

Delivering for our Customers — Corporate Performance Report

Quarter 1 2025/26

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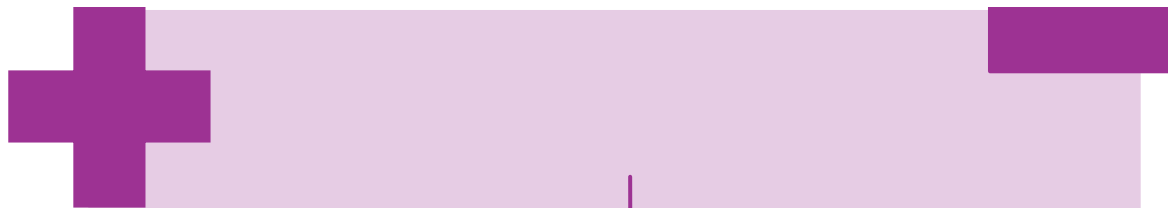
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1. Introduction

- 1.1 South Yorkshire Pensions Authority only exists to provide services to our customers whether they be scheme members or employers.
- 1.2 This Corporate Performance Report provides a summary view of overall performance in achieving the Authority's objectives, bringing together information on progress against the corporate strategy, a range of key performance measures, financial monitoring, and an ongoing assessment of the risks to the delivery of the Corporate Strategy. By providing this single view of how we are doing, it will be easier for councillors and other stakeholders to hold us to account for our performance.
- 1.3 This report presents the information on overall performance during the first quarter of the 2025/26 financial year. More detailed information on the performance of the Authority's investments and the pension administration department during the quarter are contained in other reports which are available on the Authority's website.

2. Headlines

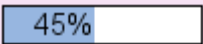





2.1 Key messages for the quarter are highlighted here. The detail and underlying context behind these are set out in the sections of the report that follow.











<p>Progress is being made on the new Corporate Strategy 2025-2028.</p> <p>Data for the valuation was submitted on time and to a good standard.</p> <p>A forecast under-spend on the revenue budget will enable building up of earmarked reserves or to be targeted for use in-year on corporate priorities.</p> <p>Clarity on the pooling position has enabled a reduction in the risk score for the Pensions Review risk.</p> <p>Funding position continues to be strong - although this increases the risk of an imbalance in cashflows on the risk register.</p>	<p>Sickness absence has increased in this quarter.</p> <p>Investment performance is a little behind target over recent periods - but remains ahead of expectations over the long term.</p> <p>Clearance of backlogs of pensions case work is progressing but remains a challenge, with an indication that the target timescale for this will require revision.</p>
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3. Delivering the Corporate Plan & Supporting Strategies

- 3.1 This section provides an update on progress made in delivering the corporate objectives of the organisation.
- 3.2 The Corporate Strategy was fully reviewed and updated for the April 2025 to March 2028 period as part of our triennial cycle of review of the Corporate Planning Framework, supported and underpinned by newly revised People and ICT Strategies, and Diversity, Equality and Inclusion Scheme. These strategies were approved by the Authority in February 2025.
- 3.3 The plan for the next three years is organised around these themes:
- a) **Pensions Administration** – with a focus on Backlogs, McCloud, Data Quality, Pensions Dashboards, the 2025 Valuation and the development of our system and optimising our use of this.
 - b) **Investment Strategy** – representing a continued focus on Place Based Impact Investment, progress towards the Net Zero 2030 ambition, the 2026 Investment Strategy review, and the transition of legacy assets to Border to Coast.
 - c) **Corporate Organisation** – which includes the continuation and full implementation of the new Performance Management Framework as well as plans to ensure the DEI Scheme is delivered, a new Social Media Strategy is developed, and work on developing an Environmental Sustainability plan for the organisation's own operations.
 - d) **Governance and Partnerships** – this reflects a focus on building on the good progress already achieved with continuous improvement in governance arrangements and member knowledge and understanding as well as plans to ensure that the Authority is well-placed to deliver the governance outcomes from the Government's Fit for the Future consultation and keep our level of influence within our key partnership, Border to Coast.
 - e) **Our People** and **Information Technology** are included in the corporate strategy as plans to deliver the separate strategies for both of these significant elements of our corporate framework.
- 3.4 The plans and how these link to the Authority's objectives and corporate risks are set out in the Corporate Strategy published on our website at: [Corporate Plans](#).
- 3.5 The following table provides updates in respect of developments that have taken place during the quarter in delivering these programmes of work.
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Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 1 Update	Status
PA	Pensions Administration					45% 
PA1	Clear the remaining Backlogs of casework and ensure arrangements in place to prevent further backlogs developing.	01-Feb-2024	31-Dec-2025	Service Manager - Benefits	Progress continues to be made on processing this work but based on a current assessment of the rate of progress and the numbers in the backlog, it is not considered achievable by the target date. A plan is being looked at to stop backlog work being created which could be done for the end of this year.	Not achievable 
PA2	Plan and deliver the Valuation 2025, including increased engagement with employers.	01-Sep-2024	31-Dec-2025	Service Manager - Employer Services; Service Manager - Technical Support & Training	Project is progressing well, work in quarter 1 has included a focus on preparing data required for the valuation and this is on track for the data extract to be sent to the actuary in July as per the project timetable.	On track 
PA3	Implement the McCloud Remedy successfully.	01-Apr-2024	31-Aug-2026	Assistant Director - Pensions	Determination made by the Authority to extend time limit for McCloud implementation due to delays by the system provider in delivering the required functionality. <i>(Status shown is in respect of achieving the extended time limit of August 2026).</i>	At risk but achievable 
PA4	Deliver the Data Quality Improvement Plan	01-Apr-2024	31-Mar-2026	Service Manager - Technical Support & Training	Data Quality and improvement strategy has been approved and will be published. The cyclical activities per annum is in place and work is ongoing to put in place an operational plan that will document what is in scope for improvement and why.	On track 
PA5	Ensure Pensions Administration software system is developed, and its functionality used to optimal effect for achieving efficiencies, to the extent possible	01-Apr-2024	31-Mar-2028	Head of ICT; Assistant Director - Pensions	Strategic UPM group set up with quarterly meetings. Smaller working groups set up to look at automation. Improvements made to Employer hub and project in place to continue to improve this. We continue to work on holding the system provider to account within the contract management relationship and to push for the delivery of the	At risk but achievable 

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 1 Update	Status
					developments required. The ability of the provider to deliver is the element that is at risk.	
PA6	Implement the Pensions Dashboards to required timescales	01-Sep-2024	31-Oct-2025	Service Manager - Customer Services	Some work has been planned for the Pension System to ready some settings for when the connection will be required. We have informally confirmed with the AVC providers how we expect to progress with their data being presented on the Dashboard and have also informally agreed what our Matching Criteria will be for the main scheme data.	On track 
IS	Investment Strategy					38% 
IS1	Plan and deliver the 2026 Investment Strategy Statement review, including increased stakeholder consultation.	01-Nov-2024	31-Mar-2026	Assistant Director - Investment Strategy	Strategy consultant selected and kick-off meeting undertaken. Project on-track with timelines.	On track 
IS2	Continue to develop and deliver our Place Based Impact Investment approach.	01-Apr-2025	31-Mar-2028	Investment Manager	Place Based Impact Investment Strategy continues to be managed in line with allocations agreed in Investment Strategy. Drawdown of the Border to Coast UK Opportunities Fund commitments continued during the quarter. First allocation to local impact debt mandate has been made by FW Capital. Procurement for Local Affordable Housing mandate manager is moving to final selection stage later in Q3 2025.	On track 

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 1 Update	Status
IS3	Continue the progress towards the Authority's ambition of Net Zero 2030.	01-Apr-2025	31-Mar-2028	Investment Manager	Interim 2025 target, of a 52% reduction in financed emissions compared to the 2019 baseline, achieved with a 59% reduction in financed emissions across the 5 Border to Coast funds where emissions are measured. The next stage of financed emission reductions will depend on Border to Coast delivering ahead of their 2050 net zero pathway. The feasibility of net zero pathways, including 2030, will be tested as part of our upcoming investment strategy review.	At risk but achievable 
IS4	Undertake transition of legacy assets portfolio to Border to Coast.	01-Apr-2025	31-Mar-2026	Assistant Director - Investment Strategy	Fit for the Future outcome has regulated that management of all legacy assets will pass to the pool manager, Border to Coast, ideally by 31 March 2025. Discussions and planning with Border to Coast are taking place.	On track 
CO	Corporate Organisation					<div><div></div>21%</div>
CO1	Develop and deliver an Environmental Sustainability plan for our operations.	01-Jan-2026	31-Mar-2027	Head of ICT	Not yet due to start.	Not started 
CO2	Ensure the Diversity, Equality and Inclusion Scheme is delivered effectively.	01-Apr-2025	31-Mar-2028	Assistant Director - Investment Strategy	An update to be provided in quarter 2.	
CO3	Plan and implement a Social Media Strategy to ensure we communicate and promote the Authority's work and achievements	01-Apr-2025	31-Mar-2026	Director	This relates to the Social Media Strategy which was approved at the June meeting of the Senior Management Team. The remaining work is to implement the strategy which will be possible following completion of the current recruitment to a vacant role in the Communications Team.	On track 

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 1 Update	Status	
CO4	Embed the Performance Management Framework and use this to deliver improvements in reporting of management information.	01-Apr-2025	31-Mar-2026	Head of Finance & Performance; Service Manager - Programmes & Performance	Dashboards have been recently built identifying data on Complaints captured in the Pension System & progress through training on Career Grade training programmes for Pensions Officers. A Business Intelligence Analyst has been hired into the team to help develop more pace where the Service Manager has had to slow down production due to more pressing priorities.	On track	✓
GP	Governance and Partnerships					33%	
GP1	Implement the Good Governance outcomes arising from the Government's Fit for the Future consultation.	01-Jul-2025	31-Mar-2028	Head of Governance & Corporate Services; Assistant Director - Resources	Not yet due to start.	Not started	●
GP2	Maintain Authority's level of influence as a partner fund within Border to Coast – including input to the implementation of the 2030 Strategy.	01-Apr-2025	31-Mar-2028	Director	This area of work has been dominated by the impact of the Government's decision that 21 LGPS funds should find a new pool. The Director has been a member of the Company/Partner Fund Working Party overseeing this process, the full details of which have been reported to Authority members. This position will finally become clear in the early autumn. The Authority continues to act as a positive partner, and this is reflected in the feedback received as part of the Annual Review process. Further work will be required to ensure that personnel changes	On track	✓

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 1 Update	Status	
					do not destabilise the currently strong relationships.		
GP3	Ensure continuous improvement of the Authority's Governance arrangements to meet good practice – including compliance with TPR General Code.	01-Apr-2025	31-Mar-2028	Head of Governance & Corporate Services; Assistant Director - Resources	<p>Positive progress is being made in respect of compliance with The Pensions Regulator's General Code.</p> <p>Significant progress made against External Governance Review action plan.</p> <p>Procurement action plan in place with key areas of work identified to strengthen arrangements. Internal audit review to take place this year.</p>	On track	✓
GP4	Support Authority and LPB members to develop the knowledge and skills required to perform their roles effectively.	01-Apr-2025	31-Mar-2028	Head of Governance & Corporate Services	<p>Majority of members 100% compliant against core training requirements.</p> <p>New members on track to achieve 100% compliance by 30 Sept 2025.</p> <p>Successful launch for individual members' L&D plans and self-assessment.</p>	On track	✓
OP	Our People					5%	
OP1	Produce and implement a separate Workforce Plan to identify and plan how to meet future people resourcing needs, including succession planning.	01-Jul-2025	31-Mar-2026	Assistant Director - Resources	Work on this objective will commence later in the financial year - the implementation of a new HR system will help to provide the data to inform the plan.	Not started	●
OP2	Ensure the effective delivery of Our People Strategy.	01-Apr-2025	31-Mar-2028	Assistant Director - Resources	Good progress has commenced on the various strands of the People Strategy - including the scheduling of a number of L&D programmes for 2025/26, investment in and take-up of accredited LGPS training in pensions administration, and initial planning for staff away day and biennial	On track	✓




Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 1 Update	Status
					employee engagement survey to take place in the autumn.	
IT	Information Technology					<div><div></div>8%</div>
IT1	Maintain and continually strengthen our cyber security defences – including development and implementation of an updated Cyber Security Strategy.	01-Apr-2025	31-Mar-2028	Head of ICT	<div>Key activities:<ul style="list-style-type: none">• Cyber Security Strategy in development and awaiting SMT approval.• Application Control policies in test with go live date set for 10/07/2025</div>	<div>On track</div> <div>✓</div>
IT2	Ensure the effective delivery of the Technology Strategy.	01-Apr-2025	31-Mar-2028	Service Manager - ICT Infrastructure; Head of ICT	<div>Key activities:<ul style="list-style-type: none">• M365 Always On VPN implemented• Developed ICT operational risk register</div>	<div>On track</div> <div>✓</div>

4. How are we performing?

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

Corporate Measures


- 4.2 The sickness absence measures for this quarter as compared to the same quarter in the previous year, and the year to date figures are summarised in the following table.

Measure	Performance Quarter 1 2025/26	Performance YTD 2025/26	Performance in Previous Year Q1: 2024/25	Movement Year on Year
Short Term Sickness Absence – Days Lost per FTE	1.43	1.43	0.65	
Long Term Sickness Absence – Days Lost per FTE	0.31	0.31	0.70	
Total Days Lost per FTE	1.74	1.74	1.35	

- 4.3 This quarter has seen an increase in sickness absence, particularly related to short term absences. There have been a wide range of reasons for sickness absence this quarter including stomach / gastric illness, anxiety / stress from personal issues and migraines for several individuals.
- 4.4 There was one case of long term sickness absence in the quarter.
- 4.5 Sickness absence is managed actively in line with the relevant HR policy – absence monitoring meetings have been held and the formal stages of improving attendance put in place where appropriate.
- 4.6 A total of 88 employees had no sickness absence at all during this quarter; equating to 71% of the workforce.
- 4.7 The Authority's Health, Safety and Wellbeing Committee continue to promote a range of initiatives to help support staff with their wellbeing. The annual opportunity for 'know your numbers' lifestyle health checks are being offered during September 2025 and plans are in progress for an organisation-wide programme of stress awareness and stress management sessions to take place during November.

Investment Measures





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

Measure	Performance Quarter 1 2025/26	Quarterly Benchmark	Performance YTD 2025/26	2025/26 Benchmark	2025/26 Actuarial Target	RAG Indicator
Investment Return – Whole Fund	2.7%	3.3%	2.7%	3.3%	1.70%	

- 4.9 The total Fund value at 30 June 2025 was £11.38bn; compared with £11.06bn at 31 March 2025.
- 4.10 The Funding Level at 30 June 2025 is estimated at 164%, an increase to the 159% reported at the end of quarter 4. This is based on a roll forward of 2022 valuation data and is not directly comparable with the figures that will emerge from the 2025 valuation process using updated member data.
- 4.11 At the end of the quarter, 79.6% of the Fund's assets were being managed in pooled structures provided by Border to Coast.

Pension Administration Measures

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

Measure	2025/26 Quarter 1	2025/26 YTD	Previous Year: 2024/25	Target 2025/26	Movement
Proportion of priority cases processed on time	49%	49%	64%	100%	
Proportion of non-priority cases processed on time	66%	66%	65%	100%	
Proportion of all cases processed on time	64%	64%	62%	100%	
Proportion of employer data submissions on time	99%	99%	96%	100%	

4.13 Casework in target for the year to date is 64%. Clearing the backlog is continuing to impact SLA figures as previously reported.

4.14 There was a focus on processing casework most critical to the Valuation during Quarter 1 and this has had an impact on the performance.

4.15 Employer submissions performance is being sustained with 99% of submissions received on time.

4.16 At the end of the quarter, membership of the Fund stood at 181,374.

4.17 There were 567 participating employers with active members at 30 June 2025, compared with 571 at 31 March 2025.

Financial Measures

2025/26 Budget Virements

- 4.19 The original budget for 2025/26 was approved by the Authority at their February 2025 meeting.
- 4.20 As part of the first quarter monitoring of the budget position, it has been necessary to make two budget virements as detailed below. One is a technical virement relating to the same issue reported to and approved by the Authority in June as part of the 2024/25 outturn report. The second is a minor transfer reflecting updated information on potential costs relating to upgrade of technology.
- a) The 2024/25 CIPFA Code of Practice adopted a new accounting standard IFRS 16 – Leases. The new standard resulted in a change to our accounting policies, included within a report taken to the Audit & Governance Committee in March 2025. The virement required as a result of this change is for Oakwell House Rent of £40k held in the Central Costs budget; the new standard requires the rent to be split between Financing Expenditure and Minimum Revenue Provision, as shown below on the table.
 - b) To facilitate the potential for effective hybrid meetings and enhanced streaming of meetings, the technology in the Events Room at Oakwell House requires development. An estimate for the cost of this was included in the Capital Expenditure budget; however, as further details have been obtained, this identified that part of the cost will be for annual licencing, a revenue cost that should be within the ICT budget.
- 4.21 The Assistant Director – Resources has approved these virements in line with para 4.3 (b) of the Financial Regulations within the Constitution. The table below summarises the virements made.

Budget Virements 2025/26	2025/26 Budget	Virement Q1	2025/26 Revised Budget at Q1
Pensions Administration	3,961,370		3,961,370
Investment Strategy	666,630		666,630
Resources	1,585,950		1,585,950
ICT	1,790,060	5,000	1,795,060
Central Costs	855,370	(40,360)	815,010
Democratic Representation	156,100		156,100
Subtotal - Cost of Services	9,015,480	(35,360)	8,980,120
Financing / Interest Charges	0	36,910	36,910
Minimum Revenue Provision Charge	0	3,450	3,450
Capital Expenditure Charge to Revenue	130,000	(5,000)	125,000
Subtotal - Capital Expenditure and Financing	130,000	35,360	165,360
Subtotal Before Transfers to Reserves	9,145,480	0	9,145,480
Transfer to / (from) Reserves	(94,650)	0	(94,650)
Total	9,050,830	0	9,050,830

2025/26 Q1 Forecast Outturn

4.22 The quarter 1 forecast expenditure for the year and variance against the budget is as follows. Details of the significant variances are shown beneath the table.

South Yorkshire Pensions Authority Operational Budget	2024/25 Actuals £	2025/26 Revised Budget £	2025/26 Q1 Forecast £	2025/26 Q1 Forecast Variance £	2025/26 Q1 Forecast Variance %
Pensions Administration	3,661,230	3,961,370	3,918,410	(42,960)	(1.10%)
Investment Strategy	642,330	666,630	674,730	8,100	1.20%
Resources	1,322,510	1,585,950	1,500,270	(85,680)	(5.40%)
ICT	1,314,010	1,790,060	1,687,780	(102,280)	(5.70%)
Central Costs	707,020	815,010	796,510	(18,500)	(2.30%)
Democratic Representation	132,560	156,100	150,300	(5,800)	(3.70%)
Subtotal - Cost of Services	7,779,660	8,975,120	8,728,000	(247,120)	(2.80%)
Capital Expenditure and Financing:					
Financing / Interest Charges	37,090	36,910	36,910	0	0.00%
Minimum Revenue Provision Charge	3,270	3,450	3,450	0	0.00%
Capital Expenditure Charge to Revenue	97,410	130,000	130,000	0	0.00%
Subtotal - Capital Expenditure and Financing	137,770	170,360	170,360	0	0.00%
Subtotal Before Transfers to Reserves	7,917,430	9,145,480	8,898,360	(247,120)	(2.70%)
Appropriations to / (from) Reserves	216,290	(94,650)	146,000	240,650	(254.30%)
Total	8,133,720	9,050,830	9,044,360	(6,470)	(0.10%)

4.23 The forecast outturn for the year before transfers from reserves is an under-spend of (£247k). After the planned transfers into reserves, we are currently forecasting a remaining minor under-spend of (£6k), equivalent to (0.1%) of the budget total. The reasons for these variances are set out in the analysis below.

2025/26 Local Government Pay Award and Salary Expenditure Variances

- 4.24 The pay award for 2025/26 was agreed in July 2025 at 3.2% on all salaries and allowances, with effect from 1 April 2025.
- 4.25 The 2025/26 budget was set incorporating a pay award assumption of 4%, equivalent to a total cost of £259k. Implementing the agreed pay award has resulted in an approximate cost of £195k. Therefore, there is a forecast under-spend of (£64k) as a result of the pay award being slightly lower than assumed.
- 4.26 Separately, a vacancy allowance of -1% of the pay budget was included to allow for staff turnover and the time that would be needed to recruit to several newly established posts included in the budget.
- 4.27 In total, there is a net under-spend of (£295k) against the staffing costs budget for the year, making this the primary cause of the overall under-spend for the year. The breakdown of this per each department, with explanations, is included in the analysis that follows from 4.31 onwards.

2025/26 Director Transition Arrangements

- 4.28 The 2025/26 budget included an amount for costs relating to the process and handover period for appointment of a new Director.
- 4.29 Following the appointment being made in July 2025, a report elsewhere on this agenda sets out the planned transition and interim arrangements from 01 October 2025.
- 4.30 Based on the arrangements proposed in that report, the forecast position on the relevant budgets held within Resources and within Central Costs is for a net total under-spend of (£15k) as analysed below.
 - a) The Resources employee costs budget is forecast to be under-spent by (£64k) driven by the use of internal acting-up arrangements from the finance team. This forecast under-spend will be used to offset a forecast over-spend of £40k on agency costs that will be required to bring in additional temporary resource with a focus on specific pieces of technical accounting work.
 - b) There is a net over-spend of £9k forecast on the Central Costs budget. This reflects the additional costs of the handover period for the Director post between October and December 2025, which was planned for and is partially funded from a corporate contingency budget included within Central Costs for this purpose.

2025/26 Forecast and Explanation of Other Variances

- 4.31 The significant variances against budget for each of the service areas are explained below.

Pensions Administration – Forecast Under-Spend (£43k):

- 4.32 There is a total net under-spend of (£66k) forecast on staffing costs which comprises the following items:
 - a) The forecast saving for this department relating to the pay award is (£34k).
 - b) Within the department there has been significant amounts of recruitment driven by internal moves. The impact of this is a net forecast under-spend of (£60k), after taking account of the department's vacancy allowance.
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- c) A net forecast over-spend of £28k on overtime costs in relation to overtime approved for casework backlog processing, casual hours and maternity leave offset by changes in hours.

- 4.33 There is a forecast over-spend of £21k in relation to Customer Compensation. As the casework backlog has been worked through, a number of historic one-off items have arisen, which have been dealt with. The main element of this over-spend is a £22k cost paid to one member to compensate them for an error made by the Authority when processing a Transfer-In Quote.
- 4.34 A small over-spend of £2k in total is forecast comprising small variances on death certificates and HMRC interest payments.

Investment Strategy – Forecast Over-Spend £8k:

- 4.35 There is a total net over-spend of £1k forecast on staffing costs which comprises the following items:
 - a) The forecast saving for this department relating to the pay award is (£3k).
 - b) The department's vacancy allowance is forecast to be an over-spend of £4k, as there are no staffing changes anticipated.
- 4.36 Investment adviser fees are forecast to be over-spent by £4k, driven by additional requirements for participating in the procurement of consultants for the triennial investment strategy review.
- 4.37 Minor net over-spends of £3k are forecast due to the increased use of Corporate Subscriptions and Other Professional Services, offset by a lower usage of the training budget.

Resources – Forecast Under-Spend (£86k):

- 4.38 There is a total net under-spend of (£105k) forecast on staffing costs which comprises the following items:
 - a) The forecast saving for this department relating to the pay award is (£15k).
 - b) Within the department there have been delays to recruitment due to workload pressures driving forecast under-spend. The impact of the delays is a forecast under-spend of (£66k), after taking account of the department's vacancy allowance.
 - c) The Director transition arrangements set out at paragraph 4.28, show a forecast net under-spend of (£24k).
- 4.39 The recruitment budget is forecast to be over-spent by £9k due to the planned use of a specialist recruitment agency for the Assistant Director-Resources post.
- 4.40 The budget for corporate subscriptions – services is forecast to be overspent by £6k. The primary driver is an unexpected cost for copyright licencing including a retrospective fee for the period 2022 to 2025.
- 4.41 Other minor over-spends of £4k are forecast in relation to the increased usage of other professional services, consultancy and training.

ICT – Forecast Under-Spend (£97k):

- 4.42 There is a total net under-spend of (£100k) forecast on staffing costs which comprises the following items:
 - a) The forecast saving for this department relating to the pay award is (£10k).
-

- b) Within the department there have been delays to recruitment due to an ongoing resourcing assessment for the pension systems team. It is anticipated that the piece of work will be completed by the end of the calendar year, with any recruitment commencing January 2026. The impact of this is a forecast under-spend of (£90k), after taking account of the department's vacancy allowance.

4.43 There is a total net over-spend of £1k on software costs which comprises the following items:

- a) The HR & Payroll system budget is forecast to be under-spent by (£27k) based on the known costs of the preferred supplier now identified. A prudent estimate for the implementation and annual costs had been included, however the new contract is significantly lower than these estimates.
- b) The Pensions Administration system budget is forecast to be over-spent by £17k. New automation developments are expected to be more expensive than had been estimated within the budget.
- c) The Finance system budget is forecast to be over-spent by 6k. To unlock additional benefits from the system we have had to expand the user base across the Authority. These ongoing cost increases will be factored into the setting of the 2026/27 budget.

4.44 A minor over-spend of £2k is forecast in relation to the ICT Network and Infrastructure.
Central Costs – Forecast Under-Spend (£18k):

4.45 There is a total net over-spend of £7k forecast on staffing costs which comprises the following items:

- a) The forecast saving for this department relating to the pay award is (£2k).
- b) The Director transition arrangements set out at 4.28, show a forecast net over-spend of £9k.

4.46 External audit grant income is forecast to be under-spent by (£20k). In April 2025 MHCLG announced further grant income for 2025/26 onwards to support local authorities in relation to local audit reform. At this stage there is a lack of detail around how the grant income will be apportioned; the next monitoring report will be updated to reflect any announcements of the detail for the Authority.

4.47 Buildings expenditure is forecast to be over-spent by £7k. The main driver of the over-spend relates to holding Authority meetings at Oakwell House. The events room has undergone a one-off piece of work to try and improve the acoustics.

4.48 The Oakwell House rent straight line adjustment is forecast to be under-spent by (£41k). The adjustment no longer being required as a result of the accounting policy change for IFRS 16 – Leases noted at 4.20 (a). The change in policy resulted in a one-off piece of work to value Oakwell House for the Authority Financial Statements 2024/25. The over-spend for the valuation is forecast to be £5k. The net under-spend will be transferred to reserves to fund future Oakwell House building upgrades or maintenance requirements.

4.49 An over-spend of £9k is forecast on the corporate training budget. There have been a number of internal movements of staff, noted throughout the report, resulting in additional requirements for a variety of training to ensure all staff have the appropriate skillset in their role.

4.50 The insurance budget is forecast to be over-spent by £8k. For 2025/26 we have entered into a new contract following the transition of the commercial property portfolio to Border to Coast Pensions Partnership. The previous Authority contract

had the benefit of economies of scale through the Fund's significant property portfolio, the result of the removal of this from the contract is an increase in pricing for the Authority. The increased cost base will be reflected within the 2026/27 budget.

- 4.51 A number of small over-spends of £7k in total is forecast on corporate subscriptions, venue hire, the past service pension surplus, catering and professional subscriptions.

Democratic Representation – Forecast Under-Spend (£6k):

- 4.52 Member allowances have increased by 3.2% in line with the nationally agreed pay award for SCP 43 on the pay scale for local government staff as noted at paragraph 4.24. The 2025/26 budget was set with an assumed increase of 3% for member allowances, based on anticipating that the pay award would be weighted towards the lower end of the scale as in recent years, resulting in a slightly lower percentage increase being expected at SCP 43.
- 4.53 There is a net total under-spend of (£6k) for member allowances comprising the following items:
- a) The Authority members net forecast is an under-spend of (£1k). The driver of the under-spend is the turnover of members, offset by the pay award above the budgeted increase.
 - b) The Local Pension Board members net forecast is an under-spend of (£5k). The driver of the under-spend is vacant roles, offset by the pay award above the budgeted increase.

Earmarked Reserves

- 4.54 The table below shows the forecast transfers to and from the earmarked reserves in 2025/26.

Reserve	Balance at 01/04/2025 £	Contributions to Reserves £	Contributions from Reserves £	Forecast Balance at 31/03/2026
Corporate Strategy Reserve	104,855	65,000	(10,000)	159,855
ICT Reserve	183,360	51,000	0	234,360
Capital Projects Reserve	76,380	40,000	0	116,380
Total Earmarked Reserves	364,595	156,000	(10,000)	510,595
Net Total Transfer		146,000		

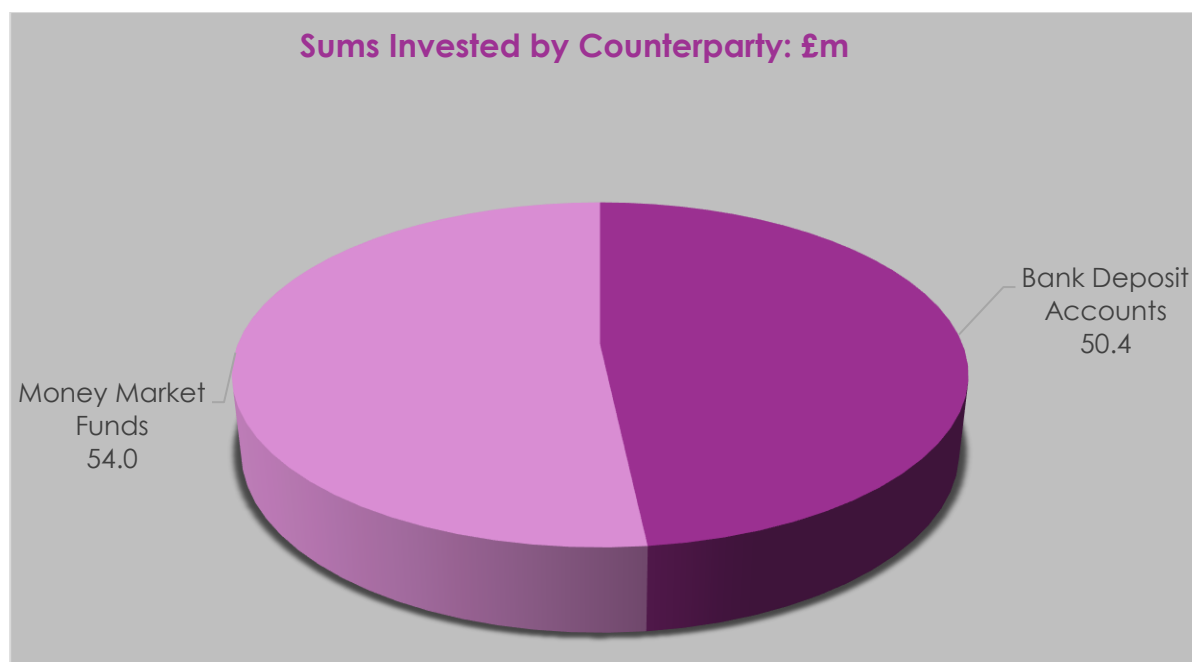
- 4.55 The planned transfer out of the Corporate Strategy Reserve is to contribute towards the cost of the triennial investment strategy review.
- 4.56 The planned transfers into the Corporate Strategy Reserve are to transfer funds from the forecast revenue budget underspends to be used for meeting future corporate priorities. However, officers are exploring the potential to use some of the currently forecast under-spends to target in-year projects instead.
- 4.57 The contribution into the ICT reserve is to set aside income received from software sales in line with policy to be used for future ICT development requirements and to

use the staffing underspends to fund any future development requirements for the Pensions Administration System.

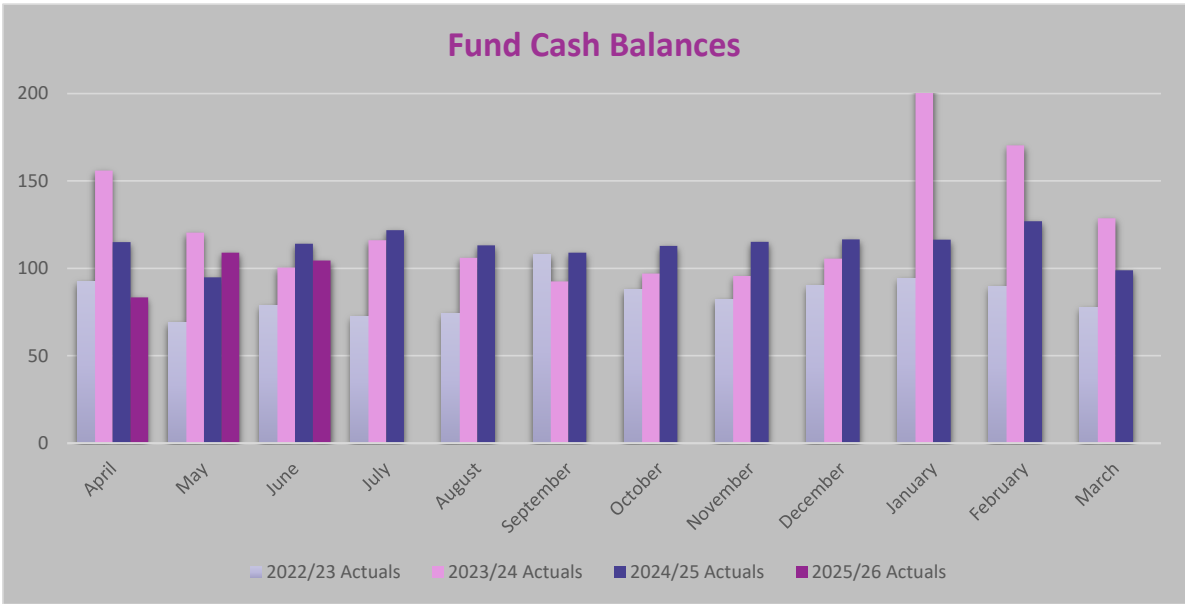
- 4.58 The proposed transfer into the Capital Projects reserve comprises the under-spends arising in 2025/26 from the effect of the change in lease accounting. These reserved funds will be used in future years for financing planned maintenance and improvements to the Oakwell House office.
- 4.59 The result of the above is a net total transfer into reserves of £146,000.
- 4.60 The forecast balance of the revenue reserves following the transfers proposed for the year, is £511k in total, equating to 5.6% of the Authority's total revenue budget, and is well within the limit of 10% that we set for ourselves in the Medium-Term Financial Strategy for 2025/26 onwards.

Treasury Management

- 4.61 The Fund's sterling cash balances at 30 June 2025 stood at £104.4 million (£98.8 million at 31 March 2025). The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



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



4.63 Cash is only held pending Fund investment and the balance of cash at the end of the quarter represents 0.92% of the Fund, compared with 0.89% at 31 March 2025.

5. What is getting in the way – Risk Management

- 5.1 We regularly review the things which might get in the way of us achieving our objectives – these are the risks that are set out in detail in the strategic risk register.
- 5.2 The Strategic Risk Register report is attached at Appendix A. The results of the latest review of the Authority's risks undertaken in August 2025 are set out in the commentary shown in the table in the report.
- 5.3 As a result of this latest review, one risk score has increased, and one has reduced as explained below.
- 5.4 Risk *IAF-004 Imbalances in Cashflows* – has increased score from 10 to 15. This reflects the likely impact of the valuation results showing a strong funding position and resulting in a reduction to income from employer contributions, current indications suggest a reduction of around £100m per annum which will place a significant requirement for income to be generated from investment assets. This will be a factor in the review of the investment strategy.
- 5.5 Risk *IAF-010 The Pensions Review* – has reduced score from 20 to 12. The reduced score reflects the progress made in obtaining clarity on the position in terms of new partners joining the Border to Coast partnership. This gives a degree of confidence that it will be possible to maintain consensus around the development of future investment propositions. However, there remains a risk that the concentration of effort required to transition new partner assets will result in a lack of resource to focus on the next stages of product development, although the Company are putting in place mitigations for this risk.
- 5.6 There were no other changes to risk scores or newly added risks from this review.

6. Learning from things that happen

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

	Received in Q1 2025/26	Received in Previous Year: 2024/25
Complaints	7	39
Appeals Stage 1	1	6
Appeals Stage 2	5	27

- 6.2 A detailed report of appeals, breaches and complaints and action taken is included in the quarterly administration report to the Local Pension Board for scrutiny.
- 6.3 One stage 1 appeal was determined during the quarter – it was rejected due to being received out of time.
- 6.4 Two stage 2 appeals were determined. One was rejected but with compensation to the member for misinformation. One was upheld and has been referred back to the employer for correct processing.

Breaches of Law and Regulation

	Recorded in Q1 2025/26	Total Number Recorded in Previous Year 2024/25
Breaches recorded	11	41

- 6.5 As previously reported, training and awareness raising has resulted in more accurate recording of breaches. The details of the 11 breaches recorded in quarter 1 are as follows.
- a) 1 breach related to an AVC not paid at the same time as the main scheme pension.
 - b) 10 breaches relate to late payment of refunds.
- 6.6 No breaches have been reported to the Regulator in the period.
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Satisfaction Surveys

- 6.7 A survey of 546 retiring members between February and April 2025 found that 94% of the 106 respondents were satisfied with the service they received.
- 6.8 A customer centre survey sent out to 3,938 members for the same period showed that of the 321 respondents, 88% were satisfied with the service they received.