Fire & Rescue Authority) made prepayments in relation to their employer contributions due for the period April 2020 to March 2023. By making the payments early, the cash amounts payable over the period are reduced. The amount of the prepayment and the discount applied were calculated by the Fund's actuary based on an estimate of the pensionable pay for each employer over the 3 year period. The prepayments amounted to £87.366 million in respect of normal contributions. These amounts were accounted for in the period received (2020/21) and are therefore not included in the figures shown above.

Additionally, Barnsley Metropolitan Borough Council and 46 Other Scheduled Bodies (primarily Multi Academy Trusts and large employers including South Yorkshire Fire & Rescue Authority and The Chief Constable) opted to make prepayments in relation to their deficit recovery contributions due for the period April 2020 to March 2023. The cash amount payable for these contributions over the period is similarly reduced as a result of the early payment, and this discount is calculated by the Fund's actuary. The prepayments of these deficit recovery contributions amounted to £13.241 million accounted for in the period received (2020/21) and are therefore not included in the figures shown above.

Sheffield City Council made a prepayment in the final quarter of 2019/20 in relation to their employer contributions due for the period April 2020 to March 2023 on the same principles as outlined above. The prepayment amounted to £87.551 million in respect of normal contributions and £3.169 million in respect of deficit recovery contributions. These amounts were accounted for in the period received (2019/20) and are therefore not included in the figures shown above.

Note 8. Transfers In From Other Pension Funds

2021/22 £000		2022/23 £000
18,584	Individual Transfers	25,107
18,584		**25,107**

Note 9. Benefits Payable

By Category

2021/22 £000		2022/23 £000
257,953	Pensions	272,528
57,102	Commutation and Lump Sum Retirement Benefits	64,045
5,817	Lump Sum Death Benefits	9,694
320,872		**346,267**

By Employer Type

2021/22 £000		2022/23 £000
771	Administering Authority	798
	Scheduled Bodies:	
42,772	Barnsley Metropolitan Borough Council	44,441
45,239	Doncaster Metropolitan Borough Council	48,035
46,540	Rotherham Metropolitan Borough Council	48,205
95,093	Sheffield City Council	107,919
61,938	Other Scheduled Bodies	67,626
28,519	Admitted Bodies	29,243
320,872		**346,267**

Note 10. Payments To And On Account of Leavers

2021/22 £000		2022/23 £000
535	Refunds to Members Leaving Service	584
16,605	Individual Transfers	19,543
(4)	Payments for Members Joining State Scheme	(2)
17,136		**20,125**

Note 11. Management Expenses

2021/22 £000		2022/23 £000
3,382	Administrative Costs	4,170
100,279	Investment Management Expenses [Note 11a]	62,732
2,017	Oversight and Governance Costs	1,526
105,678		**68,428**

Note 11a. Investment Management Expenses

2021/22					2022/23			
Management Fees	**Performance Related Fees**	**Transaction Costs**	**Total**		**Total**	**Management Fees**	**Performance Related Fees**	**Transaction Costs**
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
22,867	52,874	136	**75,877**	South Yorkshire Pensions Authority	**31,284**	24,024	5,765	1,495
21,559	0	1,418	**22,977**	Border to Coast Pensions Partnership	**30,055**	29,861	0	194
1,325	0	0	**1,325**	Abrdn	**1,292**	1,292	0	0
40	0	0	**40**	Bidwells	**41**	41	0	0
45,791	**52,874**	**1,554**	**100,219**		**62,672**	**55,218**	**5,765**	**1,689**
			60	Custody fees	60			
			100,279	**Total**	**62,732**			

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

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

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

Note 12. Investment Income

2021/22 £000		2022/23 £000
572	Income from Equities	243
10,394	Bonds	14,201
28,267	Income from Pooled Investment Vehicles	15,406
27,278	Net Property Income [Note 12a]	25,852
168	Interest on Cash Deposits	1,868
80	Stock Lending	0
35	Other	(115)
66,794	**Total Before Taxes**	**57,455**
0	Irrecoverable Withholding Tax on Equities	0
66,794	**Net Investment Income**	**57,455**

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

Re-Invested Income In Border to Coast Pooled Investment Vehicles

2021/22 £000		2022/23 £000
37,894	Border to Coast UK	38,732
62,472	Border to Coast Developed Overseas	73,535
17,977	Border to Coast Emerging Markets	58,449
11,661	Border to Coast Investment Grade Credit	0
16,945	Border to Coast Sterling Index Linked Bonds	14,810
8,990	Border to Coast MAC Fund	25,237
1,141	Border to Coast Listed Alternatives Fund	29,838
157,080		**240,601**

Note 12a. Property Income

2021/22 £000		2022/23 £000
28,714	Rental income	26,782
186	Other dividends and interest	604
(1,622)	Direct operating expenses	(1,534)
27,278	**Net income**	**25,852**

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

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

2021/22		2022/23
£000		£000
46	Fees Payable in Respect of External Audit	39
46		**39**

The scale audit fee set by Public Sector Audit Appointments Ltd (PSAA) is £31,833 for 2022/23. However in the last few years, it has become evident that the audit work requirements for the external auditor cannot be fully met within this fee level, and therefore Deloitte have previously discussed and agreed additional fee for the audit with the Authority in respect of the 2021/22 audit and have set out their intention to do so again in respect of the 2022/23 audit. The process for obtaining approval from the PSAA for additional fee means that there is a time lag before the additional fee is confirmed and charged to the Authority. Therefore the figure shown for this above is an estimate based on best available information.

Note 13b. Other Fund Account Disclosures - Irrecoverable VAT

2021/22		2022/23
£000		£000
298	Irrecoverable VAT Included in Administration Cost	199
144	Irrecoverable VAT Included in Investment Management Expense	362
95	Irrecoverable VAT Included in Oversight & Governance Cost	65
537		**626**

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

Note 14a. Investments

31 March 2022 £000		31 March 2023 £000	31 March 2023 £000
	Long Term Investments		
1,182	Equities	1,182	
1,182			**1,182**
	Investment Assets		
25,621	Equities	786	
64,692	Bonds	38,082	
90,313			**38,868**
	Pooled Investments		
5,160,249	Equities	4,755,200	
1,019,328	Private Equity	1,062,509	
2,386,759	Credit	2,226,458	
721,538	Infrastructure	929,969	
116,269	Indirect Property	160,118	
14	Hedge Fund of Funds	0	
243,973	Other Managed Funds	208,555	
9,648,130			**9,342,809**

31 March 2022 £000		31 March 2023 £000	31 March 2023 £000
	Other Investments		
779,745	Direct Property	660,719	
15,810	Property Other	41,310	
795,555			**702,029**
118,756	Cash Deposits	97,025	
2,468	Investment Income Due	2,250	
121,224			**99,275**
10,656,404	**Total Investment Assets**		**10,184,163**
10,656,404	**Net Investment Assets**		**10,184,163**

Note 14b. Reconciliation Of Movements In Investments And Derivatives

Period 2022/23	Market Value 1 April 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in value during the year	Market Value 31 March 2023
	£000	£000	£000	£000	£000
Equities	26,803	0	(23,535)	(1,300)	**1,968**
Bonds	64,692	30,000	(47)	(56,563)	**38,082**
Pooled Investments	9,648,130	730,438	(877,371)	(158,388)	**9,342,809**
Property	795,555	31,570	(8,773)	(116,323)	**702,029**
	10,535,180	**792,008**	**(909,726)**	**(332,574)**	**10,084,888**
Other Investment Balances:					
Cash Deposits	118,756			2,414	97,025
Other Investment Assets	2,468				2,250
Net Investment Assets	**10,656,404**			**(330,160)**	**10,184,163**

Period 2021/22	**Market Value 1 April 2021**	**Purchases during the year and derivative payments**	**Sales during the year and derivative receipts**	**Change in value during the year**	**Market Value 31 March 2022**
	£000	**£000**	**£000**	**£000**	**£000**
Equities	**57,123**	0	(32,567)	2,247	**26,803**
Bonds	**602,488**	660,910	(734,960)	(463,746)	**64,692**
Pooled Investments	**8,296,976**	815,214	(804,183)	1,340,123	**9,648,130**
Property	**762,177**	29,792	(83,893)	87,479	**795,555**
					0
	9,718,764	**1,505,916**	**(1,655,603)**	**966,103**	**10,535,180**
Derivative Contracts:					
Forward Currency Contracts	(3,175)	67	(3,089)	6,197	**0**
	9,715,589	**1,505,983**	**(1,658,692)**	**972,300**	**10,535,180**
Other Investment Balances:					
Cash Deposits	170,769			5,497	118,756
Other Investment Assets	8,950				2,468
Net Investment Assets	**9,895,308**			**977,797**	**10,656,404**

Note 14c. Investments Analysed By Fund Manager

Market Value 31 March 2022			Market Value 31 March 2023	
%	£000		£000	%
Investments managed by Border to Coast Pensions Partnership:				
8.2%	870,683	Border to Coast Sterling Index Linked Bonds	702,953	7.0%
10.7%	1,140,799	Border to Coast UK	1,057,699	10.4%
29.1%	3,099,642	Border to Coast Developed Overseas	2,845,928	27.9%
6.8%	721,195	Border to Coast Emerging Markets	695,779	6.8%
5.5%	587,328	Border to Coast MAC (Multi Asset Credit) Fund	562,712	5.5%
4.3%	454,652	Border to Coast Investment Grade Credit	435,757	4.3%
1.9%	198,613	Border to Coast Listed Alternatives Fund	155,794	1.5%
1.4%	155,695	Border to Coast Private Equity Series	244,898	2.4%
0.4%	45,989	Border to Coast Private Credit Series	115,644	1.1%
1.7%	184,374	Border to Coast Infrastructure Series	355,724	3.5%
70.0%	**7,458,970**		**7,172,888**	**70.4%**
Investments managed outside of Border to Coast Pensions Partnership:				
22.7%	2,417,689	South Yorkshire Pensions Authority	2,350,556	23.1%
5.7%	606,190	Abrdn - Direct Property - Commercial Portfolio	477,930	4.7%
1.6%	173,555	Bidwells - Direct Property - Agricultural Portfolio	182,789	1.8%
30.0%	**3,197,434**		**3,011,275**	**29.6%**
100.0%	**10,656,404**	**Total Net Investment Assets**	**10,184,163**	**100.0%**

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

Market Value 31 March 2022			Market Value 31 March 2023	
%	**£000**	**Security**	**£000**	**%**
8.2%	870,683	Border to Coast Sterling	702,953	6.9%
10.7%	1,140,799	Border to Coast UK	1,057,699	10.4%
29.1%	3,099,642	Border to Coast Developed Overseas	2,845,928	27.9%
6.8%	721,195	Border to Coast Emerging Markets	695,779	6.8%
5.5%	587,328	Border to Coast MAC Fund	562,712	5.5%
	6,419,647		**5,865,071**	

Note 14d. Property Holdings

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

2021/22 £000		2022/23 £000
748,214	**Opening balance at 1 April**	**779,745**
	Additions:	
23,707	Purchases	467
718	New Construction	167
3,510	Subsequent Expenditure	1,036
(83,893)	Disposals	(8,773)
87,489	Net Increase / (Decrease) in Market Value	(111,923)
779,745	**Closing balance at 31 March**	**660,719**

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

As at 31 March 2023, there were two vacant properties (31 March 2022: one) and five vacant units (31 March 2022: six) across the property portfolio. Repairs and maintenance of the properties are either directly with the occupant of the property or via a service charge. Each lease sets out the condition in which a property should be left at the end of the tenancy and states that any cost to restore it to this condition is the responsibility of the tenant.

Note 15. Fair Value - Basis Of Valuation

The shares held as unquoted equities in our pool, Border to Coast Pensions Partnership Ltd, are valued at cost, i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shares held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured so as not to make a profit. As at 31 March 2023, taking consideration of audited accounts for the company at 31 December 2022, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that cost remains an appropriate proxy for fair value at 31 March 2023.

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

Description of asset	**Valuation hierarchy**	**Basis of valuation**	**Observable and unobservable inputs**	**Key sensitivities affecting the valuations provided**
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Exchange traded pooled investments and property funds	Level 1	Closing bid value on published exchanges	Not required	Not required
Bonds	Level 2	Average of broker prices (Valued on a "clean basis" i.e. not including accrued interest)	Evaluated price feeds/Composite prices	Not required

Pooled investments - listed debt funds and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis or a single price advised by the fund manager	Not required

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

Sensitivity Of Assets Valued At Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range (+/-)	Value 31 March 2023 £000	Value on increase £000	Value on decrease £000
Equities (Long Term)	0%	1,182	1,182	1,182
Equities	12%	103	115	91
Pooled Investment Vehicles	12%	2,535,430	2,839,682	2,231,178
Pooled Property Funds	8%	146,294	157,998	134,590
Property	6%	660,719	700,362	621,076
Property Other	6%	41,310	43,788	38,832
		3,385,038	**3,743,127**	**3,026,949**

Note 15a. Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

Values 31 March 2023	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	168,530	6,533,570	2,723,137	9,425,237
Non-financial assets at fair value through profit and loss (Note 14d)	0	0	660,719	660,719
Net investment assets	**168,530**	**6,533,570**	**3,383,856**	**10,085,956**

The following assets were carried at cost:

Values 31 March 2023	Total £000
Investments in Border to Coast Pensions Partnership Pool	1,182
Investments held at cost	**1,182**

Reconciliation to Net Assets Statement	
Total Analysed Above	10,087,138
Plus Cash	97,025
Total Net Investments per Net Assets Statement	**10,184,163**

Values 31 March 2022	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	235,553	7,196,880	2,324,288	9,756,721
Non-financial assets at fair value through profit and loss (Note 14d)	0	0	779,745	779,745
Net investment assets	**235,553**	**7,196,880**	**3,104,033**	**10,536,466**

The following assets were carried at cost:				**Total**
Values 31 March 2022				**£000**
Investments in Border to Coast Pensions Partnership Pool				1,182
Investments held at cost	**0**	**0**	**0**	**1,182**

Reconciliation to Net Assets Statement	
Total Analysed Above	10,537,648
Plus Cash	118,756
Total Net Investments per Net Assets Statement	**10,656,404**

Note 16a. Classification Of Financial Instruments

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

31 March 2022				31 March 2023		
Fair value through profit and loss £000	**Assets at amortised cost £000**	**Liabilities at amortised cost £000**		**Fair value through profit and loss £000**	**Assets at amortised cost £000**	**Liabilities at amortised cost £000**
			Financial Assets			
26,803	0	0	Equities	1,968	0	0
64,692	0	0	Bonds	38,082	0	0
9,648,130	0	0	Pooled Investments	9,342,809	0	0
15,810	0	0	Property Other	41,310	0	0
2,468	0	0	Other Investment Balances	2,250	0	0
0	118,756	0	Cash	0	97,025	0
0	33,828	0	Sundry Debtors and Prepayments	0	33,482	0
9,757,903	**152,584**	**0**		**9,426,419**	**130,507**	**0**
			Financial Liabilities			
0	0	(16,670)	Sundry Creditors	0	0	(15,665)
9,757,903	**152,584**	**(16,670)**	**Total**	**9,426,419**	**130,507**	**(15,665)**
	9,893,817				**9,541,261**	

Note 16b. Net Gains And Losses On Financial Instruments

2021/22 £000		2022/23 £000
	Financial Assets	
878,624	(Loss)/ Gain on Assets at Fair Value Through Profit and Loss	(216,251)
5,497	Gain on Assets at Amortised Cost	2,414
	Financial liabilities	
6,197	Gain on Liabilities at Fair Value Through Profit and Loss	0
890,318	**Net (Loss)/ Gain on Financial Instruments**	**(213,837)**

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

Note 17. Nature And Extent Of Risks Arising From Financial Instruments

Risk and Risk Management

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

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

The cash balances of the Fund are managed by the Administering Authority. The Authority’s treasury management activities are governed by the Local Government Act 2003 and the Fund has broadly adopted CIPFA’s Treasury Management Code of Practice. The annual Treasury Management Strategy was approved by the Authority in February 2023.

a) Market Risk

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

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

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

Price Risk

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

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

Price Risk - Sensitivity Analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on the Fund's asset allocations. Based on this, the Fund has determined that the following movements in market price risk are reasonably possible for 2023/24, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	**Values at 31 March 2023**	**Potential Market Movements**	**Potential Value on Increase**	**Potential Value on Decrease**
	£000	**(+/-)**	**£000**	**£000**
Long Term Equities	1,182	0.00%	1,182	1,182
Overseas Equities	786	12.03%	881	691
UK Bonds	37,879	20.50%	45,644	30,114
Overseas Bonds	203	7.24%	218	188
Pooled Investment Vehicles	9,182,691	11.57%	10,245,128	8,120,254
Indirect Property	160,118	7.85%	172,687	147,549
Total	**9,382,859**		**10,465,740**	**8,299,978**

Asset Type [Prior Year]	Values at 31 March 2022	Potential Market Movements	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
Long Term Equities	1,182	0.00%	1,182	1,182
UK Equities	9,776	15.05%	11,247	8,305
Overseas Equities	15,845	12.96%	17,899	13,791
UK Bonds	63,538	15.34%	73,285	53,791
Overseas Bonds	1,153	7.11%	1,235	1,071
Pooled Investment Vehicles	9,531,861	11.77%	10,653,761	8,409,961
Indirect Property	116,269	4.74%	121,780	110,758
Total	**9,739,624**		**10,880,389**	**8,598,859**

Interest Rate Risk

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

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

The Fund’s direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. The sensitivity analysis shown below is based on the Fund's methodology for this risk and shows the potential impact of a 0.89% change in interest rates. This percentage is equal to one standard deviation of the 10 year government bond yield (annualised).

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

Exposure To Interest Rate Risk	Values 31 March 2023	Potential Interest Rate Movement	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
Cash - Sterling	77,751	0.89%	78,443	77,059

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

Currency Risk

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

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 11.01%. A strengthening/weakening of the pound by 11.01% against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets Exposed to Currency Risk	Asset Value 31 March 2023	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Equities	786	87	873	699
Overseas Bonds	203	22	225	181
Overseas Pooled Funds	6,547,550	720,885	7,268,435	5,826,665
Overseas indirect property	12,763	1,405	14,168	11,358
Cash - Currency	19,274	2,122	21,396	17,152
Total Change In Assets Available To Pay Benefits	**6,580,576**	**724,521**	**7,305,097**	**5,856,055**

Assets exposed to currency risk [Prior Year]	Asset Value 31 March 2022	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Equities	15,845	1,036	16,881	14,809
Overseas Bonds	1,153	75	1,228	1,078
Overseas Pooled Funds	6,650,544	434,946	7,085,490	6,215,598
Overseas indirect property	14,342	938	15,280	13,404
Cash - Currency	14,778	966	15,744	13,812
Total Change In Assets Available To Pay Benefits	**6,696,662**	**437,961**	**7,134,623**	**6,258,701**

b) Credit Risk

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

The Fund's benchmark allowance for cash at 31 March 2023 was 1.5% of the Fund (1.5% at 31 March 2022). The actual cash held at 31 March 2023 represented 0.76% of the Fund value (0.98% at 31 March 2022).
The Treasury Management Strategy for managing the cash balances held includes limits as to the maximum sum placed on deposit with individual financial institutions and applies a minimum short term credit rating requirement of F1 or better.

Summary of Cash Balances and Credit Ratings		31 March 2022	31 March 2023
Counterparty Type	**Rating**	**£000**	**£000**
Money Market Funds	AAA	30,000	32,000
Banks	Minimum of F1	68,978	35,751
Other Local Authorities	-	5,000	10,000
Total		**103,978**	**77,751**

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £77.8 million (31 March 2022 £103.9 million).

The Fund maintains at least £40 million of its cash balances as readily available through the use of money market funds, call accounts and short-term deposits. In addition, the Fund holds Government bonds amounting to £37.9 million (£63.5 million at 31 March 2022) which could be realised within a week in normal market conditions, if necessary, to meet expected or unexpected demands for cash.

Note 18. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and the next valuation is due to take place as at 31 March 2025.

The funding strategy objectives are to:

1. take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
2. use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
3. where appropriate, ensure stable employer contribution rates
4. reflect different employers' characteristics to set their contributions rates, using a transparent funding strategy
5. use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned. A secondary objective is to ensure the rates are as stable as possible. A risk-based approach to setting employer contribution rates is used to meet these objectives.

An actuarial valuation of the South Yorkshire Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.
Based on the assumptions adopted, the Fund was assessed as 119% funded (99% at the 2019 valuation). This corresponded to a surplus of £1,685 million (2019 valuation: £63 million deficit).

The employer contribution rate is made up of two components as follows:

Primary Contribution Rate

The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Secondary Contribution Rate

The Secondary rate covers the costs associated with sufficiently funding benefits accrued up to the valuation date.

Each employer has a contribution rate appropriate to their circumstances. These are shown in the 'Rates and Adjustments Certificate' section of the Valuation Report available on the Authority's website at www.sypensions.org.uk

The table below shows the whole Fund contribution rate as determined at the 2022 Valuation, as compared with the rates set at the previous valuation.

	Last Valuation 31 March 2019		This Valuation 31 March 2022	
Primary Rate	16.1% of pay		20.3% of pay	
	2020/2021	£26,675,000	2023/2024	(£21,921,000)
Secondary Rate	2021/2022	£13,475,000	2024/2025	(£20,058,000)
	2022/2023	£13,881,000	2025/2026	(£18,043,000)

In broad terms, primary rates have increased since the last valuation due to rising inflation. While secondary rates had decreased due to strong investment performance since the previous valuation. However, all employers will be different and the contribution rate will reflect the membership and experiences of each employer.

Valuation Assumptions

To set and agree assumptions for the valuation, the Fund carried out in depth analysis and review in February 2022 with the final set agreed by the Pensions Authority on 17 March 2022. The main actuarial assumptions used for assessing the Solvency Funding Target were as follows:

Financial Assumptions	**Required for**	**Last Valuation 31 March 2019**	**This Valuation 31 March 2022**
Discount Rate	To place a present value on benefits promised to members at the valuation date.	3.9% per annum	4.45% per annum
Benefit Increases/CARE Revaluation	To determine the size of future benefit payments	2.4% per annum	2.7% per annum
Salary Increases	To determine the size of future final-salary linked benefit payments	3.6% per annum	3.3% per annum

Demographic Assumptions	**Years**
Life expectancy for current pensioners - men age 65	21.0
Life expectancy for future pensioners - men age 45	22.0
Life expectancy for current pensioners - women age 65	24.0
Life expectancy for future pensioners - women age 45	25.5

Commutation Assumption

Members have the option to commute part of their pension at retirement in return for a lump sum at a rate of £12 cash for each £1 per annum of pension given up. It is assumed that 50% of future retirements will elect to exchange pension for additional tax free cash up to HMRC limits.

Risk Analysis

Specific risks relating to the valuation include:
• McCloud: the remedy to resolve the McCloud case is yet to be formalised in regulations. However, an allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities.

• Goodwin: the remedy to this issue is still uncertain, it is difficult to identify who it would apply to and its impact is estimated to be very small for a LGPS fund (0.1% to 0.2% of liabilities). Therefore, no allowance has been made for this case at the 2022 valuation.

• Cost Cap: a legal challenge is still ongoing in relation to the results of the 2016 cost cap valuation and no information is known about the outcome of the 2020 cost cap valuation. At this valuation, no allowance has been made for any changes to the benefit structure that may occur as a result of a cost cap valuation.

• GMP Indexation: it is assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This is the same approach that was taken for the 2019 valuation.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2022; this is available in the 'How We Operate' area of the Fund's website at: www.sypensions.org.uk.

Note 19. Actuarial Present Value Of Promised Retirement Benefits

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

This valuation is not carried out on the same basis as that used for setting fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes set out in Note 18. The actuary has also valued ill health and death benefits in line with IAS 19.

Financial Assumptions	Required for	31 March 2022	31 March 2023
Discount Rate	To place a present value on benefits promised to members at the valuation date.	2.7% per annum	4.75% per annum
Benefit Increases/CARE Revaluation	To determine the size of future benefit payments	3.2% per annum	2.95% per annum
Salary Increases	To determine the size of future final-salary linked benefit payments	4.2% per annum	3.55% per annum

Demographic Assumptions	Years
Life expectancy for current pensioners - men age 65	20.5
Life expectancy for future pensioners - men age 45	21.5
Life expectancy for current pensioners - women age 65	23.7
Life expectancy for future pensioners - women age 45	25.2

Results	31 March 2022	31 March 2023
Present value of promised retirement benefits	£13,269 million	£9,280 million

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. The actuary estimates that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £5,106m, and that the impact of the change in demographic assumptions is to decrease the actuarial present value by £291m.

Note 20. Current Assets

31 March 2022 £000		31 March 2023 £000
	Short Term Debtors	
6,108	Contributions Due - Employees	6,123
14,844	Contributions Due - Employers	18,602
20,952		**24,725**
2,379	Early Retirement Strain Contributions Receivable	1,265
10,497	Sundry Debtors	7,492
33,828	**Total**	**33,482**

Note 21. Current Liabilities

31 March 2022 £000		31 March 2023 £000
(5,939)	Sundry Creditors	(7,578)
(2,390)	Payroll Expenses Payable	(2,725)
(5,433)	Advance Property Rents	(5,362)
(2,677)	Property Rental Deposits	0
(231)	Other Balances	0
(16,670)	**Total**	**(15,665)**

The Fund Net Assets Statement at 31 March 2023 includes a creditor of £1.831 million (£1.536 million at 31 March 2022) for sums due to the Authority. This is included in the 'Sundry Creditors' line above.

Note 22. Additional Voluntary Contributions

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

Market Value 31 March 2022 £000		**Market Value 31 March 2023 £000**
10,869	Prudential[1]	10,075
4,186	Scottish Widows[2]	Not Available
1,861	Utmost Life & Pensions	1,544
16,916	**Total**	**11,619**

Restated AVCs Paid to Providers 2021/22 £000		**AVCs Paid to Providers 2022/23 £000**
1,966	Prudential[1]	Not Available
366	Scottish Widows[2]	Not Available
6	Utmost Life & Pensions	6
2,338	**Total**	**6**

[1] At the date the 2021/22 statement of accounts was authorised for issue, it was reported that it had not been possible to obtain the information from Prudential on the market value at 31 March 2022 and the AVCs paid in year for 2021/22 in the required timescale to be included.
At the date of authorising the 2022/23 statement of accounts for issue, the information for the 2021/22 year has been provided and is now disclosed above. However, the equivalent information for 2022/23 has again not been provided by Prudential to the required timescales. Instead, Prudential have provided the figure disclosed above for market value based on a snapshot of the fund at 31 March 2023. This situation has previously been reported to the Pensions Regulator.

[2] At the date of authorising the 2022/23 statement of accounts for issue, Scottish Widows have been unable to provide the necessary information within the required timescales.

Note 23. Agency Services

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

2021/22 £000		2022/23 £000
	Payments on behalf of:	
14	South Yorkshire Pensions Authority	15
2,435	Barnsley MBC	2,393
1,796	Doncaster MBC	1,788
1,266	Rotherham MBC	1,252
5,670	Sheffield CC	5,529
1,477	Other Scheduled Bodies	1,463
60	Admitted Bodies	48
12,718	**Total**	**12,488**

Note 24. Related Party Transactions

South Yorkshire Pensions Authority

The South Yorkshire Pension Fund is administered by South Yorkshire Pensions Authority. During the reporting period, the Authority incurred costs of £6.555 million (2021/22 £5.983 million) in relation to the administration and management of the Fund and was reimbursed by the Fund for these expenses. All transactions are shown either in the Authority’s statements or in the Fund accounts. All contributing employers are related parties to the Fund, and have material transactions with the Fund during the year in the form of contributions described elsewhere in the accounts.

The Fund received a total of £0.315 million (2021/22: £0.337 million) from the Authority as contributions for the unfunded benefits residual liabilities of the former South Yorkshire County Council and Residuary Body.

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

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

One officer of the Authority is a director of the Fund's wholly owned subsidiaries, Waldersey Farms Limited and F H Bowser Limited (see Note 24a).

Border To Coast Pensions Partnership

Border to Coast Pensions Partnership (Border to Coast) is a related party to the Fund as the Fund is a shareholder in the company, along with 10 other LGPS Funds, and holds shares amounting to £1.182 million at 31 March 2023 (31 March 2022: £1,182 million).

During 2022/23, direct costs of £5.149 million were paid to Border to Coast (2021/22: £4.345 million).

Note 24a. Related Party Transactions - Subsidiary Companies

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

Waldersey Farms Limited

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

31 March 2022		31 March 2023
£		£
1,365,012	Pension Fund Investment at Book Cost	1,365,012
8,000,100	Debenture Loan	10,200,100
9,365,112	Total Investment at Book Cost	11,565,112
9,365,100	Pension Fund Investment Market Value (Included in the Net Assets Statement)	11,565,100

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

31 December 2021		31 December 2022
£		£
707,557	Profit On Ordinary Activites Before Taxation	1,598,443
223,954	Profit After Taxation	1,940,730
5,042,835	Retained Profit	6,983,565
6,907,835	Net Assets	8,848,565
2,242,549	Rent paid to South Yorkshire Pensions Authority	2,152,097
0	Dividends paid to South Yorkshire Pensions Authority	0

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

The Authority has a debenture in the company of up to £12 million with a maturity date of 21 July 2030, of which £10.200 million has been drawn down as at 31 March 2023 (£8.000 million at 31 March 2022).

FH Bowser Limited

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

31 March 2022		31 March 2023
£		£
10,497,338	Pension Fund Investment at Book Cost	10,991,142
0	Debenture Loan	27,700,000
10,497,338	Total Investment at Book Cost	38,691,142
6,445,000	Pension Fund Investment Market Value (Included in the Net Assets Statement)	29,744,999

During 2022/23 a Debenture loan of £27.7 million was used for property purchases, the purchases were subsequently valued at £23.2 million.

F H Bowser has a year end of 31 December; the audit of the accounts for year ended 31 December 2022 has yet to be concluded. The unaudited draft accounts contain the following information:

31 December 2021		31 December 2022
£		£
7,000,600	Fixed Assets	22,878,589
515,834	Current Assets	12,320,125
(178,615)	Current Liabilities	(105,502)
7,337,819	Net Assets	35,093,212
212,554	Profit/(Loss) On Ordinary Activities	(92,373)

Unaudited Draft Accounts for F H Bowser Limited can be obtained from the Company at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley S71 1HG.

The Authority has a debenture in the company of £27.700 million, fully drawn down as at 31 March 2023.

Note 24b. Key Management Personnel

The key management personnel of the Fund are the senior managers and the holders of statutory roles for the South Yorkshire Pensions Authority. These officers and their remuneration payable is set out in Note 20 to the Authority's accounts.

Note 25. Contractual Commitments and Contingent Assets

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

	31 March 2022		31 March 2023
Currency	**£ Equivalent**	**Currency**	**£ Equivalent**
000	**£000**	**000**	**£000**
£303,881	**303,881**	£272,654	**272,654**
€325,277	**273,964**	€366,756	**322,452**
US $977,289	**743,864**	US $1,214,848	**984,719**
	1,321,709		**1,579,825**

At 31 March 2023, 6 admitted body employers (31 March 2022: 17) in the South Yorkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2022/23 (2021/22: Nil).

Glossary of Key Terms

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

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

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

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

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

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

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

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

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

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

Contingent Liability
A contingent liability is either:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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