

South Yorkshire Pensions Authority

Report to the Audit and Governance Committee

**Value For Money Risk Assessment for the year
ended 31 March 2025**

17 July 2025

Value for money

Our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility is to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Authority's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Authority does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Authority has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Authority's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Authority will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

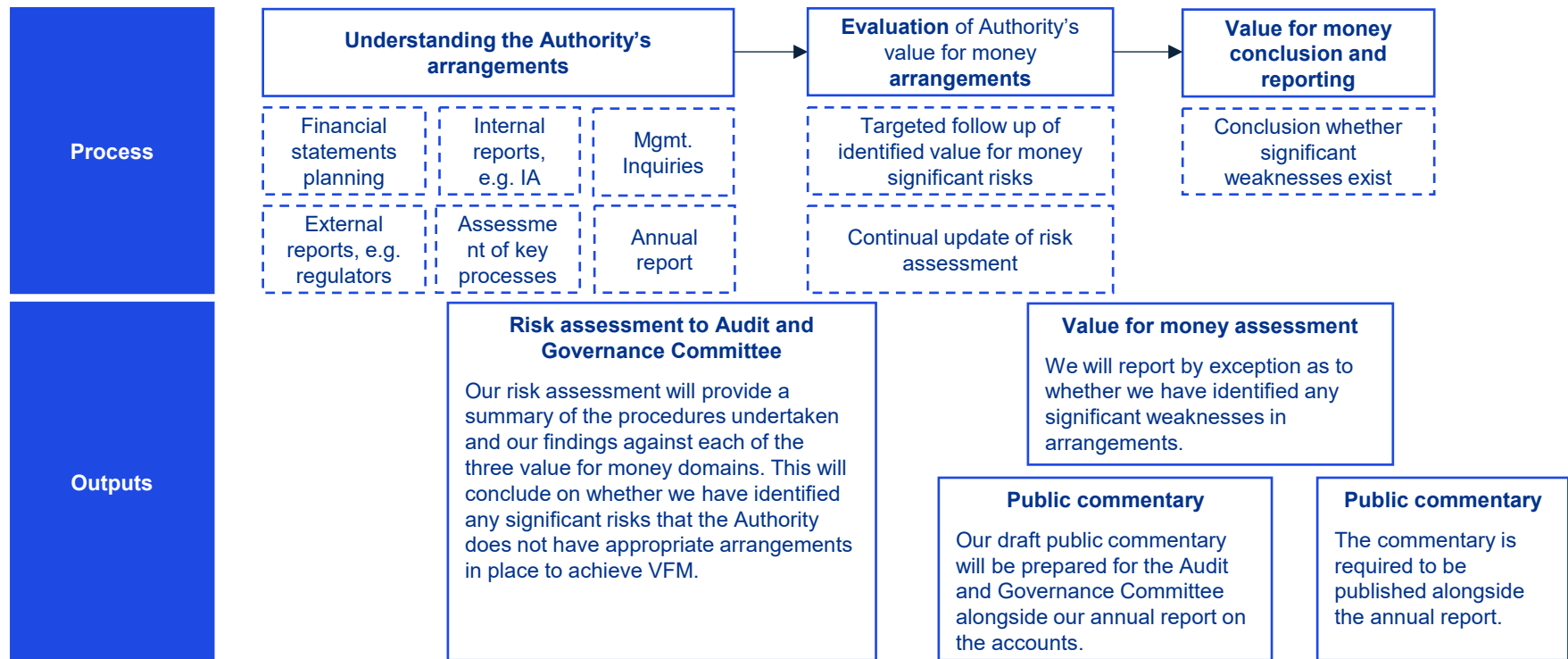
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

Approach we take to completing our work to form and report our conclusion:



Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Authority's systems, reviewed reports from external organisations and internal audit and performed inquiries of management. These procedures are consistent with prior year.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Authority for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risks identified
Governance	No significant risks identified
Improving economy, efficiency and effectiveness	No significant risks identified

We have not identified any significant risks that there are not appropriate arrangements in place as part of the procedures we have undertaken. We have provided a summary of the procedures performed and our key findings from these on pages 5 to 11.

We have not raised any recommendations as a result of our work.

We have not raised any performance improvement observations as a result of our work.

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

Financial Planning

As part of the CIPFA Code of Practice, South Yorkshire Pensions Authority (the Authority) must produce an annual medium term financial strategy (MTFS) covering at least 3 years, aligned to the Corporate Strategy. The MTFS sets out the framework for understanding the strategic and financial challenges that the Authority faces. It is a key part of the Authority's Budget and Policy Framework, intended to ensure that financial resources are aligned towards the delivery of the Authority's future objectives and priorities, as well as its medium and longer-term financial sustainability.

We have evidenced that the MTFS commencing in 24/25 was presented to the relevant committees for review and approval in a timely manner, with appropriate challenge and scrutiny being applied to assumptions such as pay settlements and potential loss of external income. The MTFS is used as a base for the annual budget and is then refined up until February when it is approved by the Authority. All movements between the MTFS and the annual budget are scrutinised by SMT before being approved. The annual budget for 24/25 was approved by the Authority in February 2024.

Additionally, we have reviewed the 25/26—27/28 MTFS which we have confirmed was sufficiently scrutinised and approved at the February 2025 Authority meeting alongside the 25/26 budget.

We have seen evidence of effective budget monitoring for this latest MTFS through regular meetings of the finance team and senior management. Discussions relating to required spend for the budget were held as part of these meetings, which informed the budget setting process. Budgets were then planned using the previous year's spend as the baseline, with any additional financial pressures identified throughout the current year alongside inflation rates factored into the process. Following completion of this initial process, these figures are then collated into a final MTFS which is reviewed by the Assistant Director for Resources and presented for approval to the Authority as detailed above.

Value for money arrangements

Financial sustainability

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- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment (continued)

We have seen that the risks to the Authority not achieving its planned outturn are clearly set out within the MTFS (such as pay settlements or loss of external income). This ensures that the appropriate decision makers have sufficient information to scrutinise and challenge the plans and underpinning assumptions. These risks to achieving the financial plan are also communicated to the Authority through the quarterly financial performance reports presented.

Assessing Risks to Financial Sustainability

Through our review of the 2025-26 annual budget and revised MTFS for 2025-2028, we note the Authority is forecasting a balanced position throughout. This because the Authority recharges an amount to South Yorkshire Pension Fund to cover its in-year expenditure, less a contribution from/to reserves and a levy on the district councils. We note that the charge to the Fund is expected to increase each year due to inflation and changes in staff costs – from £9.1m in 25/26 to £9.4m in 26/27 and £9.6m in 27/28.

The Authority has demonstrated that it will have adequate reserves and resources to fund its MTFS and that it is effectively supported financially by the Fund by way of its ability to recharge its expenditure.

Managing Financial Sustainability Risks

From our review of the Corporate Risk Register, we have confirmed that the Authority discuss strategic, financial and operational risks through their review and challenge of the Risk Register. We also identified that within the Q3 Corporate Risk there were three risks relevant to our VFM considerations that have been identified – relating to Local Pension Board and Authority members knowledge and understanding, high levels of staff vacancies and single person risk in specialist knowledge roles. The risk register sets out mitigations and plans to reduce these risk to an appropriate level.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with financial sustainability.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Authority;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Authority, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Risk Management

The Authority's Risk Management Policy outlines its approach to risk management – we have seen that this was refreshed in year, receiving scrutiny and approval at the December 24 Audit and Governance Committee. This policy helps the Authority identify and assess risks and ensures use of consistent methodology. As part of the Authority's process, these risks are identified through internal discussions and are considered across three main areas - External, New and Emerging Issues and Risk Topics – these are broken down further into sub-categories.

The Authority shows that it has considered the likelihood and impact of each risk with sufficient and appropriate rationale through the Corporate Risk Register. This details how the Authority intends to reduce each risk to an achievable score. Our review has shown that these documents included sufficient detail and shows that there are robust arrangements in place to help identify, assess and monitor both financial and operational risk.

The Authority operates an effective risk monitoring and reporting system to ensure clear ownership of risks. There is also robust scrutiny and oversight of how risks are managed. The Corporate Risk Register is on the SMT meeting agenda – which meets monthly - with quarterly updates presented to the Authority.

The Authority is provided with an overview of risk management over the year and papers that are brought to the Authority will feature a section detailing any impact on the Corporate Risk Register. This shows consideration of risks at key points in the decision making process.

Decision Making

The Authority facilitates the decision-making process and then both the Audit and Governance committee and Local Pension Board provide oversight. This ensures policies and procedures are continually validated, refreshed and ratified. For instance, we have reviewed the updated: Pay Policy (February 2025); Anti-Fraud Policy (December 2024) and Whistleblowing Policy (December 2024).

Value for money arrangements

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Summary of risk assessment (continued)

Additionally, we have reviewed several approved policies and strategies due to come into effect during 2025 such as the Corporate Strategy, ICT Strategy, People Strategy and the Consultation, Communications and Engagement Strategy. All policies and procedures are communicated and made available to staff via the intranet.

The Authority has a Code of Conduct for both members and employees, as well as the Authority Constitution. Alongside the constitution sit several documents including the Scheme of Delegation, Contract Standing Orders and Financial Regulations. The Contract Standing Orders and Scheme of Delegation outline financial limits in place for various processes within the Authority, as well as operational delegations to ensure both financial and non-financial authorisations and reviews are escalated appropriately. The Constitution has also been refreshed in year, with a new policy approved and to take effect from April 2025.

As part of our review, we can see that these policies detail the roles, responsibilities and delegation of key officers and committees, thus showing an appropriate process to ensure officer compliance. Through these policies the Authority and its clerk are equipped to deal with any breaches of ethics through the arrangements set out in the relevant codes and protocols in the Constitution. Through inquiries of management, we have confirmed that there have been no reported departures from key regulatory or statutory requirements, as well as no departures from professional standards such as the CIPFA Financial Management Code, Prudential Code or Treasury Management Code.

Codes of Conduct are in place for Authority members and all staff that set out the behaviours expected of employees and reinforce expected values and standards. Staff are made aware of and adhere to this through awareness and training, with the policy available to be viewed on the Authority's website.

Value for money arrangements

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Summary of risk assessment (continued)

As part of our review of the Procurement Forward Plan and accompanying policy, we are aware that the Authority is required to regularly publish procurement information. This means the Authority publishes details of all contracts over £5,000. The Contracts Register is updated on a quarterly basis and can be seen on the website SYPATender.

The Authority's management structure is outlined within the Organisation Structure document and provides a clear and detailed overview of the roles and responsibilities of each decision-making body within the management structure.

We have reviewed relevant Committee and Authority minutes as well as the supporting papers throughout the financial year. We are satisfied that there is sufficient ability for members to take informed decisions based upon the detail presented. These papers demonstrate that there are detailed discussions occurring to challenge and analyse the information being presented in respect of financial risks.

The agenda items presented are accompanied by summary sheets, which offer an overview of the item and show the relevance to the Authority's goals and aims, as well as any delegations required, or implications identified. The summaries included provide a concise high-level overview of the paper so that relevant committee members can identify the key messages discussed in the wider report.

The Authority has a comprehensive business case process to make informed decisions. Business cases are supported by a relevant Service or Project Board before being reviewed and approved by the Authority. The business case process is supported by templates and guidance. For each business case, the preparer of the template must outline their proposal and include three possible solutions or quotes to complete the required actions. Alongside this, they must present the consequences if the business case was not approved. Within each of these options the preparer must provide an overview, objectives, timeframe, costs, benefits and risks. The business case must also include details of the proposed financial impacts and the split between capital and revenue where applicable.

Value for money arrangements

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Summary of risk assessment (continued)

Budget Monitoring

We found that the budget monitoring and control processes were able to identify and incorporate pressures into the financial plan to ensure it was achievable and realistic. The budgets for 2024-25 and 2025-26 were constructed based on appropriate local and national developments and we saw evidence of appropriate review and sign off. The budgets for the years are approved in February of 2024 and February of 2025.

External Information

During 24/25 there was an external governance review performed by Aon. The purpose of this review was to consider whether SYPA is meeting good practice in relation to the governance of the Fund and recommend any potential areas for improvement. The overall conclusion by Aon was that the governance of the SYPA is of an excellent standard in most areas, meets nearly all legal requirements in the matters considered, and is demonstrating best practice in several areas. The report commented that the governance of SYPA is of much higher quality than the majority of other LGPS funds and attributed much of this is to the fact that the organisation is a single purpose Local Authority.

We are also aware that the Authority has been confirmed as a signatory to the UK Stewardship Code for 2025. The Code is produced by the Financial Reporting Council (FRC) who review annual submissions by Asset Owners and Asset Managers to determine whether they meet the relevant standards.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with governance.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Authority has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment (continued)

Identification of Cost Savings

The Authority takes part in a benchmarking exercise each year which provides comparative data for other Pension Funds, such as total pension administration costs per member and 'business as usual' costs. These are used to identify where the Fund and Authority could be performing better in line with other providers of the same services, with the December 2024 benchmarking demonstrating that the Authority's pension administration costs of £33.26 per member were £1.73 below the adjusted peer average of £34.99. The Authority does not utilise a formal cost saving plan primarily because the Authority has limited opportunity to enact significant cost saving.

The Authority has limited opportunity to enact significant cost saving measures for its expenditure due to its size and nature of the expenditure. Staff costs comprise most of the expenditure, which are dictated by central government pay scales. The other costs within the Authority represent a small proportion of expenditure when considered with the larger costs incurred by the Fund and as such, we are satisfied that the above is inline with expectations for an entity of this size.

Monitoring of Outsourced Services

The Authority does not currently outsource any significant services, which is in line with expectations given the nature of the entity and its operation.

Conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with improving economy, efficiency and effectiveness.



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