

Report to: Pension Board

Date of meeting: 4 November 2025

By: Chief Finance Officer

Title: East Sussex Pension Fund Quarterly Budget Report

Purpose: This report provides the Quarter 2 forecast financial outturn of the East Sussex Pension Fund for the 2025/26 financial year.

RECOMMENDATION:

The Pension Board is recommended to note the second quarter projected 2025/26 outturn position.

1. Background

1.1 The East Sussex Pension Fund's (the Fund) business plan and budget sets out the direction of travel, objectives and targets to be achieved in the financial management for the administering authority to carry out its statutory duties in a structured way. The Pension Committee is charged with meeting the duties of the Council as administering authority in respect of the Fund.

1.2 At its meeting on the 27 February 2025 the Pension Committee agreed a budget of £4.645m to support the business plan for 2025/26. The budget estimates do not incorporate any provision for investment fees earned by the investment managers since there is limited scope for the Fund to influence these costs. This is due to the nature of the fees being based on factors outside the control of the Fund such as market movements, strategic asset allocation changes and ownership of mandates at pool level. Further to this, the budget did not include a provision for the implications of the 'Fit for the Future' consultation and the potential costs associated with this were reported through Pension Reform reports and an allowance for the usual ACCESS costs was included.

2. 2025/26 Quarter 2 Forecast Outturn Position

2.1 The budget requirements for 2025/26 were set at £4.645m (£4.561m 2024/25 excluding manager fees) to support the Business Plan activities and administration of the Fund. The forecast outturn at the second quarter of 2025/26 is £4.755m, an increase of £0.110m from the approved budget. This increase is mainly due to impacts from the 'Fit for the Future' consultation outcomes, including recognition of the expected costs for ACCESS and the cost of additional support in selecting a new pool provided by Barnett Waddingham. Not included in this forecast are additional costs that will be incurred around joining Border to Coast Pension Partnership Pool, as it is not possible to estimate these at this time. There have also been increases on actuarial fund work and consultancy costs. These increases have been offset by a reduction to staff costs in the year, more detail around the main movements is provided in paragraphs 2.2 to 2.5.

2.2 Within investment advice there are costs associated with supporting the ACCESS Authorities with the activities that are undertaken by the ACCESS support unit (ASU). As a result of the 'Fit for the Future' consultation a revised budget has been provided, which

covers the business as usual and winddown activities that will need to be undertaken during the year by the ASU. The Fund had initially budgeted for a figure based on the prior year costs which has now been amended. The Fund has also utilised the investment advice of Barnett Waddingham to assist in the process of assessing the viable pooling options for East and West Sussex Pension Funds in determining the most appropriate pooling partner. These activities have increased the expected investment advice costs for the year by £97,000.

2.3 Actuarial Fund work costs have been increased, with an expectation that a substantial piece of work to assess the impact of Local Government Reorganisation changes to the local council employers within the Fund. This has been estimated to be equivalent to a second valuation taking place during the year. This has resulted in an expected increase of £50,000 to the Actuarial Fund Work costs for the year.

2.4 Additional unforeseen work has needed to be commissioned from a third-party consultant to complete the Guaranteed Minimum Pension (GMP) rectification project the costs of this work has been agreed, and this has resulted in an additional one-off cost of £50,000 on the 'consultancy' line for the year.

2.5 The reduction to staff costs has primarily been driven by the departure of the interim Deputy Head of the Pension Fund and a subsequent restructure of the senior management of the Pension Fund. There are some vacancies and changes to hours for more junior staff within the Fund which has also contributed to the decrease of £129,000.

2.6 The 2025/26 outturn against budget line items is shown in the table below.

2025/26 Outturn Report

Outturn 2024/25 £000	Item	2025/26 Budget £000	2025/26 Actual Outturn Year to Date £000	2025/26 Forecast Outturn Q2 £000	2025/26 Variance £000
	Fund Staff Costs				
2,334	Fund Officers	2,460	46	2,331	129
2,334	Sub Total	2,460	46	2,331	129
	Oversight and Governance Expenses				
384	Investment Advice	386	383	483	(97)
71	Actuarial Fund Work	105	29	155	(50)
92	Actuarial Employer Work	92	52	100	(8)
(92)	Employer reimbursement	(92)	(23)	(108)	16
24	Legal Fees	49	10	55	(6)
42	Governance consultancy costs	60	2	60	-
144	Audit	142	(35)	134	8
665	Sub Total	742	418	879	(137)
	Investment Expenses				
102	Custodian	106	5	111	(5)
102	Sub Total	106	5	111	(5)
	Administration Expenses				
524	IT Systems licenses costs and Hardware	613	375	613	-
344	Overheads	348	-	360	(12)
91	Admin operational support services	65	(11)	91	(26)
92	Improvement projects	105	19	105	-
30	Consultancy	34	16	84	(50)
7	Communications	36	-	36	-
13	Training	46	5	55	(9)
83	Subscriptions	77	34	76	1
12	Other Expenses	18	6	19	(1)
1,196	Sub Total	1,342	443	1,439	(97)
	Income				
(21)	Other Income	(5)	(60)	(5)	-
(21)	Sub Total	(5)	(60)	(5)	-
4,276	Total	4,645	852	4,755	(110)

3. Conclusion and reasons for recommendation

3.1 The Board is recommended to note the second quarter projected 2025/26 outturn position.

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