

# Delivering for our Customers — Corporate Performance Report

**Quarter 2 2025/26**

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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 second 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.



2025 Valuation work is nearing completion, with the Fund in a strong funding position, broadly leading to reduced contributions rates for employers.

A forecast under-spend on the revenue budget will enable the building up of earmarked reserves.

Four risk scores have reduced across IAF and PEO - but there has been an increased risk score in IAF and a new risk in ORG added to the Risk Register.

Pension member surveys are maintaining positive rates of satisfaction.

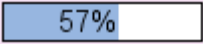




Sickness absence has increased in this quarter.

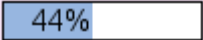
Investment performance is a little behind the benchmark target over recent periods - but remains ahead of expectations over the long term.




Clearance of backlogs of pensions case work is progressing but remains a challenge, with an extended timeline of completion by 31 March 2026.

### 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 2 Update	Status
<b>PA</b>	<b>Pensions Administration</b>					57% 
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	The backlog was at 80% complete in October 2025. Overtime is currently being used to work through the backlog, with other measures being explored. The end of March 2026 is now being targeted for completion depending on the resource we can allocate to this and the complexity of remaining cases. A plan is also being developed to prevent further backlogs being created.	Not achievable by the target date 
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	<p>Following a significant amount of work and engagement all provisional Valuation results have been sent to Employers; the Rates and Adjustments Certificate is due from the actuary at the end of December 2025.</p> <p>Consultation is underway on the Funding Strategy Statement and the Pensions Administration Strategy; consultation closes December 2025.</p>	On track 
PA3	Implement the McCloud Remedy successfully.	01-Apr-2024	31-Aug-2026	Assistant Director - Pensions	<p>The latest release was installed in the Pension Admin system in November. The following update is expected before the end of this year, and this is a batch of patches to fix reported defects from previous releases.</p> <p>The teams are working to understand what the system will rectify automatically and what will need to be done manually.</p> <p>The next major system delivery is planned for June 2026; the delivery timing increases the risk of the project not meeting the extended deadline of 31 August 2026.</p>	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 now been published. The cyclical activities per annum	On track 

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status	
					are in place and work is ongoing to produce the operational data quality improvement plan.		
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	<p>Strategic UPM group set up with quarterly meetings. Smaller working group set up to look at automation in the system. Some improvements to the scheme member online portal and the employer online portal have been implemented, with further improvements being developed.</p> <p>We continue to work on holding the system provider to account within the contract and to push for the delivery of the developments required through regular engagement.</p>	On track	✓
PA6	Implement the Pensions Dashboards to required timescales	01-Sep-2024	31-Oct-2025	Service Manager - Customer Services	<p>Our Integrated Service Provider (ISP) are in receipt of a successful Penetration Test/ICT Health Check. Subsequently we have tested the connection successfully, therefore we will be able to complete connection to the pensions dashboards ecosystem.</p> <p>Work is ongoing with the AVC providers to ensure the data will be presented on the dashboards.</p> <p>We met with The Pensions Regulator in September 2025 who had some deep dive questions around connection, data, processes. No follow up questions have been received.</p>	On track	✓
<b>IS</b>	<b>Investment Strategy</b>						44% 
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 scoping stage completed. Awaiting first draft of the external consultant's report on outcomes and recommendations.	On track	✓

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status	
IS2	Continue to develop and deliver our Place Based Impact Investment approach.	01-Apr-2025	31-Mar-2028	Investment Manager	<p>Place Based Impact Investment Strategy continues to be managed in line with allocations agreed in Investment Strategy.</p> <p>Drawdown of the Border to Coast UK Opportunities Fund commitments continued during the quarter.</p> <p>Both our local impact investment managers, Foresight and FW Capital, continue to look for new investments into Small and Medium sized enterprises within the South Yorkshire region.</p> <p>Officers are exploring options within existing real estate mandates to meet the allocation to deliver local housing.</p>	At risk but achievable	
IS3	Continue the progress towards the Authority's ambition of Net Zero 2030.	01-Apr-2025	31-Mar-2028	Investment Manager	<p>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 five 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.</p> <p>The feasibility of net zero pathways, including 2030, are being tested as part of the ongoing investment strategy review.</p>	At risk	
IS4	Undertake transition of legacy assets portfolio to Border to Coast.	01-Apr-2025	31-Mar-2026	Assistant Director - Investment Strategy	<p>The Fit for the Future consultation led to a requirement that the management of all legacy assets will pass to Border to Coast, ideally by 31 March 2026. Border to Coast have now established a long-term solution for the legacy private market assets, expected to be in place by 30 June 2026. Therefore, the legacy assets should transition by 30 June 2026.</p>	At risk but achievable	



Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status
CO	Corporate Organisation					30% 
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	<p>Staff have completed training on reducing inequalities and there is a baseline survey planned for early 2026.</p> <p>The project team are focused on developing an impact assessment that can inform decision making; the assessment is currently being drafted by the Governance Team.</p> <p>Ongoing work streams:</p> <ul style="list-style-type: none"> <li>Continue to make our services more accessible</li> <li>Ensure our workforce represents our customers</li> </ul>	At risk but achievable 
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	The Communications team is now fully staffed with the new Digital Media and Communications Officer in post since September 2025. The small team are now making progress on implementing the plans set out in the Social Media Strategy, with various actions planned for Quarter 3 and Quarter 4.	On track 
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	Operational Dashboards have been developed for the ICT and Pension System Teams that track the incidents logged through the helpdesk system. The team are now building dashboards to track calls to the Customer Services Team and Debt Recovery cases for the Finance Team.	On track 

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status	
<b>GP</b>	<b>Governance and Partnerships</b>					46%	
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	At the end of Quarter 2 we were still awaiting further detail on the regulations from Government. The draft regulations were published in November for technical consultation, to which officers will prepare a response in conjunction with the Border to Coast partnership, as well as submitting our own for SYPA. This will be updated in the next quarterly review.	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	The Authority has maintained its influence within the process of bringing 7 new partners into Border to Coast, as part of Strand 3 of the 2030 Strategy. Positive progress continues on all aspects of the strategy. However, there remain the risk that the Partnership will not be able to deliver the full range of investment propositions necessary to achieve the Authority's aspirations and this is a focus for ongoing dialogue.	On track	
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 continues in respect of compliance with The Pensions Regulator's General Code.</p> <p>External Governance action plan tasks almost completed, a small number of these remain outstanding.</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	

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status	
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>Long standing members compliant with core training. New members who joined October 2025 on track to complete core training by 31 Jan 2026.</p> <p>All individual L&amp;D plans completed; common trends of training requirements identified for the 2026/27 L&amp;D Strategy.</p>	On track	✓
<b>OP</b>	<b>Our People</b>						7%
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	<p>Work on this action is dependent on the implementation of the new HR software system, which was delayed but the project will now commence during Q3 of 2025/26, aiming to go live in Q4.</p> <p>Substantive progress on the workforce plan will therefore not commence until March 2026.</p>	Not started	●
OP2	Ensure the effective delivery of Our People Strategy.	01-Apr-2025	31-Mar-2028	Assistant Director - Resources	<p>Progress is continuing to be made on the different elements of the People Strategy. Highlights this quarter included a successful staff away day, delivery of further recruitment and selection training for managers, the launch of another 6-month management development programme for new and aspiring managers and running our biennial employee engagement survey - a report on the results of the survey is elsewhere on the Authority agenda.</p> <p>Areas where progress has been slower include the review of the annual appraisal process and finalising the new career grade progression scheme. Further action on these will be taken in the coming months.</p>	On track	✓




Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status
					A full report on progress against the People Strategy will be presented to the Authority's February 2026 meeting.	
IT	Information Technology					<div><div></div>16%</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"><li>• Cyber Security Strategy approved</li><li>• Application control policies live</li><li>• Penetration Test completed for external infrastructure and web applications</li><li>• Cyber Essentials Plus certification successfully renewed</li><li>• Cyber insurance procurement in progress</li></ul></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"><li>• Windows 11 migration complete</li><li>• Implemented Windows Hello for Business</li><li>• Various ICT policies reviewed and awaiting approval</li></ul></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 2 2025/26	Performance Quarter 1 2025/26	Performance YTD 2025/26	Performance in Previous Year Q2: 2024/25	Movement Year on Year
Short Term Sickness Absence – Days Lost per FTE	0.91	1.43	2.34	0.62	
Long Term Sickness Absence – Days Lost per FTE	2.15	0.31	2.46	1.04	
<b>Total Days Lost per FTE</b>	<b>3.06</b>	<b>1.74</b>	<b>4.80</b>	<b>1.66</b>	

- 4.3 Short-term sickness absence has decreased from the previous quarter, although it is an increase on the same period last year. There have been a variety of reasons, but mainly this has increased due to planned surgery.
- 4.4 Long-term sickness absence has seen a significant increase in the quarter, representing 9 employees (5 of which are now back at work). There are two main reasons for these cases, one reason being stress and anxiety relating to personal circumstances and the second due to serious illness.
- 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 99 employees had no sickness absence at all during this quarter; equating to 79% 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 were offered to all employees during September 2025.

## 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 2 2025/26	Quarterly Benchmark	Performance YTD 2025/26	2025/26 Benchmark	2025/26 Actuarial Target	RAG Indicator
Investment Return – Whole Fund	3.6%	4.4%	6.3%	7.7%	3.5%	

- 4.9 The total Fund value on 30 September 2025 was £11.78bn; compared with £11.38bn on 30 June 2025.
- 4.10 The Funding Level on 30 September 2025 is estimated at 173%, an increase to the 164% reported at the end of quarter 1. 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. It is anticipated that the funding level will drop when the 2025 valuation figures are updated by the actuary.
- 4.11 At the end of the quarter, 79.3% 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 2	2025/26 Quarter 1	2025/26 YTD	Previous Year: 2024/25	Target 2025/26	Movement
Proportion of priority cases processed on time	60%	49%	54%	64%	100%	
Proportion of non-priority cases processed on time	62%	66%	64%	65%	100%	
Proportion of all cases processed on time	62%	64%	63%	62%	100%	
Proportion of employer data submissions on time	99%	99%	99%	96%	100%	

4.13 In quarter 1 there was a focus on clearing the backlog in preparation for valuation data extracts. The change in focus through quarter 2 has improved the performance of the priority cases processed on time.

4.14 During the quarter a large volume of outstanding leaver, aggregation and deferment processes have been cleared. Clearing these outstanding cases has negatively impacted the proportion of all cases processed on time; we are exploring options which will improve the efficiency of these processes.

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

4.16 At the end of the quarter, membership of the Fund stood at 180,781.

4.17 There were 563 participating employers with active members on 30 September 2025, compared with 567 on 30 June 2025.

## Financial Measures

### 2025/26 Q2 Forecast Outturn

4.19 The quarter 2 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 Q2 Forecast £	2025/26 Q2 Forecast Variance £	2025/26 Q2 Forecast Variance %
Pensions Administration	3,661,230	3,961,370	4,001,960	40,590	1.00%
Investment Strategy	642,330	666,630	660,990	(5,640)	(0.80%)
Resources	1,322,510	1,585,950	1,438,440	(147,520)	(9.30%)
ICT	1,314,010	1,790,060	1,638,970	(151,090)	(8.40%)
Central Costs	707,020	815,010	809,820	(5,180)	(0.60%)
Democratic Representation	132,560	156,100	150,100	(6,000)	(3.80%)
<b>Subtotal - Cost of Services</b>	<b>7,779,660</b>	<b>8,975,120</b>	<b>8,700,280</b>	<b>(274,840)</b>	<b>(3.10%)</b>
<b>Capital Expenditure and Financing:</b>					
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%
<b>Subtotal - Capital Expenditure and Financing</b>	<b>137,770</b>	<b>170,360</b>	<b>170,360</b>	<b>0</b>	<b>0.00%</b>
<b>Subtotal Before Transfers to Reserves</b>	<b>7,917,430</b>	<b>9,145,480</b>	<b>8,870,640</b>	<b>(274,840)</b>	<b>(3.00%)</b>
Appropriations to / (from) Reserves	216,290	(94,650)	175,000	269,650	(284.90%)
<b>Total</b>	<b>8,133,720</b>	<b>9,050,830</b>	<b>9,045,640</b>	<b>(5,190)</b>	<b>(0.10%)</b>

4.20 The forecast outturn for the year before transfers from reserves is an under-spend of (£275k). After the planned transfers into reserves, we are currently forecasting a remaining minor under-spend of (£5k), 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*

- 4.21 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.
- 4.22 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.
- 4.23 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.
- 4.24 In total, there is a net under-spend of (£349k) 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.

### *2025/26 Director Transition Arrangements*

- 4.25 The 2025/26 budget included an amount for costs relating to the process and handover period for appointment of a new Director.
- 4.26 Based upon the previously reported interim arrangements, the forecast position on the relevant budgets held within Resources and within Central Costs is for a net under-spend of (£54k) 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. It has been determined that the use of agency resources for backfilling would not be effective in the circumstances.
  - b) There is a net over-spend of £10k 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*

- 4.27 The significant variances against budget for each of the service areas are explained below.
  - 4.28 Pensions Administration – Forecast Over-Spend £41k:
  - 4.29 There is a total net under-spend of (£35k) 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 (£46k), after taking account of the department's vacancy allowance.
    - c) A net forecast over-spend of £45k in relation to overtime for backlog processing, casual hours and maternity leave, offset by changes in hours. The additional spend on overtime is an intentional measure to use the vacancy underspends to fund this as a way of making up for the shortfall in resourcing.
  - 4.30 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
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cost paid to one member to compensate them for an error made by the Authority when processing a Transfer In Quote.

- 4.31 The Hybrid Mail budget is forecast to be over-spent by £6k. Working through the pensions backlog has continued to see an increase in usage through 2025/26.
- 4.32 There is a forecast net over-spend of £52k in relation to Professional Services. The main driver of this over-spend is consultancy costs of £64k; relating to use of an external provider to support the Authority with clearing a portion of outstanding pensions processes to ensure that a further backlog is not created. These costs were not anticipated at the time the budget was set a year ago. This overspend is reduced by a saving of (£12k) for external support in the design and production of member communications.
- 4.33 A small under-spend of (£3k) in total is forecast comprising small variances including death certificates, HMRC interest payments, training, recruitment, fees and other premises costs.
- 4.34 Investment Strategy – Forecast Under-Spend (£6k):
- 4.35 There is a total net under-spend of (£12k) forecast on staffing costs which comprises the following items:
- a) The forecast saving for this department relating to the pay award is (£3k).
  - b) Within the department there is a vacant post; the requirement of the post moving forward is under review in conjunction with the anticipated outcomes of the Pensions Bill. The impact of this is a net forecast under-spend of (£9k), after taking account of the department's vacancy allowance.
- 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 £2k are forecast due to the increased use of Corporate Subscriptions and Other Professional Services, offset by a lower usage of the training and catering budgets.
- 4.38 Resources – Forecast Under-Spend (£148k):
- 4.39 There is a total net under-spend of (£164k) 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 and additional changes in working hours is a forecast under-spend of (£85k), after taking account of the department's vacancy allowance.
  - c) The Director transition arrangements set out above at paragraph 4.25, show a forecast net under-spend of (£64k).
- 4.40 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.
- 4.41 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.
- 4.42 Other minor net over-spends of £1k are forecast in relation to the increased usage of other professional services and consultancy, offset by a reduction in training expenditure.
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4.43 ICT – Forecast Under-Spend (£151k):

4.44 There is a total net under-spend of (£145k) 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 financial year, with any recruitment commencing in 2026. Additionally, there were unplanned costs relating to a termination payment. The impact of this is a forecast net under-spend of (£135k), after taking account of the department's vacancy allowance.

4.45 There is a total net under-spend of (£9k) forecast on software costs which comprises the following items:

- a) The HR & Payroll system budget is forecast to be under-spent by (£32k) 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 more expensive than what 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.

4.46 A minor over-spend of £3k is forecast in relation to the ICT Network and Infrastructure.

4.47 Central Costs – Forecast Under-Spend (£5k):

4.48 There is a total net over-spend of £22k 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 above at paragraph 4.25, show a forecast net over-spend of £10k.
- c) The past service pension surplus is forecast to be over-spent by £14k. The surplus the Authority is entitled to is driven by the assumed pensionable pay for our staff in the pension scheme. As there have been savings on the staffing budgets, this has reduced the surplus we are entitled to.

4.49 Buildings expenditure is forecast to be a net under-spend of (£17k). The main drivers of the under-spends are reductions in utility costs and repairs and maintenance, offset by forecast over-spends relating to the events room having undergone a one-off piece of work to try and improve the acoustics.

4.50 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. This took place after the budget was set for 2025/26 but has been factored into the budget planning for 2026/27 onwards. 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.

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- 4.51 An over-spend of £13k is forecast on the corporate training budget. There have been a number of internal staff moves, noted throughout the report, resulting in additional requirements for a variety of training to ensure all staff have the appropriate skillset in their role.
- 4.52 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.
- 4.53 A number of small over-spends of £5k in total is forecast on corporate subscriptions, venue hire and catering.
- 4.54 Democratic Representation – Forecast Under-Spend (£6k):
- 4.55 Member allowances have increased by 3.2% in line with the nationally agreed pay award for local government staff. The 2025/26 budget was set with an assumed increase of 3% for member allowances. There is a net total under-spend of (£6k) for member allowances comprising the following items:
- 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.
  - 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

- 4.56 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	59,000	(10,000)	153,855
ICT Reserve	183,360	86,000	0	269,360
Capital Projects Reserve	76,380	40,000	0	116,380
<b>Total Earmarked Reserves</b>	<b>364,595</b>	<b>185,000</b>	<b>(10,000)</b>	<b>539,595</b>
<b>Net Total Transfer</b>		<b>175,000</b>		

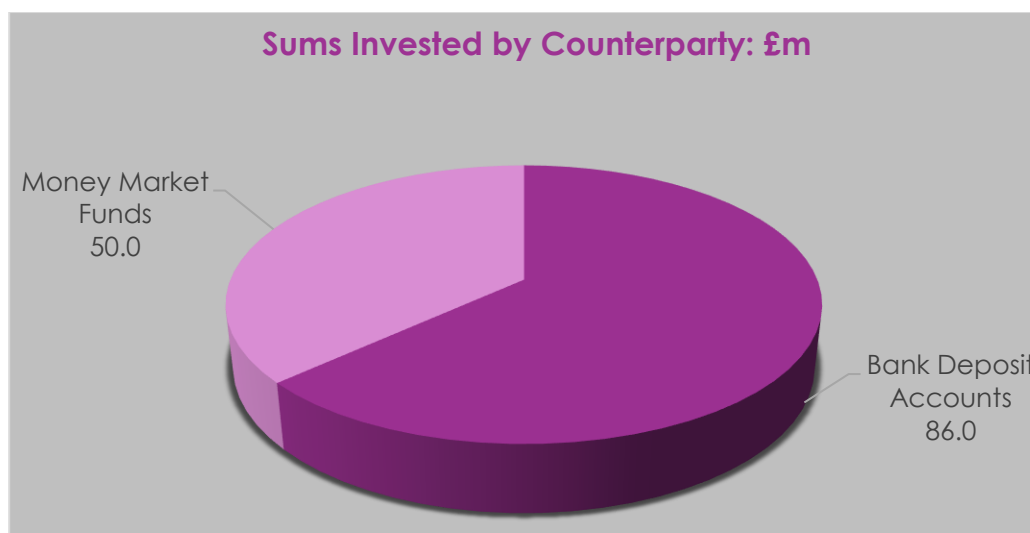
- 4.57 The planned transfer out of the Corporate Strategy Reserve is to contribute towards the cost of the triennial investment strategy review.
- 4.58 The planned transfers into the Corporate Strategy Reserve are to transfer funds from the forecast revenue budget underspends to be used for meeting future corporate priorities.
- 4.59 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.

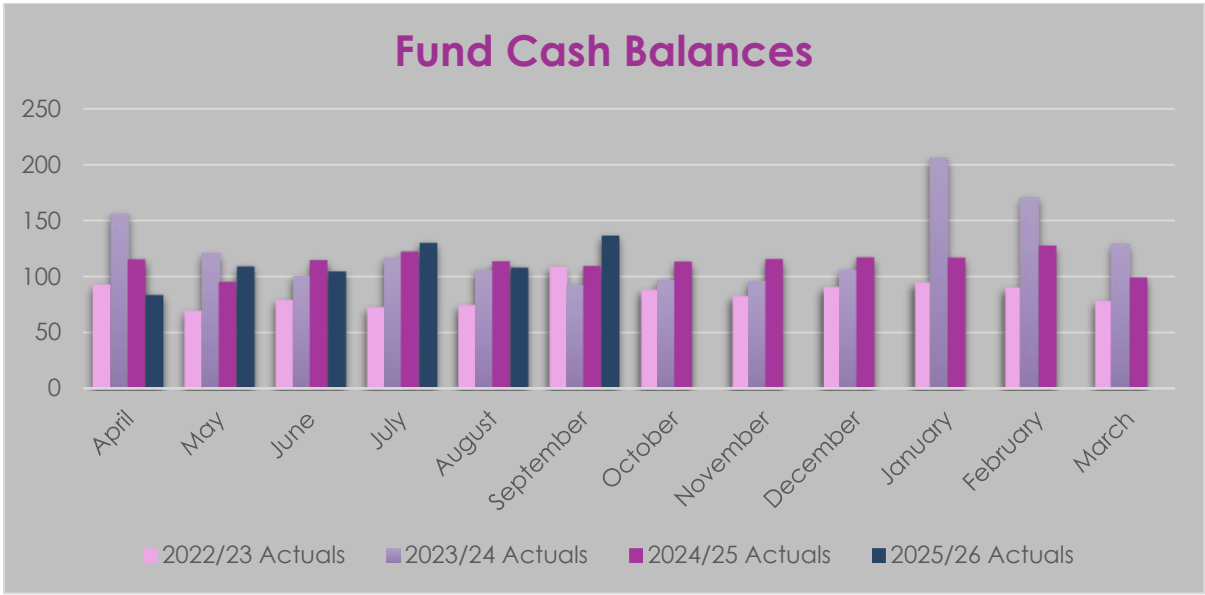
- 4.60 The proposed transfer into the Capital Projects reserve comprises the under-spends arising in 2025/26 from the effect of the change in lease accounting. These reserved funds will be used in future years for financing planned maintenance and improvements to the Oakwell House office.
- 4.61 The result of the above is a net total transfer into reserves of £175,000.
- 4.62 The forecast balance of the revenue reserves following the transfers proposed for the year, is £540k in total, equating to 5.9% 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*

- 4.63 The Fund's sterling cash balances at 30 September 2025 stood at £136.0 million (£104.4 million at 30 June 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.



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



4.65 Cash is only held pending Fund investment and the balance of cash at the end of the quarter represents 1.15% of the Fund, compared with 0.92% at 30 June 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 November 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, four have reduced and there is one new risk as explained below.
  - 5.4 Risk *IAF-001 Material changes to the value of investment assets and/or liabilities* – has increased score from 12 to 16. The increase of this risk score is driven by the strengthening of the external consensus that the Artificial Intelligence market gains have created a bubble which could soon pop. Should the bubble pop, this could lead to material volatility across financial markets, with potentially large losses of asset values within the Fund. Additionally, the geopolitical uncertainty remains at an escalated level.
  - 5.5 Risk *IAF-003 Border to Coast Strategic Plan* – has reduced score from 12 to 9. The risk score has been lowered following the agreements being in place to bring 7 new partners into Border to Coast, which has been a key step risk mitigation. Border to Coast still have a significant amount of work to do including developing the investment advisory role, before we would expect the risk score to be at target.
  - 5.6 Risk *IAF-005 Employer contributions become unaffordable* – has reduced score from 12 to 9. The risk score has reduced following the significant progress of the Valuation work. The substantive Valuation work has been completed, with a good degree of certainty around the funding position and contributions rates for employers. At the 2025 Valuation the Fund is 142% funded, this strong position enables a proportion of the surplus to be returned to employers through a reduction in contributions rates.
  - 5.7 Risk *IAF-010 The Pensions Review* – has reduced score from 12 to 9. After a review of the planning work done to date, it indicates there is a measured approach being taken to the transition of new partner assets. A measured approach will help to ensure other developments can continue broadly as planned, bringing the risk score to target.
  - 5.8 Risk *PEO-003 Single person risk in specialist knowledge roles* – has reduced score from 12 to 9. Business continuity planning work has now been completed, which has identified and implemented mitigations relating to single person risk in the event of a business continuity incident. The risk score is now at target but will remain on the risk register in a monitoring state to ensure the outstanding actions are completed.
  - 5.9 Risk *ORG-009 Major ICT Failure* – is a new risk with score of 12 and target score of 9. As part of the operational risk review process, it was determined that the risk of Major ICT Failure should be escalated to the Strategic Risk Register. The use of technology is critical in all facets of the work of the Authority and the Fund. There are already a significant number of preventative measures in place.
  - 5.10 There were no other changes to risk scores.
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## 6. Learning from things that happen

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

	Received in Q2 2025/26	Received in Q1 2025/26	Received YTD 2025/26	Received in Previous Year: 2024/25
Complaints	18	7	25	39
Appeals Stage 1	3	1	4	6
Appeals Stage 2	0	5	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 During the quarter it has become clear there has been an increase in members expectations for how quickly their case will be processed. To ensure members are given accurate information on when they can expect their case to be processed, there have been corrective actions taken including additional staff training and updating the Service Standards published to members.
- 6.4 Three stage 1 appeals were determined during the quarter. Two were not upheld, with one of these being rejected. One appeal was upheld resulting in changes to our website and additional training for the teams involved with the work; following the actions taken, the appeal has now been closed.

### *Breaches of Law and Regulation*

	Recorded in Q2 2025/26	Recorded in Q1 2025/26	Recorded YTD 2025/26	Total Number Recorded in Previous Year 2024/25
Breaches recorded	9	11	20	41

- 6.5 As previously reported, training and awareness raising has resulted in more accurate recording of breaches. The details of the 9 breaches recorded in quarter 2 are as follows.
- a) 1 breach related to an AVC not paid at the same time as the main scheme pension.
  - b) 7 breaches relate to late payment of refunds.
  - c) 1 breach reported to the Pensions Regulator.
- 6.6 The breach reported to the Regulator was in relation to the McCloud data not being ready to be included within the Annual Benefits Statements and any rectifications being undertaken by 31 August 2025. The breach had been expected following the



determination to delay rectification to August 2026, made by the Authority at the June 2025 meeting.

### *Satisfaction Surveys*

- 6.7 A survey of 537 retiring members between May and July 2025 found that 96% of the 82 respondents were satisfied with the service they received, an increase in satisfaction rate of 2% on the previous quarter. Responses which were only part completed have been excluded from the figures.
- 6.8 A customer centre survey sent out to 4,017 members for the same period showed that of the 342 respondents, 88% were satisfied with the service they received, which is the same satisfaction rate as the previous quarter.